

→ Independent Betting Arbitration Service

IBAS Annual Report 2004



IBAS Limited

(Independent Betting Arbitration Service)

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IBAS Board

Chairman:

Rodney Brack

Directors:

Terry Ellis

Jeremy Reed

Chief Executive Officer:

Chris O'Keeffe

Company Secretary:

Stephen Haywood

IBAS Staff

Dan Cracknell: Arbitration Manager

Sharon Powell: Administration
& Projects Manager

James Taylor: Administrator

John Barton: Clerical Assistant

Antonia Kingsbury: Clerical Assistant

Professional Advisors

Lawyers:

Berwin Leighton Paisner

Adelaide House

London Bridge

London EC4R 9HA

Bankers:

HSBC

89 Buckingham Palace Road

London SW1W 0QL

Auditors:

PKF

Farringdon Place

20 Farringdon Road

London EC1M 3AP

→ Chairman's Statement

2004 was a year of both consolidation and expansion for IBAS. The six year old service was transferred into a new company limited by guarantees in 2003, and 2004 was its first full year of operation in this format.

I am pleased to be able to report that it proved to be a successful exercise. The company's board met regularly during the year and its three guarantee holders, SIS Limited, Trinity Mirror and the Horserace Betting Levy Board provided financial contributions in recognition of the value of the service to the betting industry.

Perhaps because of the publicity given in the media to several prominent cases, and stimulated by expansion in the betting and gaming markets, demand for IBAS' services increased steadily throughout the year. This trend has strengthened in the first half of 2005.

In recognition of the need to continually enhance the professionalism of our service, in response to market demand, we are in the process of reviewing the nature and scope of our operations. An early

result of this exercise is the adoption of an updated customer charter. This is set out on the back cover. We also take this opportunity of publishing, on page 9, the members of our expert panel of adjudicators. Their experience and professional expertise is much appreciated.

We welcome the Royal Assent for the Gambling Act 2005 and are liaising with the fledgling Gambling Commission as it plans to become fully operational. Our aim is to establish with it an appropriate and effective professional relationship.

Finally, I would like to express the board's appreciation for the excellent work throughout 2004 of the company's committed and expert Chief Executive, Chris O'Keeffe, together with his loyal and hardworking staff. The progress achieved throughout the year was entirely due to them and I am confident that this will continue in 2005.

Rodney Brack
Chairman

IBAS Board
From left to right:
Jeremy Reed,
Chris O'Keeffe,
Rodney Brack,
Terry Ellis



→ Chief Executive Officer's Statement

Whatever the various irresistible dynamics are that have made the "betting experience" a legitimate and enjoyable leisure pursuit, to my mind the most vital component for the punter is that his or her bookmaker is committed to fair play and when a bet is placed the punter is confident of being paid out when successful.

With betting and gambling now attracting players from a wider range of social groupings the industry must be seen to be taking measures to demonstrate a real commitment to fair play. With this growing participation there clearly needs to be a higher level of scrutiny and responsibility.

It is fair to say that 2004 was an important year on a broad range of fronts. The most significant was the implementation of a tripartite funding scheme that enabled the organisation to embark upon its sixth full operational year as a limited company, strengthening both its identity and independence. This revised and enlarged funding structure has enabled IBAS to focus on improvements in practice and development.

I am pleased to report that, in a structure that has no statutory underpinning, of the 2,140 arbitration forms requested, 1,343 cases were forwarded to and concluded by our panel with full compliance.

This is clear testament that IBAS performs a very useful role that benefits both registered bookmakers and their customers, in a retail area where predominantly there is, and probably always will be, an extremely combative relationship between provider and consumer.

Further evidence that there is a broad consensus of support for IBAS is the recognition afforded it by the Gambling Review Commission. In its report to the Ministry of Media, Culture and Sport the Commission (chaired by Sir Alan Budd) gave a strong endorsement of the Service recommending that all bookmakers should follow the industry's best practices by signing up to arbitration.

