Sportingbet Plc

Results for the six months ended 30 September 2003

Sportingbet, the world's leading online sports betting company, is pleased to announce its results for the six months ended 30 September 2003.

Highlights

- Turnover of £410.9m (2002: £428.6m restated).

- Gross profit of £30.1m at 7.3% of turnover (2002: £31.7m at 7.4% restated).

- Operating profit of £0.8m (2002: £2.2m) before amortisation of goodwill of £3.4m (2002: £5.0m) exceptional costs of £1.8m (2002: £Nil) and share of operating loss in associate of £0.2m (2002: £Nil).

- Loss before tax of £5.7m (2002: loss of £3.8m) after finance costs and amortisation of goodwill.

- Loss per share pre exceptional costs and amortisation of goodwill of 0.3p (2002: earnings of 0.7p).

- £20.1m of cash and cash deposits on the balance sheet (2002: £19.6m).

- £3.4m cash inflow from operating activities (2002: £3.5m).

- Further progress in development of the business:

    - All regions operating profitability for the period.
    - Customer numbers up 122,059 to 1,005,030.
    - 10 million sports bets taken.
    - Four new white label contracts signed and launched in Europe.
    - New payment processing channels in place in the US market.

Sportingbet Plc Chairman, Peter Dicks said:

"We have experienced some difficult payment processing issues in the period under review. Notwithstanding this, Sportingbet has continued to make good progress in the historically quiet first half. Each region of the Group was profitable at an operating level, the first time we have achieved this. The Board is particularly encouraged by the strong growth in our European business. It is clear that there is a substantial demand for Sportingbet's products and services as illustrated by the continued organic growth in customer numbers. With earnout considerations resolved, the Board's focus is now firmly centred on driving organic growth and, as we enter the busy six months of the company's year, we look forward with cautious optimism."

Financial Results

Six months to 30 September 2003

As part of the settlement of the US earnout in July 2003, Sportingbet acquired for nil consideration the ownership of certain casino sites previously operated as white labels. Reflecting the increase in importance of these revenue streams to the Group, Sportingbet has now changed its accounting policy for casino revenue. Previously, Group turnover for casino was shown as the total value of bets placed. Sportingbet has now adopted the generally accepted method of the net win on casino activities being shown as turnover. This change will have the effect of reducing Group turnover and increasing the gross margin percentage. In addition, and taking account of this change in accounting, the impact of the acquisition has reduced white label fee income and increased casino income revenue. Finally, prior to the acquisition, a proportion of the total income from these sites was also applied to the Group's marketing costs as compensation for marketing done on their behalf. This has also now been included in turnover in order to provide meaningful comparator information. All comparatives and year to date numbers have been restated accordingly.

Turnover for the six months to 30 September 2003 was £410.9m (2002: £428.6m), comprising £399.3m on sports betting (2002: £416.2m), £10.0m on casino betting (2002: £9.9m) and £1.6m from sports and casino "white label" services (2002: £2.5m). The shortfall in turnover compared to last year is primarily attributable to the integration of new payment processing channels for US customers. As part of that integration, the total amount of customer deposits processed through these new channels was gradually increased in order to ensure that the new channels were both scaleable and robust. As as result, customers were not able to deposit as much as they would have liked and turnover was inevitably impacted. This affected sports, casino and white label revenues. Full deposit taking capacity was reached in the second week of September and since then turnover has been in line with our expectations.

Gross profit for the six months to 30 September 2003 was £30.1m (2002: £31.7m), representing 7.3% of turnover (2002: 7.4%). The gross margin on sports betting was £18.5m (2002: £19.3m), £10.0m on casino betting (2002: £9.9m) and £1.6m on white label services (2002: £2.5m). This represented 4.6%, 100% and 100% of their respective turnovers (2002: 4.6%, 100% and 100%). As previously reported during the last two weeks of September (the largest trading month of the period) gross margin was adversely impacted by an estimated £2m due to an abnormally high number of unfavourable sporting results in the US (NFL) and in Europe (soccer).

During the six months to 30 September 2003, administration costs were £29.3m (2002: £29.5m), before amortisation of goodwill and exceptional costs, representing 7.1% of turnover (2002: 6.9%). Major items of administration costs were: marketing £10.2m (2002: £9.6m), information technology £3.5m (2002: £3.7m), banking fees £5.1m (2002: £5.1m) and employee costs £5.7m (2002: £6.0m). Operating profit before amortisation of goodwill was £0.8m (2002: £2.2m). After charging exceptional costs of £1.8m (2002: £Nil), amortisation of goodwill of £3.4m (2002: £5.0m), share of operating loss in an associate of £0.2m (2002: Nil) and net finance costs of £1.1m (2002: £1.0m), the loss before tax was £5.7m (2002: £3.8m). Exceptional costs of £1.8m relate to legal and professional fees associated with renegotiating the Sportsbook earnout and offer discussions with a third party earlier in the year.

