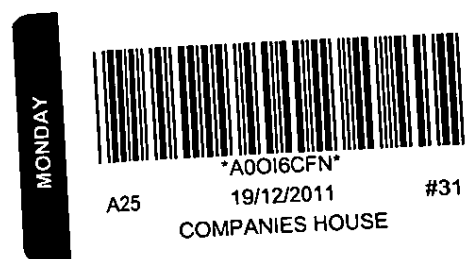


# bet365 Group Limited

## REPORT AND FINANCIAL STATEMENTS

27 March 2011

Company Registration No 04241161



# bet365 Group Limited

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# bet365 Group Limited

## DIRECTORS AND ADVISORS

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### DIRECTORS

P Coates

JF Coates

D Coates

WW Roseff

### SECRETARY

SJ Adlington

### REGISTERED OFFICE

Hillside

Festival Way

Stoke-on-Trent

Staffordshire

ST1 5SH

### AUDITORS

Baker Tilly UK Audit LLP

Chartered Accountants

Festival Way

Stoke-on-Trent

Staffordshire

ST1 5BB

# bet365 Group Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of bet365 Group Limited for the 52 week period ended 27 March 2011

### PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of Internet, mobile and telephone sports betting along with an online casino, games, bingo and poker room, on-course betting and software development. The Group is the majority shareholder of Stoke City Football Club Limited and owns Stoke City (Property) Limited, in turn owning the stadium and training ground used by the Club. bet365 Group Limited is the holding Company of the Group and owns certain office buildings used by the Group.

### RESULTS AND DIVIDENDS

The Group's profit before taxation for the period comprised of £98,688,000 (2010 £104,633,000) from its gambling operations and a loss of £7,441,000 (2010 £3,951,000) on the Football Club and Stoke City (Property) Limited, resulting in a combined Group profit of £91,247,000 (2010 £100,682,000) for the period.

The directors paid a total dividend of £25,000,000 during the period (2010 £25,000,000) which leaves a profit of £50,471,000 (2010 £55,362,000) to be retained.

### REVIEW OF THE BUSINESS

The Group experienced significant growth during the year, with overall revenues from the Group's gambling activities increasing by 22%. The Group continued to invest across its entire product range and was awarded 'Operator of the Year', 'Casino Operator of the Year', and 'Best Website Performance' at the eGaming Review Awards ('eGR') in November 2010, in addition to being named as the Number 1 Operator in the eGR Annual Power 50.

Overall, the Group's Sports and Gaming operating profit for the year was £97.3m (2010 £103.5m). The small decrease on the prior year, despite the rise in revenues, reflected the Group's high investment levels in the period, combined with additional costs incurred in relation to its preparation for newly regulated markets.

Trading under its bet365 brand, the Group's Sports product benefitted from a number of key improvements during the year, including the launch of its new In-Play site, which incorporates latest technologies for a better customer experience, a more user-friendly layout, and the inclusion of instant games. Coupled with this, the Group continued to invest heavily in the provision of its web content, increasing the number of live streamed events to over 20,000 during the course of the year, thereby helping the Group retain and promote its market-leading Sports offerings, with amounts wagered increasing by 58%.

A new and improved in-house Mobile Betting platform was also launched during the year, being easier to navigate and including a range of new features such as multiple bets and access to its market leading In-Play service. This helped amounts wagered increase by over 500% through this channel, representing an important growth area for the business.

The Group continued to invest in competitive customer offerings and the introduction of its 'bet365 Price Promise' for horseracing, whereby the prices for all races shown live on Channel 4 or the BBC are constantly updated to ensure that bet365 offers the best price on every horse running compared to its core competitors. The World Cup 2010 provided the highlight to the Sports calendar, with nearly 10 million bets taken over the course of the tournament.

Overall, Sports net revenues increased by nearly 40%, and were matched by similar levels of increase in active customers, reaching over one million active sports users during the year. The number of signups and new depositors also increased by some 34% on the prior year, with the cumulative number of registered customers reaching nearly six million by the end of the financial period.

# bet365 Group Limited

## DIRECTORS' REPORT

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### REVIEW OF THE BUSINESS (continued)

Hillside (Gibraltar) Limited's dedicated gaming operation also performed strongly during the year, supported by a number of significant developments in the period, including the launch of its instant mini-games incorporated within bet365's new In-Play site, the introduction of over 150 new games including popular branded games such as Blade, X-Men and Gladiator, the launch of its new mobile casino product, and an extension to the 'live dealer' casino service with additional European dealers

Gaming turnover for the year was broadly in line with the previous year, albeit partly impacted by a slower start to the year for Casino. In the second half of the year, the underlying growth trend was positive, reflecting the strength of bet365's brand along with the investments made in its new product offerings, and, in particular, the contributions earned from the new instant mini-games

Poker continues to be a competitive market, but revenues remained stable with increased focus on reducing cost per customer acquisition to help maximize contribution from this area of the business. Games, however, performed particularly strongly, with net revenue and active users up 46% and 38% respectively on the previous year, helped by the attraction of new customers following a change to the New Customers' initial bonus offer to match that of the Casino

Bingo net revenue increased 26% on the previous year, with active users up by some 77%, as the product continued to grow and become further established. The ongoing TV campaign had a positive impact on turnover and revenues

The Group's share of Stoke City Football Club's losses for the period was £7,441,000 (2010 £3,951,000). The Club maintained its status as a Premier League Football Club, and operated at full capacity for most matches. The Club has continued to invest in the quality and depth of its squad, with annual wage costs increasing to £48.2m (2010 £44.7m). The Group continued to support, fund and invest in the Club throughout the period