This past year IBAS has made real strides in raising its service levels to ensure that the process is easily accessible and not needlessly burdensome. The more robust IBAS becomes the more respectable the industry is perceived to be. While our core function and primary objective is to deliver high quality arbitration in a structure that is both impartial and independent IBAS will continue to encourage the industry to adopt rule convergence particularly in sports betting.

During 2004 IBAS has commented on and at times assisted in redrafting bookmakers' rules where deficiencies or ambiguities have been identified. This is an area where I feel IBAS as an independent body can work together with the industry to eliminate unnecessary time-consuming disputes.

I can also report that I have had an on-going and co-operative dialogue with the Gaming Board's Gambling Commission Transition Team - the body that will have the mammoth task of establishing a coherent framework of regulation in the industry. IBAS has put to the Transition Team that in our opinion there should



IBAS staff (from left to right):
Sharon Powell, Administration & Projects
Manager, Dan Cracknell, Arbitration Manager,
Chris O'Keeffe, Chief Executive Officer
and James Taylor, Administrator.

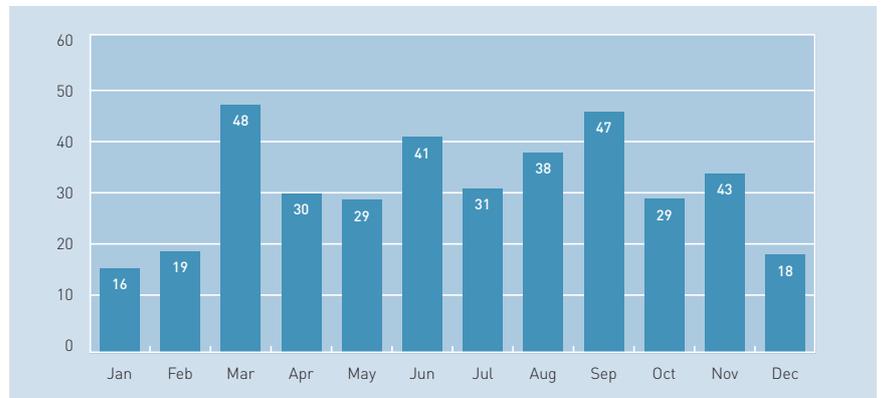
be provision by the betting industry which allows access for all customers to independent arbitration that should be given statutory force. Although 95% of bookmakers operate within the scheme there are still a significant number of customers unprotected.

My confidence that IBAS will continue to grow and progress into an organisation comparable to the size and stature of the UK betting industry, is based upon our new funding structure allied to the genuine commitment demonstrated by our registered bookmakers. They have fulfilled their obligation to this Service and, more importantly, to their customers, by abiding by decisions of our arbitrators.

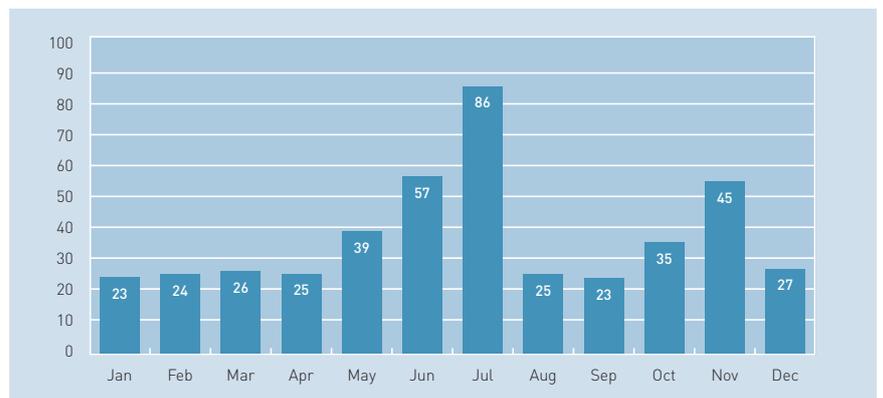
My appreciation is extended to the IBAS Board, administrative staff and panel members, who have all shown a willingness to tackle their heaviest and most diversified caseload yet, while demonstrating a vision for the future.