Included within finance costs is a non cash charge of £0.6m (2002: £0.8m) in respect of the FRS7 requirement to discount future earnout liabilities back to current values. The final charge was made in July 2003 when the Sportsbook earnout was settled. The loss per share before exceptional costs and amortisation of goodwill was 0.3p (2002: earnings of 0.7p). The basic loss per share was 3.0p (2002: 2.4p).

The Group generated operating cash inflows of £3.4m (2002: £3.5m) and as at 30 September it had £20.1m of cash and cash deposits on its balance sheet (2002: £19.6m).

Three months to 30 September 2003

Turnover for the three months to 30 September 2003 was £210.8m (2002: £213.1m) comprising £205.5m on sports betting (2002: £207.5m), £4.6m on casino betting (2002: £4.3m) and £0.7m from sports and casino "white label" services (2002: £1.3m). Gross profit for the three months to 30 September 2003 was £14.3m (2002: £16.6m), representing 6.8% of turnover (2002: 7.8%). The gross margin on sports betting was £9m (2002: £10.9m), £4.6m on casino betting (2002: £4.3m) and £0.7m on "white labels" (2002: £1.3m). This represented 4.4%, 100% and 100% of their respective turnovers (2002: 5.3%, 100% and 100%).

Administration costs of £14.9m (2002: £15.7m), before amortisation of goodwill, represented 7.1% of turnover (2002: 7.4%). Major items of administration costs were: marketing £5.8m (2002: £5.0m), information technology £1.5m (2002: £1.9m), banking fees £2.3m (2002: £2.9m) and employee costs £3.2m (2002: £3.3m). The reduction in banking fees reflects the new lower cost payment channels.

Operating loss before amortisation of goodwill was £0.6m (2002: profit of £0.9m), representing 0.3% of turnover (2002: profit of 0.4%). After charging exceptional costs of £1.8m (2002: Nil), amortisation of goodwill of £1.7m (2002: £2.6m), share of operating loss in an associate of £0.2m (2002: Nil) and net finance costs of £0.5m (2002: £0.6m) loss before tax was £4.8m (2002: £2.3m).

Finance costs include the final non cash charge of £0.2m (2002: £0.4m) in respect of the FRS7 requirement to discount future earnout liabilities to current values. Loss per share before exceptional costs and amortisation of goodwill was 0.8p (2002: earnings of 0.2p). The basic loss per share was 2.6p (2002: 1.4p). Improved working capital movements enabled the Group to generate operating cash inflows of £7.4m (2002: £4.3m).

Review of Operations

In the six months ended 30 September 2003, registered customer numbers increased from 882,971 to 1,005,030. All of this increase arose from organic marketing activities.

CUSTOMER NUMBERS				
Region	**31 Mar 02**	**30 Sep 02**	**31 Mar 03**	**30 Sep 03**
AMER	468,429	552,939	644,349	673,712
EMEA	54,884	162,443	201,514	288,869
AA	35,274	37,324	37,108	42,449
Total	558,587	752,706	882,971	1,005,030

AMERICA (AMER)

In the six months ended 30 September 2003 Sportingbet's US facing business has enhanced its product offering through the introduction of new products including betting in-running, a new and upgraded casino, and an internet bingo platform. Further product enhancements including horse racing and poker will be introduced in the autumn.

Towards the end of the six-month period, lower cost bank processing channels were introduced. The Board continues to place great emphasis on this area. In light of the difficulties experienced, the Board is not at this time prioritising the integration of any new white label opportunities in the US market.

For the six months to 30 September 2003, customer numbers have increased by 29,363 (4.6%), all through organic marketing activities. This increase is after a one-off adjustment of 69,186 customers who have not placed a bet with the business since the acquisition of Sportsbook in July 2001. The number of sports bets placed fell by 454,000 to 5.8m (2002: 6.3m), reflecting the initial scaling up of the new payment processing channels. The average bet size remained stable at $60 (2002: $62). The cost of taking a bet, represented by total operating costs divided by the number of sports bets placed, fell to £3.18 per bet (2003: £3.58). This fall represents the lower cost operating platform following the integration of Sportingbet's US facing business in July last year and the lower cost banking solutions now in place.

