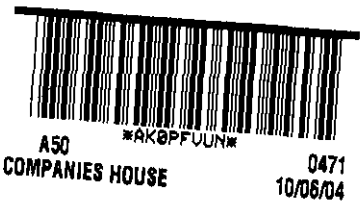
bet365 Group Limited

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

28 March 2004



Company Registration No. 4241161

bet365 Group Limited

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bet365 Group Limited
DIRECTORS AND OFFICERS

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
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

The directors submit their report and the group financial statements of bet365 Group Limited for the 52 week period ended 28 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the group is the operation of licensed betting offices, the provision of telephone, internet (including gaming), mobile betting operations, software development and an on-line casino and poker room.

RESULTS AND DIVIDENDS

The group trading profit for the period, after taxation, was £5,998,504 (43 week period ended 30 March 2003: loss £3,590,426).

The directors do not recommend the payment of a dividend (43 week period ended 30 March 2003: £nil) which leaves a profit of £5,998,504 (43 week period ended 30 March 2003: loss £3,590,426) to be retained.

REVIEW OF THE BUSINESS

The results for the year are shown in the profit and loss account.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of property at 28 March 2004 would exceed the net book value included in the financial statements, but they are unable to quantify this excess 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 31 March 2003:

P Coates
JF Coates
D Coates
WW Roseff

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the company were as follows:

	Class of shares	**Interest at beginning and end of period Number**
P Coates	Ordinary shares of £1 each	947
	"A" Ordinary shares of £1 each	170
	"B" Ordinary shares of £1 each	250
JF Coates	Ordinary shares of £1 each	120
	"B" Ordinary shares of £1 each	250
D Coates	Ordinary shares of £1 each	120
	"B" Ordinary shares of £1 each	250
WW Roseff	"B" Ordinary shares of £1 each	250

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them during the financial period.

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no charitable contributions during the period (2003: £nil). A political contribution of £50,000 (2003: £nil) was paid to the Labour Party during the period.

AUDITORS

A resolution for the reappointment of Baker Tilly as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

S.J. Adlington

SJ Adlington
Secretary

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

9 June 2004

bet365 Group Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group 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 estimates that are reasonable and prudent;

c. state whether applicable 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP LIMITED

We have audited the financial statements on pages 7 to 27.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP LIMITED (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 28 March 2004 and of the group profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

BAKER TILLY
Registered Auditor
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

9 June 2004

bet365 Group Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 week period ended 28 March 2004

	Note	52 week period ended 28 March 2004 Before goodwill and exceptional items	Goodwill and exceptional items	Total	43 week period ended 30 March 2003 Restated
		£	£	£	£
TURNOVER – CONTINUING OPERATIONS	1	**446,038,259**	**-**	**446,038,259**	240,285,436
Direct costs		**(416,414,908)**	**-**	**(416,414,908)**	(226,725,092)
GROSS PROFIT		**29,623,351**	**-**	**29,623,351**	13,560,344
Administrative expenses		**(24,618,371)**	**(1,004,315)**	**(25,622,686)**	(16,705,463)
Other operating income		**41,857**	**-**	**41,857**	32,169
OPERATING PROFIT/(LOSS) – CONTINUING OPERATIONS		**5,046,837**	**(1,004,315)**	**4,042,522**	(3,112,950)
Interest payable and similar charges	2			**(865,199)**	(620,476)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1-4			**3,177,323**	(3,733,426)
Taxation	5			**2,821,181**	143,000
RETAINED PROFIT/(LOSS) FOR THE PERIOD				**5,998,504**	(3,590,426)