Chris O'Keeffe
Chief Executive Officer

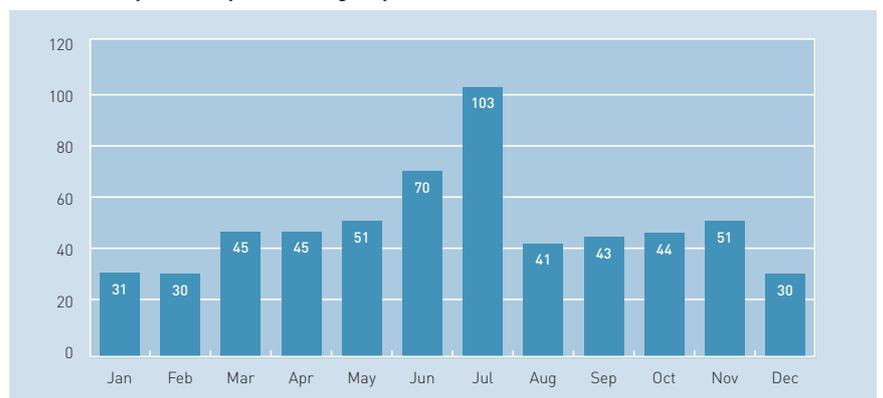
2004 Month-by-Month Horseracing Disputes



2004 Month-by-Month Football Disputes



2004 Month-by-Month Sports Betting Disputes (inc. football)



→ Arbitration How it works (about IBAS)

By virtue of its nature, and nowadays at times its complexity, betting is bound to throw up occasional disputes. Both large and small, currently the disputes presented to our panel run at about 1,300 to 1,400 per year. This is actually a minute number given the vast turnover in bets but, of course, each dispute matters very much to the parties.

Before November 1998, the options for a betting shop customer with a grievance were limited and circumscribed.

There was Tattersall's committee which had been conceived in another era and was unsuited to the problems of modern day betting consumers. Tattersall's had been designed in the nineteenth century for the purpose mainly of resolving disputes involving bets, often of the larger kind, struck in the ring at the racecourse. It embraced only horserace betting. Applicants had to pay a fee and attend hearings in person. Its rules did not reflect the style of betting practised off-course. It had no sanctions for non-compliant off-course betting shops unless the proprietor also bet as an on-course bookmaker in the ring. A betting shop could thus ignore a Tattersall's adjudication without penalty. Tattersall's was effective within the sphere for which it had been designed but was not a viable option for, say, a betting shop customer with problems over the settlement of a successful football yankee.

There was also the Green Seal Service, provided by The Sporting Life newspaper.

Green Seal was an expert and invaluable service as far as it went. However it depended for its effectiveness upon the goodwill and co-operation of individual bookmakers. There were swathes of the industry which simply were not touched by it. Also, it was stretched by the fact that betting turnover and the number of disputes had outgrown the resources which the Life, as a newspaper, could devote to it. Disputes were answered

via a brief printed paragraph in the paper, insufficient to explain the reasons behind an adjudication. Also, there was a lack of resources for following up and dealing with issues of non-compliance. The Green Seal had no effective system of sanctions.

There were also suggestions in some quarters that the Green Seal could not be truly objective because, as part of The Sporting Life, it was reliant upon the advertising of bookmakers. The criticism was unjustified. The Green Seal was not in any way influenced by such a factor, but a perception, no matter how unjustified, is in itself a problem if it undermines public confidence.

That was the picture up to November 1998 when IBAS, the Independent Betting Arbitration Service, came into being.

IBAS provides a free, professional, completely impartial, user-friendly, effective and virtually universally accessible adjudication service. It has remedied the imperfections of the old order and thus revolutionised the position of betting consumers.

For a betting shop firm, internet firm or a betting exchange to be a participating member of the IBAS scheme and thus provide its customers with the assurance of access to impartial independent arbitration, it must formally register itself. Registration involves making two commitments to IBAS: (1) to co-operate with any investigation by providing any information required, and (2) to comply with the terms of an adjudication.

Support within the industry for the principle of adjudication of disputes is reflected in the fact that the IBAS scheme presently covers 95 percent of betting shops.