Gross margin from sports bets was 5.6% (2002: 5.4%). Casino and fee income at a 100% margin was £8.7m (2002: £11.9m). Gross margin on sports for the first five months of the period was 6.0% (2002: 5.0%). Gross margin on sports in September however was 4.7% (2002: 6.4%), reflecting the poor results in the last two weeks of the period.

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

In the six months ended 30 September 2003 Sportingbet's European business has made further strong progress. The penetration of Sportingbet's products and the recognition of its brand in Europe's primary betting markets both continue to advance strongly. This has been enhanced through a targeted organic marketing campaign and the introduction of a wide range of new products such as in-running betting, virtual games, poker and an upgraded casino. Sportingbet has also launched a dedicated gaming platform thegamesroom.com and has secured contracts for and launched four white label sites.

As a result of these initiatives, customer numbers in the European region have risen sharply by 87,355 (43%) from 201,514 to 288,869. The number of sports bets placed has increased by 2.1m to 3.5m (2002: 1.4m). The average bet size fell during the period to £19 (2002: £25). This reduction reflects the penetration into new lower staking markets. The gross margin from sports bets increased to 5.9% (2002: 3.3%). Gross margin on sports for the first five months of the period was 6.6% (2002: 3.2%). Gross margin on sports in September however was 3.1% (2002: 4.3%), reflecting the poor results in the last two weeks of the period.

Over the past 18 months the European business has progressively introduced a broad range of casino and gaming products. Gross margin from these products has risen by £2.4m to £2.9m. In line with the increase in scale of the region's business, the cost of taking a bet has fallen to £2 (2002: £3.04) and is the lowest in the Group.

AUSTRALIA AND ASIA (AA)

In the six months ended 30 September 2003 Sportingbet's business in Asia and Australia made good progress. The Board's strategy of moving away from the wholesale market to a predominantly retail Internet platform is progressing in line with expectations. Sportingbet's Internet platforms in Australia (sportingbet.com.au) and China (sb28.com) have both performed well since their respective launches in June 2003. Retail customer numbers and trading margins on both sites are encouraging.

Customer numbers have risen by 5,341 (14%), all from organic marketing activities. This rise is somewhat faster than has previously been the case, reflecting the change in emphasis to the Internet. The number of bets has increased from 0.4m to 0.7m, with the Internet now taking one third of all bets. The average bet size fell during the period to £177 (2002: £235). Gross margin increased to 3.5% (2002: 2.9%). The cost of taking a bet has fallen to £4.61 (2002: £7.71).

Regulatory Developments

In the six months ended 30 September 2003 the discussion in the UK regarding the regulation and modernisation of its gambling legislation has advanced, and the Board welcomes the proposed changes being put forward by the DCMS. Elsewhere within the European Union, Denmark and Holland continue to follow a more protectionist approach.

In the US, the regulatory debate continues. Following the passing of a prohibitive Bill (Bachus H2143) in the House of Representatives last autumn, albeit with no civil or criminal penalties, Senator Kyl has sought to move a sister Bill (S627) in the Senate. After encountering difficulties, Senator Kyl is presently seeking to add his Bill to a catch-all, lightly debated end of session Appropriations Bill in November. It is difficult to assess the chances of this succeeding, however it is clear that any Internet Bill can no longer be presented as non-contentious. The Board believes that the position remains one of uncertainty and that the debate is likely to continue for some time yet.

As part of its previously stated policy, the Government of Australia is currently reviewing the regulatory framework for the industry. The Board expects the initial findings from this review to be published this calendar year.

Outlook

During the first six months of the current financial year, Sportingbet has continued to make progress in the development of its business. Sportingbet's European business continues to grow strongly. The Australian region has recovered from the difficulties of last year and the new Internet focus into the region has begun well. In the US, the Group's product portfolio and bank processing channels have both been enhanced.

After the first three weeks of the second half of the year, traditionally the busier sporting season, trading volumes are good across all regions and the Group is performing in line with management's expectations.

The Board believes that the current financial year end and quarterly reporting cycle is not ideally balanced to allow the effects of any short term margin swings to even themselves out. Both the Half Year and the Full Year reporting periods presently end in a peak trading month immediately following a quiet trading month and the Group's trading results can be unduly affected by margin movements in these peak months. Accordingly, to provide a better balance to its reporting cycle, with effect from this Financial Year Sportingbet will be changing its year end to 31 July. Sportingbet will report its results for the three months to 31 March 2004 as the fourth quarter of the current financial year followed by its results for the 16 months to 31 July 2004 after completion of the audit.