The Boards of bet365 Group, Hillside (Gibraltar) Limited, the Football Club and Stoke City (Property) Limited each budget their own cost bases and revenues, ensuring that any variances are analysed and explained, and were satisfied with both the results and achievements for the financial period

### RISKS AND UNCERTAINTIES

There are a number of material risks and uncertainties which are common to all the major providers of remote gambling services. These include

- 1 Volume risks – Competitors could attract away bet365's customers and/or bet365's marketing spend may not sufficiently attract new customers
- 2 Margin risk – Although bet365's Trading team are experienced in managing risk, there is always a range of profit/loss for different outcomes of an individual event. This means that a run of poor results could adversely affect margin over a period. However, historically, the Group has found that margins revert to normal levels over a longer time period
- 3 Regulatory risk – Regulatory, legislative and fiscal regimes for betting and gaming in bet365's key markets can change, sometimes at short notice. Such changes could have an effect on the results of bet365 and additional costs might be incurred in order to comply with any new laws or regulations. bet365 monitors legislative and regulatory developments in all of its key markets allowing it to quickly assess and adapt to changes in the environment and minimise risks to the business
- 4 Technology risk – the majority of the Group's business is transacted over the Internet. The Group is continually investing at a high level to minimise technology risk, but there remains the possibility that a technology failure could adversely affect the Group's ability to trade for a period, and therefore affect its profits

# bet365 Group Limited

## DIRECTORS' REPORT

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### RISKS AND UNCERTAINTIES (continued)

The Football Club's main risks and uncertainties centre around the ability to train, acquire and develop Players to sufficient standard to retain and improve its position in the Premier League

### FUTURE DEVELOPMENTS

The Group continues to invest in its product development, infrastructural requirements and marketing programmes utilising its 'bet365' brand, and expects the business to continue to perform and grow strongly across its product range. The changing worldwide gambling and leisure industries may or may not provide opportunities for further acquisitions by the Group

### FINANCIAL INSTRUMENTS

The Group's cash flow fluctuates according to the timing of payments and receipts and the Group's overall profitability. The directors manage deposits to gain favourable interest rates commensurate with having funds available to meet requirements on demand. Although interest received will vary according to interest rate levels, the differences to Group results arising are not sufficient to warrant the Group using derivatives or other methods to manage interest rates in any way

### HEDGING FOREIGN EXCHANGE TRANSACTIONS

The Group accepts bets in different currencies. The Group's policy is to hedge this risk where significant. At the year end no financial instruments were outstanding

### RESEARCH AND DEVELOPMENT

The Group encourages innovation in its product offerings, both by improving existing products and introducing new opportunities. Some bet offerings and games are unique to bet365, others have been imitated by other firms. Successful innovation attracts new customers to bet365 and encourages others to remain with bet365

### MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of property at 27 March 2011 is not materially different from the net book value included in the financial statements, but they are unable to quantify this in the absence of a professional valuation, the costs of which are not considered justifiable in view of the Group's intention to retain ownership of its existing property for use in its business for the foreseeable future

### DIRECTORS

The following directors have held office since 29 March 2010

P Coates

JF Coates

D Coates

WW Roseff

### EMPLOYEES

It is the Group's policy that disabled persons should have the same consideration as others for all job vacancies for which they apply as suitable candidates and, depending entirely on their skills and abilities, they have the same opportunity for training, career development and promotion as other employees. Attention is paid to the training and other needs of persons who become disabled whilst in the Group's employment

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through formal team briefings and informal meetings

# bet365 Group Limited

## DIRECTORS' REPORT

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### EMPLOYEES (continued)

Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

### POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made charitable contributions during the period of £404,000 (2010 £172,000), consisting of £250,000 to the Responsibility in Gambling Trust, £50,000 to children's charities, £50,000 to charities helping those with disabilities, £22,000 to World Concern and £32,000 to local charities


### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

### AUDITORS

Baker Tilly UK Audit LLP, Chartered Accountants, were appointed auditors by the company. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and therefore Baker Tilly UK Audit LLP will continue in office

By order of the board



**SJ Adlington**  
Secretary

Hillside  
Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5SH

15 December 2011

# bet365 Group Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF bet365 GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 27 March 2011 and of the group's profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Baker Tilly UK Audit LLP*

Anne Lakin (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Festival Way

Stoke-on-Trent

Staffordshire

ST1 5BB

*16 December* 2011

# bet365 Group Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 week period ended 27 March 2011

		52 week period ended 27 March 2011			52 week period ended 28 March 2010
	Note	Sports and gaming £000	Football Club and facilities £000	Total £000	£000
AMOUNTS WAGERED		8,535,731	-	8,535,731	5,402,989
TURNOVER	1	439,312	62,099	501,411	419,750
Operating expenses		(341,979)	(72,029)	(414,008)	(321,889)
OPERATING PROFIT		97,333	(9,930)	87,403	97,861
Profit on disposal of players' registrations		-	2,402	2,402	1,629
Interest receivable and similar income	2	1,355	91	1,446	1,199
Interest payable and similar charges	3	-	(4)	(4)	(7)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1-5	98,688	(7,441)	91,247	100,682
Taxation	6			(15,776)	(20,320)
PROFIT FOR THE PERIOD	18			75,471	80,362

Turnover and operating profit are derived from the Group's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