The industry has also overwhelmingly demonstrated its willingness to comply with the conditions of registration. Failure in practice to comply, either through not co-operating with requests for information

or failing to abide by an adjudication, leads to de-registration. During IBAS's six year existence, one company, Geo. Akins, has resigned rather than comply, and one company, SSP International, has been de-registered for failing to co-operate during our investigations into a dispute.

Given that some 6,636 cases have been adjudicated since IBAS' creation in '98, that translates into a compliance rate of 99.98 percent. Thus, instances of non-compliance are vanishingly small. Compliance of that order is rarely achieved in any field even when backed by statutory powers. Thus, IBAS is demonstrably effective.

→ **IBAS is user-friendly.** There are no bureaucratic obstacles to deter an applicant. All that is required is the customer's name and address for communication purposes, a copy of the disputed bet and the name of the shop where the transaction was placed (or, in the case of a telephone bet, the date and time of the bet) and a brief explanation of the cause of the dispute. All cases are investigated, contemporary documentary records being obtained by IBAS and referred to as necessary. One of the real strengths of this service has been our insistence on validations. Adjudications are not made on the basis of which party makes the better presentation. Customers need not therefore worry about lack of verbal skill. IBAS is capable of extracting and of understanding issues. Thus, adjudications are always based on the facts of a case, not on quality of presentation or on either of the parties' rhetoric.

→ **There are no fees or charges.** IBAS is funded at arm's length by the betting industry via SIS, the newspaper publisher Trinity Mirror and the Horserace Betting Levy Board.

→ **IBAS is confidential.** Most people do not wish their betting, in common with other aspects of their financial affairs, to become public knowledge. If rulings

were made public, it would deter applicants and deny them access to fair play. Therefore, every case is treated as a strictly private matter between the parties.

→ **IBAS does not set boundaries.**

It applies the term 'dispute' in the broadest possible sense to embrace any situation involving difficulty over payment. Thus, investigations and adjudications are not restricted to narrow issues involving only the interpretation or application of a bookmaker's rule.

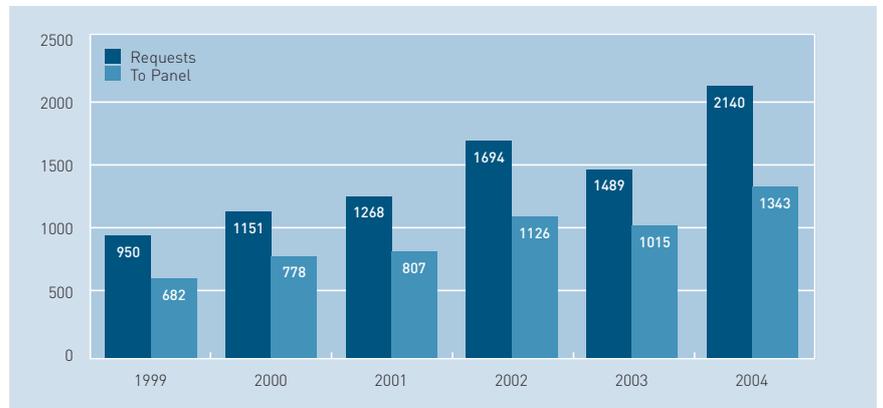
→ **The ruling is always based on objective standards with the first point of reference being the bookmaker's rules/trading conditions.**

A customer in making a bet tacitly agrees to be bound to settlement in accordance with those rules. If the bookmaker has no rule governing the situation then IBAS imposes its own rule based on what it perceives is consistent with the general principle and fair practice.