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 28 March 2004

	Note	28 March 2004 £	28 March 2004 £	30 March 2003 £	30 March 2003 £
FIXED ASSETS					
Intangible assets	6		**23,011,206**		23,935,521
Tangible assets	7		**6,995,552**		5,241,847
			30,006,758		29,177,368
CURRENT ASSETS					
Deferred tax asset due within one year		**1,013,986**		75,965	
Deferred tax asset due in more than one year		**2,834,916**		-	
	13	**3,848,902**		75,965	
Stocks	9	**15,753**		12,053	
Debtors	10	**1,001,688**		866,780	
Cash at bank and in hand		**2,431,717**		1,057,830	
		7,298,060		2,012,628	
CREDITORS: Amounts falling due within one year	11	**(16,117,798)**		(8,151,480)	
NET CURRENT LIABILITIES			**(8,819,738)**		(6,138,852)
TOTAL ASSETS LESS CURRENT LIABILITIES			**21,187,020**		23,038,516
CREDITORS: Amounts falling due in more than one year	12		**(5,000,000)**		(12,850,000)
NET ASSETS			**16,187,020**		10,188,516
CAPITAL AND RESERVES					
Called up share capital	14		**2,607**		2,607
Share premium account	15		**18,997,394**		18,997,394
Profit and loss account	16		**(2,812,981)**		(8,811,485)
EQUITY SHAREHOLDERS' FUNDS			**16,187,020**		10,188,516

Approved by the board on 9 June 2004

JF Coates
Director

bet365 Group Limited

BALANCE SHEET

At 28 March 2004

	Note	**28 March 2004**	30 March 2003
		£	£
FIXED ASSETS			
Investments	8	**19,000,001**	19,000,001
NET ASSETS		**19,000,001**	19,000,001
CAPITAL AND RESERVES			
Called up share capital	14	**2,607**	2,607
Share premium account	15	**18,997,394**	18,997,394
Profit and loss account	16	**-**	-
EQUITY SHAREHOLDERS' FUNDS		**19,000,001**	19,000,001

Approved by the board on 9 June 2004

JF Coates
Director

bet365 Group Limited

CONSOLIDATED CASH FLOW STATEMENT

For the 52 week period ended 28 March 2004

	Note	52 week period ended 28 March 2004		43 week period ended 30 March 2003	
		£	£	£	£
CASH FLOW FROM OPERATING ACTIVITIES	17		**10,741,360**		33,752
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest paid		**(865,199)**		(620,476)	
NET CASH OUTFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			**(865,199)**		(620,476)
TAXATION			**(429,883)**		-
CAPITAL EXPENDITURE					
Purchase of intangible assets		**(80,000)**		(50,000)	
Purchase of tangible fixed assets		**(3,298,841)**		(2,446,708)	
Sale of tangible fixed assets		**6,450**		-	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE			**(3,372,391)**		(2,496,708)
FINANCING					
Repayment of bank loan		**(4,700,000)**		-	
NET CASH OUTFLOW FOR FINANCING			**(4,700,000)**		-
INCREASE/(DECREASE) IN CASH IN THE PERIOD	19		**1,373,887**		(3,083,432)

bet365 Group Limited

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 52 week period ended 28 March 2004

	Group		Company	
	52 week period ended 28 March 2004	43 week period ended 30 March 2003	**52 week period ended 28 March 2004**	43 week period ended 30 March 2003
	£	£	**£**	£
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	**5,998,504**	(3,590,426)	**-**	-
NET ADDITION TO/(REDUCTION IN) SHAREHOLDERS' FUNDS	**5,998,504**	(3,590,426)	**-**	-
Opening shareholders' funds	**10,188,516**	13,778,942	**19,000,001**	19,000,001
CLOSING SHAREHOLDERS' FUNDS	**16,187,020**	10,188,516	**19,000,001**	19,000,001

BASIS OF ACCOUNTING
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Certain costs within the profit and loss account headings for direct costs and administrative expenses have been reclassified as follows:

	28 March 2004		30 March 2003	
	Restated	**Previous**	Restated	Previous
	£	**£**	£	£
Direct costs	**416,414,908**	**417,966,485**	225,725,057	226,725,092
Administrative expenses	**25,622,686**	**24,071,109**	17,705,498	16,705,463

The reclassification is deemed by the directors to be a more appropriate representation.