**bet365 Group Limited**  
**CONSOLIDATED BALANCE SHEET**  
**At 27 March 2011**

	Note	27 March 2011		28 March 2010	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Intangible assets	8		38,375		41,083
Tangible assets	9		97,659		71,460
			<u>136,034</u>		<u>112,543</u>
<b>CURRENT ASSETS</b>					
Stocks	11	674		589	
Debtors (amounts due in more than one year £2,676,000 (2010 £3,991,000))	12	33,646		19,714	
Cash at bank and in hand		177,686		150,939	
		<u>212,006</u>		<u>171,242</u>	
<b>CREDITORS</b> Amounts falling due within one year	13	(143,524)		(126,503)	
<b>NET CURRENT ASSETS</b>			<u>68,482</u>		<u>44,739</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>204,516</u>		<u>157,282</u>
<b>CREDITORS</b> Amounts falling due in more than one year	14		(6,941)		(8,001)
<b>PROVISIONS FOR LIABILITIES</b>	15		(188)		(2,365)
<b>NET ASSETS</b>			<u>197,387</u>		<u>146,916</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		3		3
Share premium account	17		18,998		18,998
Profit and loss reserve	18		178,386		127,915
<b>SHAREHOLDERS' FUNDS</b>			<u>197,387</u>		<u>146,916</u>

The financial statements on pages 8 to 35 were approved by the board of directors and authorised for issue on ~~15 December~~ 2011 and are signed on its behalf by

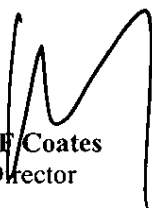
JF Coates  
Director

Company Registration No 04241161

**bet365 Group Limited**  
**COMPANY BALANCE SHEET**  
**At 27 March 2011**

	Note	27 March 2011		28 March 2010	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	9		12,532		10,800
Investments	10		10,000		10,000
			<u>22,532</u>		<u>20,800</u>
<b>CURRENT ASSETS</b>					
Debtors (amounts due in more than one year £55,251,000 (2010 £39,751,000))	12	55,315		39,828	
<b>CREDITORS</b> Amounts falling due within one year	13	(35)		(11)	
<b>NET CURRENT ASSETS</b>			<u>55,280</u>		<u>39,817</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>77,812</u>		<u>60,617</u>
<b>CREDITORS</b> Amounts falling due in more than one year	14		(51,274)		(34,233)
<b>PROVISIONS FOR LIABILITIES</b>	15		(108)		(74)
<b>NET ASSETS</b>			<u><u>26,430</u></u>		<u><u>26,310</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		3		3
Share premium account	17		18,998		18,998
Profit and loss reserve	18		7,429		7,309
<b>SHAREHOLDERS' FUNDS</b>			<u><u>26,430</u></u>		<u><u>26,310</u></u>

The financial statements on pages 8 to 35 were approved by the board of directors and authorised for issue on ~~15 December~~ 2011 and are signed on its behalf by

  
**JF Coates**  
 Director

Company Registration No 04241161

# bet365 Group Limited

## CONSOLIDATED CASH FLOW STATEMENT

For the 52 week period ended 27 March 2011

	Note	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
CASH FLOW FROM OPERATING ACTIVITIES	20	128,845	154,835
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,572	1,154
Interest paid		(4)	(7)
NET CASH INFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		1,568	1,147
TAXATION		(21,260)	(20,407)
CAPITAL EXPENDITURE			
Purchase of intangible assets		(19,501)	(25,976)
Sale of intangible assets		7,902	4,809
Purchase of tangible fixed assets		(45,840)	(38,594)
Sale of tangible fixed assets		104	45
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE		(57,335)	(59,716)
ACQUISITIONS AND DISPOSALS			
Acquisition of a subsidiary – deferred consideration		-	(2,230)
NET CASH OUTFLOW FOR ACQUISITIONS AND DISPOSALS		-	(2,230)
DIVIDENDS PAID	7	(25,000)	(25,000)
FINANCING			
Loan repayments		(71)	(224)
NET CASH OUTFLOW FOR FINANCING		(71)	(224)
INCREASE IN CASH IN THE PERIOD	22	26,747	48,405

# bet365 Group Limited

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 52 week period ended 27 March 2011

		Group	Company		
Note	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000	
PROFIT FOR THE FINANCIAL PERIOD		75,471	80,362	25,120	25,242
Dividends paid	7	(25,000)	(25,000)	(25,000)	(25,000)
NET ADDITION TO SHAREHOLDERS' FUNDS		50,471	55,362	120	242
Opening shareholders' funds		146,916	91,554	26,310	26,068
CLOSING SHAREHOLDERS' FUNDS		197,387	146,916	26,430	26,310

# bet365 Group Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The Group has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the bet365 Group Limited group and are controlled 100% by the Group

The financial statements have been prepared on a going concern basis, which assumes that the group will be able to continue to trade for the foreseeable future

The validity of the going concern basis is dependent upon the group managing the risks of the business as identified in the directors' report on page 3 and its financial arrangements. The directors consider that they have sufficient controls in place to manage the risks of the group and that the group has and will continue to generate sufficient cash flows to meet the group's working capital requirement without the need for any external finance

On this basis the directors consider it appropriate to prepare financial statements on a going concern basis

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of bet365 Group Limited and all of its subsidiary undertakings for the period. Subsidiaries acquired during the period are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as goodwill, less any provision made for goodwill impairment. All financial statements are made up to 27 March 2011 except for Stoke City Holdings Limited and Stoke City Football Club Limited which have a 31 May 2011 year end to align the financial year end with the commercial considerations of the individual entities. Detailed management accounts at 31 March 2011 have been used as a basis for the consolidation of these subsidiaries. In addition Stoke City (Property) Limited's year end is 31 March 2011

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account

### INTANGIBLE FIXED ASSETS

Purchased goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised

The directors have considered each constituent component of intangible assets separately to determine the appropriate amortisation in order that the financial statements provide a true and fair view

- The goodwill supportable by the strength of the bet365 brand and Stoke City Football Club are considered to have an indefinite useful economic life and will not be amortised but subject to an annual impairment review in accordance with Financial Reporting Standard 10 and Financial Reporting Standard 11, with any excess of the carrying amount of goodwill over its recoverable amount being charged directly to the profit and loss account in the period in which it occurs