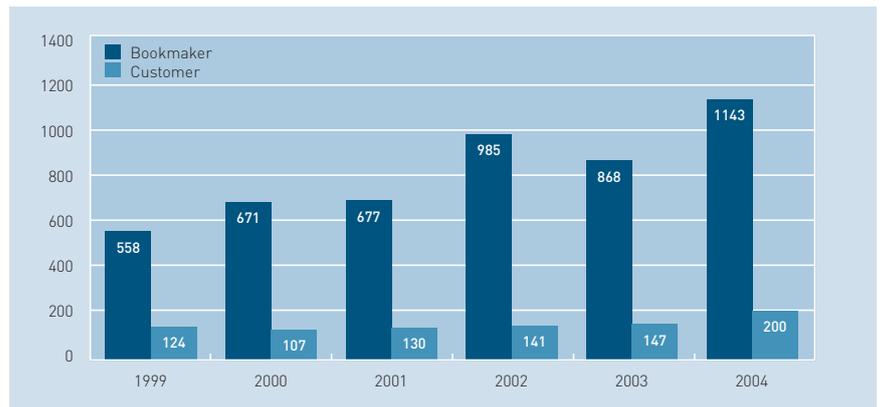
IBAS is very much aware that in every adjudication there is an unfavoured party. IBAS believes the unfavoured party is entitled to an explanation for IBAS's decision. Therefore, every ruling contains an explanation, on occasions lengthy and detailed, of the reasons for the ruling. This demonstrates that IBAS rulings are not arbitrary, but are always based upon objective criteria and principles which can be followed and understood. Identical copies of this reasoned ruling, containing a direction as to settlement, are sent to both parties at the conclusion of a case.

Should the customer with a favourable ruling complain of non-payment, IBAS follows up the matter. In the event of non-compliance, a company would forfeit its registration but, in practice as already mentioned, compliance with rulings is virtually total and trouble-free.

Year-by-year requests and to panel cases



Breakdown of rulings in favour of each party



→ Panellist's View

George White

By its very nature betting is a challenging pursuit. Essentially it's a battle of wits between layers and players.

Anyone who has ever played the game will tell you that losing is an unpleasant experience. Not only is there a financial loss but also a realisation that your judgment was inferior to that of the others in the market.

It follows therefore that betting transactions are unlike any other supplier/customer relationship. In most other retail transactions the retailer is happy when the customer is happy. In betting a happy, i.e. winning, customer is something for the bookmaker to treat warily.

For their part punters have long referred to bookmakers as the 'Old Enemy' and this soubriquet sums up the contentious

nature of the supplier/customer relationship in retail betting.

Many bookmakers have sought to project a more customer-friendly image but in the end any stranger betting in large sums will alert a shop manager to monitor or restrict his bets. Customers, of course, see this as sharp practice but the reality is that those who run retail bookmakers know that there are some very smart punters who will try to take advantage of any chink in their armour.

There are also, from our experience, some customers who are not only smart but also extremely devious. These people are plausible and knowledgeable and seek to exploit the desire of shop staff to be helpful. With the huge expansion in the number of betting opportunities plus the change in the type of person working in

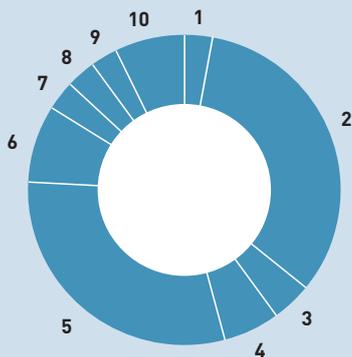
betting shops there are many opportunities for them to seek to benefit from their superior knowledge.

Many of these situations are, of course, covered by a bookmaker's rules but there are also others where the backer has spotted a loophole in the rules or an instance where the rules are not being applied correctly. In those cases we can sympathise with the bookmaker when he complains that the backer was seeking an unfair advantage but that is not a reason for saying that the bookmaker is not bound by his rules.

On the other hand many of the complaints we get are from backers who have had what they believed to be substantial winning bets voided because they transgressed the rules. They feel aggrieved that their bet was 'accepted in good faith' by a cashier and that if it had lost they would not have gone back to have the bet voided or settled in a different manner.