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Sportingbet Plc
Unaudited Consolidated Profit and Loss Account
Six months ended 30 September 2003

	Notes	**3 months 30 Sept 2003 £m**	Restated 3 months 30 Sept 2002 £m	**Restated 6 months 30 Sept 2003 £m**	Restated 6 months 30 Sept 2002 £m
TURNOVER	2	**210.8**	213.1	**410.9**	428.6
Cost of sales		**(196.5)**	(196.5)	**(380.8)**	(396.9)
GROSS PROFIT		**14.3**	16.6	**30.1**	31.7
Gross profit %		**6.8%**	7.8%	**7.3%**	7.4%
Exceptional costs		**(1.8)**	-	**(1.8)**	-
Goodwill amortisation		**(1.7)**	(2.6)	**(3.4)**	(5.0)
Other administration expenses		**(14.9)**	(15.7)	**(29.3)**	(29.5)
Total administration expenses		**(18.4)**	(18.3)	**(34.5)**	(34.5)
Group operating (loss)/profit before exceptional costs and goodwill amortisation		**(0.6)**	0.9	**0.8**	2.2
Exceptional costs		**(1.8)**	-	**(1.8)**	-
Goodwill amortisation		**(1.7)**	(2.6)	**(3.4)**	(5.0)
GROUP OPERATING LOSS		**(4.1)**	(1.7)	**(4.4)**	(2.8)
Share of operating loss in associate		**(0.2)**	-	**(0.2)**	-
LOSS BEFORE INTEREST		**(4.3)**	(1.7)	**(4.6)**	(2.8)
Finance costs	3	**(0.5)**	(0.6)	**(1.1)**	(1.0)
LOSS BEFORE TAXATION		**(4.8)**	(2.3)	**(5.7)**	(3.8)
Taxation		**(0.1)**	-	**(0.1)**	(0.1)
LOSS FOR THE FINANCIAL PERIOD		**(4.9)**	(2.3)	**(5.8)**	(3.9)
LOSS PER ORDINARY SHARE	6	**(2.6p)**	(1.4p)	**(3.0p)**	(2.4p)
ADJUSTED EPS (PRE EXCEPTIONALS AND GOODWILL)		**(0.8p)**	0.2p	**(0.3p)**	0.7p
EBITDA PER SHARE		**(0.1)p**	0.8p	**0.8p**	1.9p

All amounts relate to continuing activities.

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 30 September 2003

	30 Sept 2003 £m	30 Sept 2002 £m	31 Mar 2003 £m
FIXED ASSETS			
Intangible fixed assets – goodwill	129.7	156.6	125.1
Investments in associated companies	2.0	-	-
Tangible assets	4.8	3.4	4.3
	136.5	160.0	129.4
CURRENT ASSETS			
Debtors	13.9	6.4	9.8
Cash at bank and in hand	20.1	19.6	20.1
TOTAL CURRENT ASSETS	34.0	26.0	29.9
CREDITORS:			
Amounts falling due within one year	65.1	20.7	18.5
Convertible loan notes	2.5	-	15.3
NET CURRENT (LIABILITIES)/ASSETS	(33.6)	5.3	(3.9)
TOTAL ASSETS LESS CURRENT LIABILITIES	102.9	165.3	125.5
CREDITORS:			
Amounts falling due after more than one year	10.1	-	0.1
Provisions for liabilities and charges	1.8	49.0	37.0
Convertible loan notes	-	12.9	-
NET ASSETS	91.0	103.4	88.4
CAPITAL AND RESERVES			
Called up share capital	0.2	0.2	0.2
Shares to be issued	28.1	53.9	29.5
Share premium	51.0	53.3	48.6
Other reserves	21.3	5.1	13.8
Profit and loss account	(9.6)	(9.1)	(3.7)
SHAREHOLDERS' FUNDS – EQUITY	91.0	103.4	88.4

Sportingbet Plc
Unaudited Consolidated Cash Flow Statement
Six months to 30 September 2003