The company 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 (or investees of the group qualifying as related parties).

BASIS OF CONSOLIDATION
The consolidated financial statements incorporate those of bet365 Group Limited and all of its subsidiary undertakings for the year. Subsidiaries acquired during the year 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. Provision is made for any impairment. All financial statements are made up to 28 March 2004.

As permitted by Section 230(4) of the Companies Act 1985, 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 brand acquired is considered to have an indefinite useful economic life and will not be amortised but subject to an annual impairment review, with any permanent diminution in value being charged directly to the profit and loss account in the year in which it occurs.

- The goodwill attributable to software development costs is amortised over three years, recognising the shorter life of these assets.

- Licences acquired with licensed betting offices and capitalised are not amortised as the directors consider these have an indefinite useful life and will be subject to an annual impairment review, permanent diminutions in value being charged to the profit and loss account in the year they arise.

The Companies Act 1985 requires goodwill and its constituent components to be amortised over a finite period. If the departure from the Companies Act 1985 had not been made the profit for the financial period may have been decreased by amortisation. The amount of this amortisation is considered not material because of the indefinite life of these assets and the directors have invoked a true and fair override.

TANGIBLE FIXED ASSETS
Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Fixtures and fittings	-	15% per annum straight line
Computer equipment	-	33.3% per annum straight line
Motor vehicles	-	25% per annum straight line

No depreciation is provided on freehold land and buildings used for the purpose of carrying on the company's business. It is the company'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 and residual values (based on prices prevailing at the time of acquisition) are so high that their depreciation is not material. An annual impairment review of the value of such properties is performed and any permanent diminution in the value of such properties 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.

RESEARCH AND DEVELOPMENT EXPENDITURE
Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

SOFTWARE DEVELOPMENT
Ongoing expenditure on software development is written off to the profit and loss account in the year 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.

FOREIGN CURRENCIES
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.

DEFERRED TAXATION
Deferred tax is recognised in respect of all 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 company'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 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LEASED ASSETS AND OBLIGATIONS
Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

RETIREMENT BENEFITS
The group operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

TURNOVER
In accordance with Application Note G to Financial Reporting Standard 5 "Reporting the substance of transactions", revenue is recognised under an exchange transaction with a customer, and to the extent that the group obtain the right to consideration in exchange for its performance.

Turnover is the revenue resulting from exchange transactions and is recognised as set out below:

In the case of internet and telephone betting operations turnover represents the amounts receivable from customers for bets settled in the accounting period.

In the case of licensed betting office operations turnover represents the amounts receivable from customers for bets taken in the accounting period.

In the case of Fixed Odds Betting Terminals (FOBTs), turnover represents the net winnings from customers in respect of individual bets placed by the period end.

In the case of Amusements With Prizes (AWPs), the online casino, the poker room and internet games, turnover represents the net winnings from customers on gaming/betting activity completed by the period end.

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

1 TURNOVER

The analysis of turnover and profit/(loss) before taxation by class of business and the geographical analysis of turnover have not been given as in the opinion of the directors such disclosure would be severely prejudicial to the interests of the group.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	52 week period ended 28 March 2004 £	43 week period ended 30 March 2003 £
On bank loans and overdrafts	**580,288**	620,476
Other interest	**284,911**	-
	865,199	620,476

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 week period ended 28 March 2004 £	43 week period ended 30 March 2003 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
Charge for the period		
Owned assets	**1,538,686**	802,303
Amortisation of intangible assets	**1,004,315**	830,487
Operating lease rentals:		
Plant and machinery	**657,216**	533,182
Auditors' remuneration:		
Audit - Group	**27,750**	27,500
- Company	**-**	-
Other services - Group	**7,600**	21,530
- Company	**-**	-

4 EMPLOYEES

	52 week period ended 28 March 2004 Number	43 week period ended 30 March 2003 Number
The average monthly number of persons (including directors) employed by the group during the period was:		
Managers and supervisors	**160**	138
Operations staff	**564**	402
	724	540