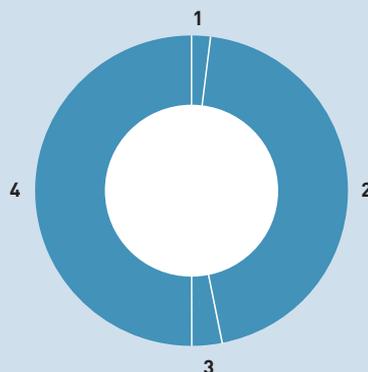
2004 Database breakdown

1 → Bet Exchanges	3%
2 → Football	33%
3 → Golf	4%
4 → Greyhounds	6%
5 → Horseracing	30%
6 → Internet Betting	8%
7 → Numbers Betting	3%
8 → Rugby	3%
9 → Virtual Reality	3%
10 → Others	7%



2004 Bookmaker Disputes breakdown

1 → Irish Bookmakers	2%
2 → Major 6 Bookmakers	45%
3 → Bet Exchanges	3%
4 → Independent Bookmakers	50%



Every time there is a major sporting tournament we see a rash of related contingencies where punters, many of them novice bettors but followers of a particular sport, combine linked selections into multiple bets. Some of the linkages are obvious (trebles on Wales to win the Grand Slam, Six Nations and Triple Crown for example), others less so (say a double on the result of a football match and the total number of goals - not allowed because a draw and no goals, for example, are one and the same).

The key claim in almost all of the submissions is 'I asked the cashier/manager if the bet was OK and he/she said it was so, as they accepted it, it was their mistake and the bookmaker should pay out.' You can understand their disappointment, of course, but it would be virtually impossible for any bookmaker to stand fully behind the actions of what may be a relatively-inexperienced member of staff.

More importantly, if they did so, they would expose themselves to all sorts of unquantifiable risks of collusion between dishonest staff members and customers.

In today's consumer-orientated world there are those who would urge bookmakers to place less reliance on their 'palpable error' and 'bets accepted in error' rules but it is hard to see how this could be accomplished without a fundamental change in the nature of the betting industry.

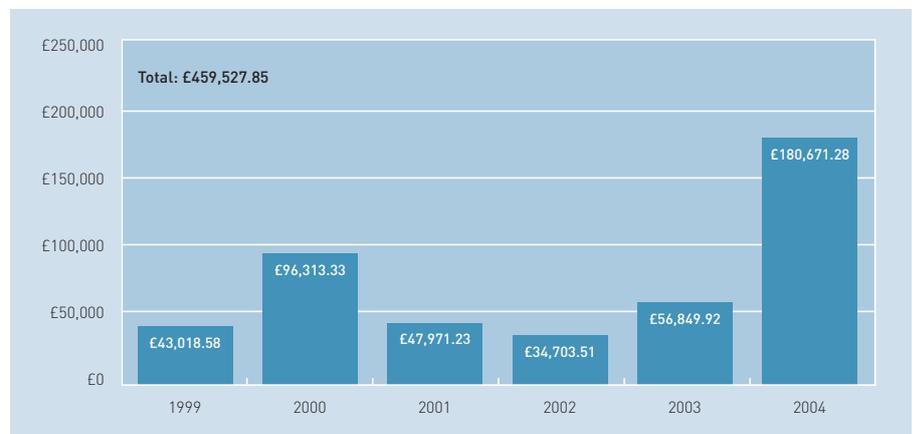
It is also worth noting that while the Tescos and Sainsbury's of this world will honour prices which have been displayed incorrectly under UK law they are not obligated to do so, a fact lost on many of those who complain to IBAS.

We would also stress that what was said in the shop or what the backer intended can play little part in the Panel's arbitration process. Customers agree to be bound by the bookmaker's rules when placing a bet and no employee is authorised to abrogate them. Our key consideration is what is contained in the rules and our aim is always to produce a decisive opinion which reflects those rules rather than negotiate a compromise.

If a customer is given incorrect advice by an employee then that is unfortunate but in our view it is a customer service issue rather than a reason to say that a bet which contravenes the bookmaker's rules has to be honoured. IBAS is, of course, a disputes-resolution body and not an industry watchdog so issues such as poor customer service, inadequate staffing and other such matters are not part of our remit.

Nor incidentally do we see it our role to reprimand either side. Our aim is to produce consistent, articulate and dispassionate rulings which convince both sides that the case has been examined thoroughly and competently and a logical decision arrived at.