# bet365 Group Limited

## ACCOUNTING POLICIES

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### INTANGIBLE FIXED ASSETS (continued)

- The goodwill arising on the acquisition of the trade of Bowmans International Sports (IOM) Limited is written off evenly over 5 years from the date of acquisition on 1 December 2006, as in the opinion of the directors this represents the period over which the goodwill is expected to generate economic benefit
- The third party costs associated with the acquisition of players' registrations and coaching staff are capitalised and amortised on a straight line basis over the period of their respective contracts. Any transfer fees payable as a result of the occurrence of one or more uncertain future events are capitalised when it is probable such an event will occur. Provision for impairment is made when it becomes clear that the carrying amount exceeds the recoverable amount. In accordance with Financial Reporting Standard 10, no amounts are included for players developed within the Club.

The Companies Act 2006 requires goodwill and its constituent components to be amortised over a finite period. If the above departures from the Companies Act 2006 had not been made the profit for the financial period may have been decreased by amortisation. The amount of this amortisation is not considered material because of the indefinite life of these assets and the directors have invoked a true and fair override.

### TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Freehold land and buildings	-	No depreciation charged
Leasehold land and buildings	-	No depreciation charged or over the life of the lease
Fixtures and fittings	-	15% per annum straight line
Computer equipment	-	33.3% per annum straight line
Plant and motor vehicles	-	25% per annum straight line

No depreciation is provided on freehold land and buildings and certain long leasehold land and buildings used for the purpose of carrying on the Group's business. It is the Group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long that their depreciation is not material. An annual impairment review of the value of such properties is performed and any excess of the carrying amount of such properties over their recoverable amounts is charged to the profit and loss account as appropriate.

### INVESTMENTS

Fixed asset investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

### SOFTWARE DEVELOPMENT

Expenditure on software development is written off to the profit and loss account in the period in which it is incurred.

### STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value.



# bet365 Group Limited

## ACCOUNTING POLICIES

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### FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

The local currency of the overseas subsidiary is Sterling. No exchange differences therefore arise on consolidation of the overseas subsidiary.

### DEFERRED TAXATION

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax on future remittances from trading overseas subsidiaries are only provided to the extent dividends are accrued as receivable or that there is a binding agreement in place to distribute past earnings.

Deferred tax assets are only recognised when their recoverability can be assessed with certainty in the foreseeable future and is considered more likely than not.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### GRANTS

Grants received by Stoke City Football Club Limited from the Football Trust in respect of the building costs of the Britannia Stadium, the freehold of which is owned by Stoke City (Property) Limited, are treated as deferred income and released to the profit and loss account over a period of 50 years.

Grants received from The Football Trust and other awarding bodies in respect of other capital expenditure are treated as deferred income and released to the profit and loss account over the expected useful lives of the related assets.

Grants received in respect of revenue expenditure and financial support are recognised in the profit and loss account in the period in which the relevant expenditure is incurred.

A provision is recognised to the extent that repayment of a grant is considered probable.

### DEFERRED INCOME

Deferred income relates to Stoke City Football Club Limited and consists of season tickets, sponsorship and other elements of income which have been received prior to the period end in respect of football events, matches or seasons.

### LEASED ASSETS AND OBLIGATIONS

Leases that do not give rights approximating to ownership are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

### RETIREMENT BENEFITS

The group contributes to a number of schemes.

A defined contribution (money purchase) pension scheme whose assets are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable for the period.

# bet365 Group Limited

## ACCOUNTING POLICIES

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### RETIREMENT BENEFITS (continued)

Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Certain of the employees of the Group participate in the Football League Pension and Life Assurance scheme and the Football League Players' Benefit scheme. Both schemes are defined benefit schemes co-sponsored by the FA Premier League and the Football League. The Group makes contributions to the schemes in accordance with the recommendations of the actuaries to the schemes. As Stoke City Football Club Limited is one of a number of participating employers in the schemes, it is not possible to allocate that part of any actuarial surplus or deficit owing to the club's employees. Consequently, contributions are charged to the profit and loss account as they become payable. In addition a provision has been established for future enhanced contributions following instruction from the actuaries of the schemes.

Contributions are also paid to individuals' money purchase pension schemes. The contributions are charged to profit and loss account in the period in which they become payable.

The assets of all the pension schemes are held separately from those of the Group in independently administered funds.

### AMOUNTS WAGERED

Amounts wagered represents the gross takings receivable from customers in respect of individual bets placed in the period on the telephone and interactive sports businesses, net winnings on gaming activity for on line casino, games and bingo and net fees and rakes earned from poker.

### TURNOVER

In accordance with Application Note G to Financial Reporting Standard 5, revenue is recognised under an exchange transaction with a customer when and to the extent that the Group obtains the rights to consideration in exchange for its performance.

Turnover is the revenue resulting from exchange transactions under which the Group supplies to customers the services that it is in the business to provide and is net of discounts, marketing inducements, VAT and other sales related taxes and is recognised as set out below.

In the case of Internet, mobile and telephone sports betting and on line casino operations (including games and bingo), turnover represents gains and losses from betting activity in the period.

In the case of the online poker room, turnover represents the net income from fees and rakes earned from poker activities in the period.

Turnover recognition is stated on a gross win basis for Internet, mobile and telephone sports betting operations, in line with industry best practice.

In respect of Stoke City Football Club Limited, turnover represents match receipts, Premier League receipts and other income arising from the Club's activities. Revenue is recognised when substantially all of the obligations under a sales contract have been fulfilled. Revenue received from the FA Premier League is recognised in the financial statements on the basis of the number of matches played up to the period end. This is in accordance with the FA Premier League guidelines on income recognition. Performance related awards have not been recognised until achieved by the Club, as the income cannot be assumed with certainty.