	52 week period ended 28 March 2004 £	43 week period ended 30 March 2003 £
Staff costs for the above persons:		
Wages and salaries	**8,705,648**	5,503,866
Social security costs	**788,194**	419,490
Other pension costs	**91,354**	36,736
	9,585,196	5,960,092

DIRECTORS' REMUNERATION

	52 week period ended 28 March 2004 £	43 week period ended 30 March 2003 £
Emoluments	**619,463**	656,952

Directors' emoluments disclosed above include the following payments:

	Highest paid director **52 week period ended 28 March 2004 £**	43 week period ended 30 March 2003 £
Emoluments	**258,363**	470,360

5 TAXATION

	52 week period ended 28 March 2004		43 week period ended 30 March 2003	
	£	£	£	£
Current tax:				
UK corporation tax on profits of the period	**951,756**		-	
Total current tax		**951,756**		-
Deferred tax:				
Origination and reversal of timing differences	**(3,783,616)**		(143,000)	
Adjustments in respect of previous period	**10,679**		-	
Total deferred tax		**(3,772,937)**		(143,000)
Tax on profit on ordinary activities		**(2,821,181)**		(143,000)

Factors affecting tax charge for the year:

	52 week period ended 28 March 2004 £	43 week period ended 30 March 2003 £
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	**3,177,323**	(3,733,426)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2003: 30%)	**953,197**	(1,120,028)
Effects of:		
Expenses not deductible for tax purposes	**370,942**	267,583
Fixed asset timing differences	**160,975**	60,727
Non taxable income	-	(21,209)
Losses unutilised	-	765,454
Lower overseas tax rate	**(276,161)**	-
Movement in other timing differences	**(257,197)**	47,473
Current tax charge for the period	**951,756**	-

Factors that may affect future tax charges

Based on current capital investment plans, the group expects that depreciation will continue to exceed capital allowances in future years.

6 INTANGIBLE FIXED ASSETS

	Goodwill	Development costs	Licences	Total
	£	£	£	£
GROUP				
Cost				
At beginning of period	4,173,497	2,856,667	18,353,844	25,384,008
Additions	-	-	80,000	80,000
At end of period	4,173,497	2,856,667	18,433,844	25,464,008
Amounts written off				
At beginning of period	-	1,448,487	-	1,448,487
Charged in the period	-	1,004,315	-	1,004,315
At end of period	-	2,452,802	-	2,452,802
Net book value				
At 28 March 2004	**4,173,497**	**403,865**	**18,433,844**	**23,011,206**
At 30 March 2003	4,173,497	1,408,180	18,353,844	23,935,521

7 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Fixtures, fittings, tools and equipment	Motor vehicles	Total
	£	£	£	£
GROUP				
Cost				
At beginning of period	1,269,603	5,082,058	195,806	6,547,467
Additions	-	3,078,989	219,852	3,298,841
Disposals	-	(2,186)	(11,671)	(13,857)
At end of period	1,269,603	8,158,861	403,987	9,832,451
Depreciation				
At beginning of period	-	1,197,115	108,505	1,305,620
Charged in the period	-	1,481,850	56,836	1,538,686
Disposals	-	-	(7,407)	(7,407)
At end of period	-	2,678,965	157,934	2,836,899
Net book value				
At 28 March 2004	**1,269,603**	**5,479,896**	**246,053**	**6,995,552**
At 30 March 2003	1,269,603	3,884,943	87,301	5,241,847

8 FIXED ASSET INVESTMENTS

COMPANY	Shares in group undertakings £
Cost and net book value:	
At beginning and end of period	19,000,001