Monies obtained for claimants in betting disputes concluded by the panel



It goes without saying that a bookmaker is more likely to settle without proceeding to arbitration; naturally enough bookmakers tend to be more familiar with their rules than most punters. Therefore, in disputed situations they are better placed to gauge the merit of a customer's case more accurately. This fact is necessarily reflected in the respective shares of outcomes favourable to bookmaker and punter.

For both purposes of efficiency and practicality IBAS cannot enter into protracted dialogue on every concluded case. However, the Panel will re-examine a case if the customer makes a reasonable (and reasoned) argument. However, those who merely write in or call up expressing frustration making assertions/accusations to the Panel's integrity are told that the matter cannot be taken any further. However it must be said that the vast majority of disappointed parties are both sufficiently mature and rational to accept the outcome.

Finally this piece has to end here as one of the most common factors we find is that the longer and more complex the complaint the weaker is the case.

→ Financial Accounts

Accounts for the year ended 31st December 2004

Independent Betting Arbitration Service Ltd (company number 04826792 - incorporated on 9th July 2003) commenced trading on 1st January 2004.

Formation

The formation of IBAS into a limited company followed the decision of the Horserace Betting Levy Board to become a contributor. At the same time IBAS moved to its present offices as a sub-tenant of the HBLB at its premises in Grosvenor Gardens. Limited company status was formed to regularise IBAS's activities and finances.

Shareholders of IBAS Ltd

IBAS Ltd is a company limited by guarantee and does not have a share capital. Each of its members has guaranteed to contribute £1 in the event of the company being wound up, currently the three guarantee holders are:

- a) Horserace Betting Levy Board (HBLB)
- b) Satellite Information Services Ltd (SIS)
- c) Trinity Mirror (MGN)

Principal Activities

The company's principal function is to provide a free, independent, impartial confidential betting dispute resolution and arbitration service for all IBAS registered bookmakers and their customers.

Directors

The current serving Directors are:

Jeremy Peter Reed (MGN)
Terry Ellis (SIS)
Rodney Lee Brack (HBLB)

Stephen Haywood (HBLB) is the Company Secretary

Auditors

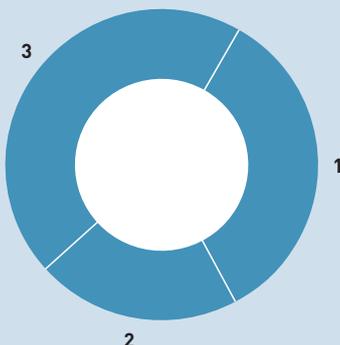
PKF (UK) LLP is the company's auditor.

Funding 2004

IBAS's income for the year ended 31st December 2004 totalled £274,000; its sources were as follows:

2004 Income

- 1 → Horserace Betting Levy Board
- 2 → Trinity Mirror
- 3 → Satellite Information Services

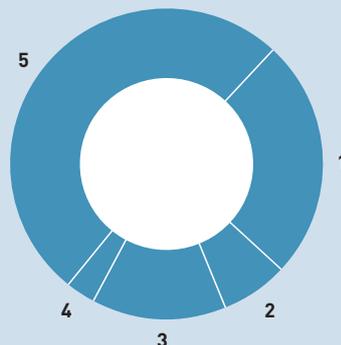


Expenditure 2004

Expenditure for 2004 totalled £263,000, the budget for 2005 assumes break-even.

2004 Expenditure

- 1 → Payments to panellists
- 2 → Admin & other costs
- 3 → HBLB service charges
- 4 → IBAS set-up costs
- 5 → Salary / staff costs



→ Panel Members' Profiles



→ Jeremy Chapman

Deputy Editor and Executive Editor to five different Sporting Life Editors for 20 years between 1978-1998 and golf correspondent for that paper from 1972-1998. Since then chief golf correspondent for Racing Post. Monthly columnist for several magazines over a long period - Golf World, Golf Monthly and, for the last eight years, Golf International. Worked as a sports sub-editor for the Daily Sketch, The Guardian, Sunday Mirror and News of the World before joining The Sporting Life in 1971.

→ John Cobb

The longest-serving racing editor on any national daily newspaper, having joined the sports desk of the Independent before its launch in 1986 after six years as a racing journalist at the Daily Mail. As racing editor at the Independent he has covered all the major developments in the horse racing industry in the last two decades as well as writing on other sports, sports betting, news and features.