### CASH

Cash for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 1 SEGMENTAL REPORT

A geographical analysis of turnover and profit before taxation has not been given as in the opinion of the directors such disclosure would be severely prejudicial to the interests of the Group

Details for the current period of turnover and profit by class of business is given in the profit and loss account and comparative information for the 52 week period ended 28 March 2010 is shown below

	Sports and gaming £000	Football Club and facilities £000	Total £000
AMOUNTS WAGERED	5,402,989	-	5,402,989
TURNOVER	360,370	59,380	419,750
Operating expenses	(256,862)	(65,027)	(321,889)
OPERATING PROFIT/(LOSS)	103,508	(5,647)	97,861
Profit on disposal of players' registrations	-	1,629	1,629
Interest receivable and similar income	1,125	74	1,199
Interest payable and similar charges	-	(7)	(7)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	104,633	(3,951)	100,682

### 2 INTEREST RECEIVABLE AND SIMILAR INCOME

	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
Bank interest	1,446	1,199

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

3	INTEREST PAYABLE AND SIMILAR CHARGES	52 week	52 week
		period	period
		ended 27	ended 28
		March	March
		2011	2010
		£000	£000
	On bank loans and overdrafts	4	7
		<u>4</u>	<u>7</u>
4	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	52 week	52 week
		period	period
		ended 27	ended 28
		March	March
		2011	2010
		£000	£000
	Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
	Depreciation and amounts written off tangible fixed assets		
	Charge for the period		
	Owned assets	19,574	7,543
	Amortisation of player registrations	13,678	12,799
	Impairment of player registrations	1,266	2,115
	Amortisation of goodwill	1,765	1,763
	Profit on sale of fixed assets – included in operating expenses	(37)	(5)
	Operating lease rentals		
	Plant and machinery	51	46
	Land and buildings	408	311
	Grants released	(54)	(54)
	Software development	8,699	5,546
		<u>8,699</u>	<u>5,546</u>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

4	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
	Audit services		
	Statutory audit of parent and consolidation accounts	10	10
	Other services		
	Audit of subsidiaries where such services are provided by Baker Tilly associates	31	22
	Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP	88	86
	Work performed by associates of Baker Tilly in respect of consolidation returns or legal legislative requirements	4	4
	Further assurance services	9	9
	Tax services		
	Compliance services	20	19
	Advisory services	236	212
		<u>398</u>	<u>362</u>
	Comprising		
	Audit services	129	118
	Non-audit services	269	244
		<u>398</u>	<u>362</u>

Further assurance services includes fees paid in respect of auditing assignments to meet specific industry requirements including industry levy calculations. The Group audit fee includes £4,000 (2010: £4,000) in respect of the Company audit.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

5	EMPLOYEES	52 week period ended 27 March 2011 Number	52 week period ended 28 March 2010 Number
	The average monthly number of persons (including directors) employed by the group during the period was		
	Managers and supervisors	147	114
	Operations staff	1,276	1,011
	Full time playing staff and scholars	53	51
	Other staff	197	137
		<u>1,673</u>	<u>1,313</u>
		52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
	Staff costs for the above persons		
	Wages and salaries	94,955	74,966
	Social security costs	10,478	8,603
	Other pension costs	1,742	1,370
	Other staff costs	38	-
		<u>107,213</u>	<u>84,939</u>
	DIRECTORS' REMUNERATION	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
	Emoluments	6,639	3,006
	Pension fund contributions	60	60
		<u>6,699</u>	<u>3,066</u>

The pension payments in 2011 and 2010 were made to the personal pension plans of the directors  
No directors accrue benefits under the money purchase scheme

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 5 EMPLOYEES (continued)

	Highest paid director	
	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
Directors' emoluments disclosed on the previous page include the following payments		
Emoluments	4,482	1,272
Pension fund contributions	30	30
	<u>4,512</u>	<u>1,302</u>

6 TAXATION	52 week period ended 27 March 2011 £000      £000		52 week period ended 28 March 2010 £000      £000	
Current tax				
UK corporation tax on profits of the period	18,500		14,184	
Overseas tax	2,759		4,473	
Adjustments in respect of previous period	(3,322)		(217)	
	<u>          </u>		<u>          </u>	
Total current tax		17,937		18,440
Deferred tax				
Origination and reversal of timing differences	(1,938)		1,870	
Adjustments in respect of previous period	(223)		10	
	<u>          </u>		<u>          </u>	
Total deferred tax		(2,161)		1,880
		<u>          </u>		<u>          </u>
Tax on profit on ordinary activities		15,776		20,320
		<u>          </u>		<u>          </u>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 6 TAXATION (continued)

Factors affecting tax charge for the period	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
The tax assessed for the period is lower (2010 lower) than the standard rate of corporation tax in the UK 28% (2010 28%) The differences are explained below		
Profit on ordinary activities before tax	91,247	100,682
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2010 28%)	25,549	28,191
<i>Effects of</i>		
Expenses not deductible for tax purposes	361	239
Fixed asset timing differences	1,647	(1,789)
Non taxable income	(2,956)	(108)
Other timing differences	1,064	-
Difference in tax rate of overseas subsidiary	(4,966)	(8,089)
Adjustments in respect of previous period	(3,322)	(217)
Other differences	46	143
Unutilised tax losses carried forward	514	70
Current tax charge for the period	17,937	18,440

### 7 DIVIDENDS

	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
Ordinary shares		
Dividends paid	25,000	25,000

On 12 January 2011 and 15 March 2011 a dividend of £41.49 (2010 £41.49) per share was paid to both the ordinary shareholders and 'A' ordinary shareholders



# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 8 INTANGIBLE FIXED ASSETS

	Goodwill – Sports and gaming £000	Goodwill – Football Club and facilities £000	Player registrations £000	Total £000
<b>GROUP</b>				
<i>Cost</i>				
At beginning of period	14,378	6,276	55,099	75,753
Additions	-	-	19,501	19,501
Disposals	-	-	(14,184)	(14,184)
At end of period	14,378	6,276	60,416	81,070
<i>Amortisation</i>				
At beginning of period	7,266	-	27,404	34,670
Amortisation	1,765	-	13,678	15,443
Impairment	-	-	1,266	1,266
On disposals	-	-	(8,684)	(8,684)
At end of period	9,031	-	33,664	42,695
<i>Net book value</i>				
<b>At 27 March 2011</b>	<b>5,347</b>	<b>6,276</b>	<b>26,752</b>	<b>38,375</b>
At 28 March 2010	7,112	6,276	27,695	41,083

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 9 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold land and buildings	Fixtures, fittings, and computer equipment	Plant and motor vehicles	Total
	£000	£000	£000	£000	£000
<b>GROUP</b>					
<i>Cost</i>					
At beginning of period	24,755	12,584	51,267	4,041	92,647
Additions	3,274	2,175	38,307	2,084	45,840
Disposals	(25)	-	-	(545)	(570)
Reclassifications	-	(965)	1,083	(118)	-
At end of period	28,004	13,794	90,657	5,462	137,917
<i>Depreciation</i>					
At beginning of period	-	480	18,943	1,764	21,187
Charged in the period	-	133	18,414	1,027	19,574
On disposals	(9)	-	-	(494)	(503)
Reclassifications	11	(178)	180	(13)	-
At end of period	2	435	37,537	2,284	40,258
<i>Net book value</i>					
<b>At 27 March 2011</b>	<b>28,002</b>	<b>13,359</b>	<b>53,120</b>	<b>3,178</b>	<b>97,659</b>
At 28 March 2010	24,755	12,104	32,324	2,277	71,460

The net book value of leasehold land and buildings comprises

	27 March 2011 £000	28 March 2010 £000
Long leasehold	12,532	11,564
Short leasehold	827	540
	<b>13,359</b>	<b>12,104</b>

Depreciation in respect of long leasehold properties in the period was £nil (2010 £77,000) and £133,000 (2010 £64,000) in respect of short leasehold properties

Long leasehold of £12,532,000 (2010 £10,801,000) has not been depreciated in the period

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 9 TANGIBLE FIXED ASSETS (continued)

	Leasehold land and buildings £000
COMPANY	
<i>Cost</i>	
At beginning of period	10,801
Additions	1,731
	<hr/>
At end of period	12,532
	<hr/>
<i>Net book value</i>	
At 27 March 2011	12,532
	<hr/>
At 28 March 2010	10,801
	<hr/>

The net book value of leasehold land and buildings comprises

	27 March 2011 £000	28 March 2010 £000
Long leasehold	12,532	10,801
	<hr/>	<hr/>

### 10 FIXED ASSET INVESTMENTS

	Shares in group undertakings £000
COMPANY	
<i>Cost and net book value</i>	
At beginning and end of period	10,000
	<hr/>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 10 FIXED ASSET INVESTMENTS (continued)

The Company holds more than 20% of the equity (and no other share or loan capital) of the following undertakings

<i>Subsidiary undertaking</i>	<i>Country of registration</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held</i>	
			<i>Group</i>	<i>Company</i>
Hillside (New Media Holdings) Limited	UK	Holding company	100%	100%
Hillside (New Media) Limited	UK	Provision of Internet, mobile and telephone sports betting, and software development	100%	-
bet365 International NV	Netherlands Antilles	Dormant	100%	-
Hillside (Gibraltar) Limited	Gibraltar	Provision of online casino, poker room, bingo and games	100%	-
Hillside (Leisure) Limited	UK	Dormant	100%	-
Hillside (Gibraltar) Holdings Limited	Gibraltar	Dormant	100%	-
Hillside (Australia New Media) Pty Limited	Australia	Provision of Internet, mobile and telephone sports betting, and software development	100%	-
Stoke City Holdings Limited	UK	Holding company	100%	100%
Stoke City Football Club Limited	UK	Football Club	94.9%	-
Stoke City (Property) Limited	UK	Provision of stadium and training ground facilities	100%	-
Hillside (Alderney) Limited	Alderney	Dormant	100%	-
Hillside (Malta Holdings) Limited	Malta	Dormant	100%	0.1%
Hillside (Malta) Limited	Malta	Dormant	100%	0.1%

On 18 May 2010 the Group acquired the remaining shares in Stoke City (Property) Limited so that it became a 100% subsidiary and acquired further shares in Stoke City Football Club Limited to increase its shareholding to 94.9%

Following the year end three new subsidiary companies have been incorporated, Hillside (Spain New Media) plc being a 100% subsidiary of Hillside (New Media Holdings) Limited, Hillside Espana Leisure S A and Hillside (Gibraltar New Media) Limited being 100% subsidiaries of Hillside (Gibraltar Holdings) Limited

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

11	STOCKS	Group		Company	
		27 March 2011 £000	28 March 2010 £000	27 March 2011 £000	28 March 2010 £000
	Finished goods	674	589	-	-
<hr/>					
12	DEBTORS	Group		Company	
		27 March 2011 £000	28 March 2010 £000	27 March 2011 £000	28 March 2010 £000
	Trade debtors	5,396	6,515	-	-
	Amounts owed by group undertakings	-	-	53,898	38,398
	Corporation tax	-	-	64	-
	Other debtors	19,224	7,118	1,353	1,430
	Prepayments and accrued income	9,026	6,081	-	-
		33,646	19,714	55,315	39,828