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

Subsidiary undertaking	*Country of registration*	*Principal activity*	*Class and percentage of shares held*	
			Group	*Company*
bet365 (New Media Holdings) Limited (formerly bet365 Holdings Limited)	UK	Holding company	100% Ord	100% Ord
bet365 (LBO Holdings) Ltd	UK	Holding company	100% Ord	100% Ord
bet365 (New Media) Limited (formerly bet365 Limited)	UK	Provision of telephone, internet and mobile betting and software development	100% Ord	-
bet365 (Cash Betting) Ltd	UK	Operation of licensed betting offices	100% Ord	-
bet365 Ventures Ltd	UK	Dormant	100% Ord	-
bet365 International NV	Netherlands Antilles	Provision of on-line casino and poker room	100% Ord	-

9 STOCKS

	Group		Company	
	28 March 2004 £	30 March 2003 £	**28 March 2004 £**	30 March 2003 £
Consumables	**15,753**	12,053	**-**	-

10 DEBTORS

	Group		Company	
	28 March 2004	30 March 2003	**28 March 2004**	30 March 2003
	£	£	**£**	£
Due within one year:				
Other debtors	**224,830**	197,460	-	-
Prepayments and accrued income	**776,858**	669,320	-	-
	1,001,688	866,780	-	-

11 CREDITORS: Amounts falling due within one year

	Group		Company	
	28 March 2004	30 March 2003	**28 March 2004**	30 March 2003
	£	£	**£**	£
Trade creditors	**8,707,128**	5,614,753	-	-
Corporation tax	**521,873**	-	-	-
Other taxation and social security costs	**215,994**	321,054	-	-
Other creditors	**3,942,182**	1,552,114	-	-
Accruals and deferred income	**2,730,621**	663,559	-	-
	16,117,798	8,151,480	-	-

12 CREDITORS: Amounts falling due in more than one year

	Group		Company	
	28 March 2004	30 March 2003	**28 March 2004**	30 March 2003
	£	£	**£**	£
Bank loans	**5,000,000**	9,700,000	-	-
Other creditors	-	3,150,000	-	-
	5,000,000	12,850,000	-	-

ANALYSIS OF DEBT MATURITY

	Group		Company	
	28 March 2004	30 March 2003	**28 March 2004**	30 March 2003
	£	£	**£**	£
Amounts payable:				
In more than two years but not more than five years	**5,000,000**	9,700,000	-	-
	5,000,000	9,700,000	-	-

The bank loan is secured on various licensed betting offices of bet365 (Cash Betting) Limited. Interest is charged at LIBOR plus 2.25%.

13 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	Deferred taxation £
At beginning of period	(75,965)
Credit for the period	(3,772,937)
At end of period	**(3,848,902)**

The elements of the deferred tax asset, which is carried within current assets, are as follows:

	28 March 2004 £	30 March 2003 £
Accelerated capital allowances	**92,983**	70,117
Other timing differences	**(8,550)**	(3,082)
Tax losses	**(3,933,335)**	(143,000)
	(3,848,902)	(75,965)

The deferred tax asset has been recognised based on the group's forecast future profitability.

14 SHARE CAPITAL

	28 March 2004 £	30 March 2003 £
Authorised:		
Equity: 8,830 Ordinary shares of £1 each	**8,830**	8,830
170 "A" ordinary shares of £1 each	**170**	170
1,000 "B" ordinary shares of £1 each	**1,000**	1,000
3,000 "C" ordinary shares of £1 each	**3,000**	3,000
	13,000	13,000
Allotted, called up and fully paid:		
Equity: 1,437 Ordinary shares of £1 each	**1,437**	1,437
170 "A" ordinary shares of £1 each	**170**	170
1,000 "B" ordinary shares of £1 each	**1,000**	1,000
	2,607	2,607

14 SHARE CAPITAL (continued)

The ordinary shares, the "A" shares and the "B" shares carry the same rights and rank pari passu except for the following:

In the event of winding up the "B" ordinary shareholders shall only be entitled to an amount equivalent to the amount realised (after all relevant costs) on the shares of bet365 (New Media Holdings) Limited (formerly bet365 Holdings Limited).