→ Dave Compton

Betting shop manager before moving to a leading bookmaker's head office with the brief to oversee the installation of in-shop broadcasting systems. Head-hunted by Turfcall in 1989 to become Managing Editor of racing premium rate telephone services. 1991 became a freelance journalist and broadcaster. He currently broadcasts for Attheraces, SIS and Sky along with appearances on several Asian TV stations.

→ Neil Cook

Editor of Sporting Life Weekender and Assistant Editor of The Sporting Life 1984-90. Managing Editor The Racing Times (USA) 1991. Editor-in-Chief of Daily Racing Form (USA) 1992-1997. Business consultant for the US and UK media and leisure industries 1997-2001. Financial Times International Companies Desk 2002-2004. Production Editor of leading European financial publishing group 2004 to present day.

→ Robert Fenton

Studied Information Science at Leeds Polytechnic and a graduate of journalism from the Belfast College of Business Studies. A sports journalist / sub editor for more than 30 years with the Belfast Telegraph, Ireland's largest selling evening paper with responsibility for covering football, cricket, greyhound and horse racing. He writes a weekly column dealing with all matters related to sports betting. Currently a committee member of the Irish Football Association.

→ Keith Harris

BSc (Hons) in Maths and Management Sciences from Hull University 1982. 1983 to 1985: Branch Manager of a leading bookmaker. 1985 to 1989: Manager, Customer Relations Team of leading UK bookmaker. 1990 to date: Inland Revenue, Inspector of Taxes.

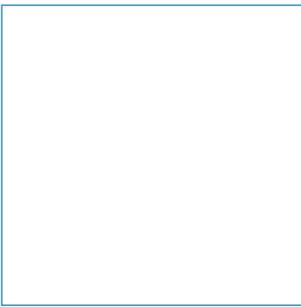
→ Jimmy Stevenson

Former Daily Mirror sports columnist, Sports Editor Scottish Daily Record. First manager of the Daily Mirror Punters Club and author of the highly respected publication 'A Fair Deal in Betting'. Former Vice-President of the Scottish Football Association.

→ George White

Started his journalistic career on Horse & Hound magazine. Founder Editor of the Sporting Life Weekender, moving on to become The Sporting Life's Managing Director between 1985-1991. Launched and was inaugural President of the Racing Times in the USA. Currently a systems analyst and computer programmer for American horseracing publications.

Panel members [from left to right]:
Jeremy Chapman, John Cobb, Dave Compton,
Neil Cook, Robert Fenton, Keith Harris,
Jimmy Stevenson, and George White.



→ IBAS Charter

- 1** → To provide a free independent impartial confidential dispute resolution and arbitration service for disputes relating to the sum or sums to be paid or credited to customers on any betting wager between customers and all Operators including fixed odds games, but excluding spread betting, on IBAS's terms and conditions.
- 2** → To ensure that its Panel for all dispute resolutions and arbitrations is experienced and independent. The Chairman of the Panel will elect a panel of between one to eight members.
- 3** → To make a full and independent assessment of the facts made by way of written submissions; to make adjudications based on the merits of each case as set out in the written submissions with appropriate care and attention; and prepare a written finding.
- 4** → To retain legal advice on the interpretation of Operator's rules where appropriate and to apply such rules fairly.
- 5** → Depending on the prompt co-operation by the customer and the relevant Operator, IBAS will deliver adjudications as soon as reasonably practicable.
- 6** → To decline to adjudicate or to continue to adjudicate in cases where the customer or the Operator does not adhere to IBAS's terms and conditions.
- 7** → To refuse to adjudicate cases where IBAS is not satisfied that the dispute between the Operator and customer is genuine or the IBAS service is being misused.
- 8** → To monitor compliance with adjudications to ensure that both parties fully and fairly comply with the ruling.
- 9** → To permit Operators to utilise the IBAS logos and promote IBAS services.
- 10** → To remove Operators where IBAS has found a material breach of IBAS's terms and conditions and to notify any appropriate regulatory body of such removal.