Included within trade debtors for the Group is £nil (2010 £1,000,000) that fall due in more than one year

Included within other debtors for the Group is £2,676,000 (2010 £2,991,000) that fall due in more than one year

Included within other debtors for the Company are £1,353,000 (2010 £1,353,000) that fall due in more than one year. The amounts owed by group undertakings of £53,898,000 (2010 £38,398,000) fall due in more than one year

### 13 CREDITORS Amounts falling due within one year

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	27 March 2011 £000	28 March 2010 £000
Bank loans	76	76	-	-
Trade creditors	64,255	64,564	-	-
Corporation tax	10,432	10,410	-	-
Other taxation and social security costs	10,354	3,917	-	-
Other creditors	9,922	5,575	11	11
Accruals and deferred income	48,485	41,961	24	-
	143,524	126,503	35	11

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 14 CREDITORS Amounts falling due in more than one year

	Group		Company	
	27 March	28 March	27 March	28 March
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank loans	40	111	-	-
Trade creditors	4,250	1,717	-	-
Amounts owed to group undertakings	-	-	51,274	34,233
Overseas tax	-	3,345	-	-
Accruals and deferred income	2,651	2,828	-	-
	<u>6,941</u>	<u>8,001</u>	<u>51,274</u>	<u>34,233</u>

### ANALYSIS OF DEBT MATURITY

	Group		Company	
	27 March	28 March	27 March	28 March
	2011	2010	2011	2010
	£000	£000	£000	£000
Amounts payable				
In one year or less	76	76	-	-
In more than one year but not more than two years	40	111	-	-
	<u>116</u>	<u>187</u>	<u>-</u>	<u>-</u>

#### Bank loans and overdrafts

Included within creditors are bank loans of £116,000 (2010 £187,000) This amount is repayable over a period of 4¼ years Interest is charged on the bank loan at 2% per annum above LIBOR

The bank loans are secured by way of a fixed and floating charge over all the assets of Stoke City Football Club Limited and a legal charge over the Club's leasehold interest in Britannia Stadium and indoor facility

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 14 CREDITORS Amounts falling due in more than one year (continued)

#### DEFERRED GRANTS

Included within accruals and deferred income are deferred grants received from various awarding bodies to fund the acquisition or construction of certain assets in Stoke City Football Club Limited, including Britannia Stadium as follows

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	27 March 2011 £000	28 March 2010 £000
At start of period	2,127	2,181	-	-
Grants released to the profit and loss account	(54)	(54)	-	-
At end of period	2,073	2,127	-	-

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	27 March 2011 £000	28 March 2010 £000
Amounts to be released relating to periods ending				
In one year or less or on demand	54	54	-	-
In more than one year but not more than two years	54	55	-	-
In more than two years but not more than five years	162	165	-	-
In five years or more	1,803	1,853	-	-
	2,073	2,127	-	-

**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the 52 week period ended 27 March 2011

15 PROVISIONS FOR LIABILITIES

	Deferred taxation £000	Pension obligations £000	Total £000
<b>GROUP</b>			
At start of period	2,232	133	2,365
Credit for the period	(2,161)	-	(2,161)
Paid in the period	-	(16)	(16)
<b>At end of period</b>	<b>71</b>	<b>117</b>	<b>188</b>
<b>COMPANY</b>			£000
<b>DEFERRED TAXATION</b>			
At beginning of period			74
Charge to the profit and loss account			34
<b>At end of period</b>			<b>108</b>

The elements of the deferred tax liability are as follows

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	27 March 2011 £000	28 March 2010 £000
Accelerated capital allowances	1,091	2,238	108	74
Other timing differences	(1,020)	(6)	-	-
	<b>71</b>	<b>2,232</b>	<b>108</b>	<b>74</b>

In respect of the group there are unutilised tax losses available for future use of £2,241,000 (2010 £2,444,000) relating to Stoke City Football Club Limited. A deferred tax asset has not been reflected as the recovery of this asset cannot be assessed with reasonable certainty.



# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 15 PROVISIONS FOR LIABILITIES (continued)

#### *Pension obligations*

Certain staff of the Group are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. As the Group is one of a number of participating employers in the FLLPLAS, it is not possible to allocate any actuarial surplus or deficit on a meaningful basis and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the scheme are held separately from those of the Group, being invested with insurance companies.

16	SHARE CAPITAL	27 March 2011 £000	28 March 2010 £000
	GROUP AND COMPANY		
	Allotted, called up and fully paid		
	284,313 ordinary shares of 1 pence each	3	3
	17,000 "A" ordinary shares of 1 pence each	-	-
	Nil "C" ordinary shares of 1 pence each	-	-
		<u>3</u>	<u>3</u>

The ordinary shares and the "A" shares carry the same rights and rank *pari passu*.

#### *bet365 Group Limited Share Option Plan*

bet365 Group Limited's share option plan was adopted on 13 March 2003. Options granted under this scheme may be exercised, subject to certain restrictions, from 13 March 2006 up to ten years from grant for eligible employees.