The "B" ordinary shareholders shall only be entitled to dividends to the extent that the company has received dividends, which have not been previously distributed, from its shareholding in bet365 (New Media Holdings) Limited.

Distributions received from bet365 (New Media Holdings) Limited are only available to the "B" ordinary shareholders.

The "C" ordinary shares have no voting rights, but receive dividends in the same proportion as the "A" shares.

15 RESERVES

	Share premium account £
GROUP	
At beginning and end of period	18,997,394
COMPANY	
At beginning and end of period	18,997,394

16 PROFIT AND LOSS ACCOUNT

	Group £	Company £
At beginning of period	(8,811,485)	-
Retained profit for the period	5,998,504	-
At end of period	**(2,812,981)**	**-**

17 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	52 week period ended 28 March 2004 £	43 week period ended 30 March 2003 £
Operating profit/(loss)	**4,042,522**	(3,112,950)
Depreciation	**1,538,686**	802,303
Amortisation	**1,004,315**	830,487
Increase in stock	**(3,700)**	(5,164)
Increase in debtors	**(134,908)**	(172,710)
Increase in creditors	**4,294,445**	1,691,786
NET CASH FLOW FROM OPERATING ACTIVITIES	**10,741,360**	33,752

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£
Increase in cash in the period	1,373,887
Cash outflow from decrease in debt and lease financing	4,700,000
MOVEMENT IN NET DEBT IN THE PERIOD	6,073,887
NET DEBT AT 30 MARCH 2003	(11,792,170)
NET DEBT AT 28 MARCH 2004	(5,718,283)

19 ANALYSIS OF NET DEBT

	At 30 March 2003 £	Cash flow £	**At 28 March 2004 £**
Cash in hand and at bank	1,057,830	1,373,887	**2,431,717**
Debt due within one year	-	-	**-**
Debt due after one year	(9,700,000)	4,700,000	**(5,000,000)**
Other loans	(3,150,000)	-	**(3,150,000)**
Total	(11,792,170)	6,073,887	**(5,718,283)**

20 CAPITAL COMMITMENTS

There were no capital commitments at the beginning or end of the financial period.

21 COMMITMENTS UNDER OPERATING LEASES

	Group		Company	
	28 March 2004	30 March 2003	**28 March 2004**	30 March 2003
	£	£	**£**	£
At 28 March 2004 the group was committed to making the following payments during the next year under non-cancellable operating leases as follows:				
Plant and machinery				
Expiring between two and five years	**623,456**	527,478	-	-
Land and building				
Expiring within one year	**51,659**	46,094	-	-
Expiring between two and five years	**55,140**	238,540	-	-
Expiring after five years	**678,133**	356,490	-	-
	1,408,388	1,168,602	-	-

22 CONTINGENT LIABILITIES

The company has cross-guaranteed the overdraft and loans of its fellow group companies; the amount outstanding at the period end was £5,000,000 (2003: £8,888,271).

23 PENSION COMMITMENTS

The group operates a defined contribution pension scheme whose assets are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group and amounted to £91,354 (2003: £36,736). Contributions amounting to £13,501 (2003: £10,272) were payable to the scheme at the period end and are included in creditors.

24 RELATED PARTY TRANSACTIONS

During the financial year the company had the following transactions with related parties as defined by Financial Reporting Standard 8:

H Backhouse (Baker Street) Limited is a related party in which WW Roseff is a director.

At 28 March 2004 £900,000 was outstanding (2003: £900,000) to H Backhouse (Baker Street) Limited. Interest of £133,230 has been accrued.

Directors' loans

The following directors had loans to the company during the period. The amounts outstanding during the period were as follows:

	P Coates £	JF Coates £	D Coates £
Amounts outstanding:			
At beginning of period	2,323,500	47,998	248,369
At end of period	2,299,706	75,998	215,795
Highest balance in period	2,323,500	75,998	561,813

Interest is accruing on these amounts on an arms length basis. Interest of £421,202 has been accrued.