	3 months ended 30 Sept 2003 £m	6 months ended 30 Sept 2003 £m	6 months ended 30 Sept 2002 £m
Cash inflow in respect of EBITDA	(2.1)	(0.4)	3.0
Net working capital movement	9.5	3.8	0.5
Net cash inflow from operating activities	7.4	3.4	3.5
Returns on investment and servicing of finance	(0.1)	(0.3)	(0.1)
Capital expenditure	(0.4)	(1.0)	(0.1)
Acquisitions	(15.0)	(15.7)	(5.1)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND BEFORE FINANCING	(8.1)	(13.6)	(1.8)
Management of liquid resources	(5.1)	(3.1)	(0.9)
Financing	3.5	3.5	-
DECREASE IN CASH IN THE PERIOD	(9.7)	(13.2)	(2.7)
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS			
Decrease in cash in the period	(9.7)	(13.2)	(2.7)
Cash outflow from increase in liquid resources	5.1	3.1	0.9
Cash (inflow)/outflow from (increase)/decrease in debt	(3.5)	(3.5)	3.2
MOVEMENT IN NET FUNDS RESULTING FROM CASH FLOWS IN PERIOD	(8.1)	(13.6)	1.4
Loan notes issued to fund acquisition	-	-	(2.0)
Other movements	6.3	6.3	-
Movement in net funds in period	(1.8)	(7.3)	(0.6)
Net funds at start of period	(1.1)	4.4	4.5
NET FUNDS AT END OF PERIOD	(2.9)	(2.9)	3.9

Sportingbet Plc
Notes
Six months to 30 September 2003

1. **Consolidated statement of total recognised gains and losses**

	3 months to 30 Sept 2003 £m	3 months to 30 Sept 2002 £m	**6 months to 30 Sept 2003 £m**	6 months to 30 Sept 2002 £m
Loss for financial period	**(4.9)**	(2.3)	**(5.8)**	(3.9)
Exchange translation differences on consolidation	**-**	-	**(0.1)**	-
Total recognised losses for the financial period	**(4.9)**	(2.3)	**(5.9)**	(3.9)

2. **Analysis of turnover:**

		3 months to 30 Sept 2003 £m	Restated 3 months to 30 Sept 2002 £m	**Restated 6 months to 30 Sept 2003 £m**	Restated 6 months to 30 Sept 2002 £m
a)	Analysis of revenue by activity				
	Sports Betting	**205.5**	207.5	**399.3**	416.2
	Casino Betting	**4.6**	4.3	**10.0**	9.9
	Fee Income	**0.7**	1.3	**1.6**	2.5
		210.8	213.1	**410.9**	428.6
b)	Analysis of revenue by region				
	AMER	**113.2**	148.2	**225.5**	284.4
	EMEA	**34.9**	17.4	**69.7**	31.2
	AA	**62.7**	47.5	**115.7**	113.0
		210.8	213.1	**410.9**	428.6

3. **Impact of accounting changes:**
Set out below are the relevant captions that have been impacted by the changes in accounting as if these changes had not occurred. There is no impact on operating profit.

	3 months to 30 Sept 2003 £m	3 months to 30 Sept 2002 £m	**6 months to 30 Sept 2003 £m**	6 months to 30 Sept 2002 £m
Turnover	**235.9**	246.4	**491.9**	494.5
Gross Profit	**12.9**	14.4	**27.0**	27.6
Administration Expenses	**(13.5)**	(13.5)	**(26.2)**	(25.4)

4. **Finance Costs:**

	3 months to 30 Sept 2003	3 months to 30 Sept 2002	**6 months to 30 Sept 2003**	6 months to 30 Sept 2002
Interest receivable	**-**	-	**-**	0.1
Interest payable	**(0.3)**	(0.2)	**(0.5)**	(0.3)
	(0.3)	(0.2)	**(0.5)**	(0.2)
Deferred consideration discount	**(0.2)**	(0.4)	**(0.6)**	(0.8)
Total finance costs	**(0.5)**	(0.6)	**(1.1)**	(1.0)

5. Debtors include £3.3m in respect of amounts due from a payment processing supplier whose agreement has been terminated. As a consequence of a dispute within the processing chain there is uncertainty as to the degree of recoverability of the aforementioned debt and the level of any costs associated with that recovery. The directors are, nevertheless, confident that the aforementioned debt will be materially recovered.

6. The interim results have been prepared on the basis of the accounting policies set out in the Group's 2003 statutory accounts with the exception of the treatment of casino turnover as set out in the body of this statement. These interim results do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.

7. The basic loss per share is based on the loss on ordinary activities after taxation of £5.8m (2002: loss of £3.9m) and on the weighted average number of shares in issue of 189,815,384 (2002: 161,391,462).