Options over bet365 Group Limited shares outstanding at 27 March 2011 were as follows:

Options at 28 March 2010	Options granted in year	Options lapsed in year	Options exercised in year	Options at 27 March 2011	Exercise price £	Market price at date of exercise £
2,214	-	-	(54)	2,160	7.88	N/A

The options outstanding at 27 March 2011 had a remaining weighted average contractual life of approximately 2 years (2010: 3 years). All options are now exercisable.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

17	SHARE PREMIUM ACCOUNT		Share premium account £000
	GROUP AND COMPANY		
	At beginning and end of period		18,998
			<u>          </u>
18	PROFIT AND LOSS RESERVE	Group £000	Company £000
	At beginning of period	127,915	7,309
	Profit for the period	75,471	25,120
	Dividends paid (see note 7)	(25,000)	(25,000)
		<u>          </u>	<u>          </u>
	At end of period	178,386	7,429
		<u>          </u>	<u>          </u>
19	MINORITY INTEREST	27 March 2011 £000	28 March 2010 £000
	Minority share of losses for the period	412	648
	Creation of provision against minority interest	(412)	(648)
		<u>          </u>	<u>          </u>
		-	-
		<u>          </u>	<u>          </u>

The directors have made a provision against the minority interest debtor as they consider the Group would have an obligation to provide finance that they may not be able to recover in respect of the accumulated losses in its subsidiary which are attributable to the minority interests

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 20 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	52 week period ended 27 March 2011 £000	52 week period ended 28 March 2010 £000
Operating profit	87,403	97,861
Depreciation	19,574	7,543
Amortisation and impairment of player registrations	14,944	14,914
Amortisation of goodwill	1,765	1,763
Profit on sale of fixed assets	(37)	(5)
Increase in stock	(85)	(432)
Increase in debtors	(14,058)	(6,414)
Increase in creditors	19,355	39,535
(Decrease)/increase in provisions	(16)	70
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>128,845</b>	<b>154,835</b>

### 21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£000
Increase in cash in the period	26,747
Cash outflow from reduction in debt	71
<b>MOVEMENT IN NET FUNDS IN THE PERIOD</b>	<b>26,818</b>
Net funds at 28 March 2010	150,752
<b>NET FUNDS AT 27 March 2011</b>	<b>177,570</b>

### 22 ANALYSIS OF NET FUNDS

	At 28 March 2010 £000	Cash flow £000	Other non- cash changes £000	At 27 March 2011 £000
Cash in hand and at bank	150,939	26,747	-	177,686
Debt due within one year	(76)	71	(71)	(76)
Debt due within more than one year	(111)	-	71	(40)
<b>Total</b>	<b>150,752</b>	<b>26,818</b>	<b>-</b>	<b>177,570</b>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 23 COMMITMENTS

a)	Capital commitments	Group		Company	
		27 March 2011 £000	28 March 2010 £000	27 March 2011 £000	28 March 2010 £000
	Capital expenditure contracted for but not provided in the financial statements	120	1,960	-	-

b)	Commitments under operating leases	27 March 2011 £000	28 March 2010 £000
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At the period end the Group was committed to making the following payments during the next period under non-cancellable operating leases as follows

Plant and machinery			
Expiring within one year	43	56	
Land and buildings			
Expiring after five years	350	332	
	<u>393</u>	<u>388</u>	

### c) Ground safety grants

Stoke City Football Club Limited has received grants from The Football Trust in respect of the development of the Britannia Stadium which at the period end are included in deferred grants of £2,073,000 (2010 £2,127,000)

The Football Trust reserves the right to call for repayment of all or a proportion of any grant made if the facility which has attracted a grant ceases to be used or is sold by the football club

### d) Security

The Royal Bank of Scotland plc holds a charge dated 23 March 2008 over a credit bank account of the Group which at 27 March 2011 amounted to £2,000,000 (2010 £2,000,000)

The Co-operative Bank has a first legal charge held over the leasehold interest in the Britannia Stadium and the Indoor Training Facility

### e) bet365 Group Limited have confirmed they will provide financial support to Stoke City Holdings Limited and Stoke City Football Limited

The directors do not consider it practicable to estimate the financial impact of this support on the group

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2011

### 24 PENSION COMMITMENTS

The Group operates a number of defined contribution pension schemes whose assets are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £1,742,000 (2010 £1,370,000). Contributions amounting to £828,000 (2010 £55,000) were payable to the scheme at the period end and are included in creditors. A provision amounting to £117,000 (2010 £133,000) is included in provisions (note 15).

### 25 RELATED PARTY TRANSACTIONS

In 2009 the Company made a loan of £1,500,000 to Mercer Street Securities Limited, a company in which Peter Coates has an interest. At the end of the period £1,353,000 (2010 £1,353,000) was outstanding to bet365 Group Limited. The loan is repayable on demand and is non-interest bearing. The directors established the transactions on an arm's length basis.

The subsidiary, Stoke City Football Club Limited, received loans from Stoke City Holdings Limited of £15,500,000 (2010 £15,420,000) during the period and transferred an asset at a value of £6,644,000 to Stoke City Holdings Limited. At 27 March 2011, Stoke City Football Club Limited owed Stoke City Holdings Limited £17,376,000 (2010 £32,520,000). Stoke City Football Club Limited was charged rent and facilities fees by Stoke City (Property) Limited of £2,567,921 (2010 £279,000). Stoke City Football Club Limited loaned £1,530,000 (2010 £2,426,000) to Stoke City (Property) Limited and transferred assets to the value of £2,045,912 (2010 £378,000). The balance due from Stoke City (Property) Limited to Stoke City Football Club Limited at 27 March 2011 was £8,035,000 (2010 £3,223,000).

On 18 May 2010 Stoke City Holdings Limited capitalised £24m of its loan to Stoke City Football Club Limited in return for 24m ordinary £1 shares in the Club.

During the year dividend payments were made to the following directors:

	2011 £	2010 £
P Coates	1,937,520	1,937,520
JF Coates	6,250,062	6,250,062
D Coates	12,562,518	12,562,518
WW Roseff	1,666,706	1,666,706

### 26 CONTROLLING INTEREST

bet365 Group Limited is under the control of Denise Coates and her family.