Sportingbet Plc

Audited results for the 16 months ended 31 July 2004

Sportingbet Plc (LSE: SBT), a leading online sports betting and gaming group, announces its audited results for the 16 months ended 31 July 2004.

Financial Highlights – 16 months ended 31 July 2004

- Turnover of £1,431.9m (2003*: £969.6m).
- Operating profit before goodwill and exceptional costs of £21.7m (2003*: £14.6m).
- Profit before tax of £5.4m (2003*: £1.4m).
- Cash generation from operating activities of £24.3m (2003*: £9.3m); £16.9m of net debt repaid.
- Basic earnings per share pre goodwill and exceptional costs of 10.0p (2003*: 7.1p).
- Diluted earnings per share pre goodwill and exceptional costs of 6.8p (2003*: 4.1p).

* for the audited 12 months ended 31 March 2003.

Business Highlights – 12 months ended 31 July 2004

- Average of 8.3 bets per second placed with the Group during last 12 months.
- Number of sports bets up 36% to 31.9m; cost per bet reduced by 12%.
- Number of registered customers up 282,887 (30%) to 1,231,649.
- Casino, gaming and fee income up 41% to £40.2m.
- Europe now profitable and fast growing.
- US software now jointly owned and operated at lower cost.

Commenting on today's announcement, Peter Dicks, Chairman, said:

"I am delighted to report a very strong performance for the Group. Our strategy of driving growth from leisure gamblers and an entertainment oriented product offering across our market leading brands continues to prove successful. Sportingbet now has over 1.2m registered customers and has taken the equivalent of over eight bets per second during the year. This significant volume has enabled us to leverage off our scalable business model and deliver record profitability and cash inflow to pay down a significant proportion of our debt. With organic growth continuing at a strong pace, new products being launched and new markets being opened, we continue to view the future with confidence."

Commenting on the results, Nigel Payne, Chief Executive, said:

"Over the last sixteen months we have seen the number of customers using Sportingbet's services, the number of bets taken and the profits and cash generated reach record levels.

Our European business has improved materially. The region now has a developed business in sixteen European markets and is operating in fifteen different languages. New products, such as European basketball and person-to-person games, continue to widen the appeal of Sportingbet's brands in the region. Our US business has had another strong year, with record volumes and profitability. In Australia, the launch of our internet platform has been successful, with the number of internet bets now representing 43% of all bets placed in the region.

Poker is a significant growth market and, following the acquisition of Paradise Poker announced separately today, the Group has a real opportunity to leverage the critical mass of Paradise Poker and to provide customers of the combined group with a leading sports betting, casino, bingo, gaming and poker offering under one roof.

Our industry continues to undergo rapid change, with consumers now demanding a wide variety of products from their internet gaming supplier. By focusing on these dynamically changing requirements and delivering best-of-breed products, Sportingbet has now successfully moved into a new phase of its development. Our combination of profitability, global reach and product range has enabled us to satisfy this growing demand and consequently increase shareholder value. With strong organic growth in betting volumes at the start of the busy season, we look forward to the future with confidence."

For further information please contact:

Sportingbet Plc

Nigel Payne, Chief Executive — Tel: 020 7251 7260
Andrew McIver, Finance Director — Tel: 020 7251 7260

Smithfield (media) — Tel: 020 7360 4900
George Hudson — Tel: 07803 603 130

IR Focus (analysts/investors)

Neville Harris — Tel: 020 7861 3894

The information contained herein is not for publication or distribution to persons in the United States of America. The securities referred to herein have not been and will not be registered under the US Securities Act 1933, as amended, and may not be offered or sold without registration thereunder or pursuant to an available exemption therefrom.

High resolution images are available for the media to view and download free of charge from http://www.vismedia.co.uk

FINANCIAL RESULTS

Sixteen months ended 31 July 2004

Turnover for the sixteen months ended 31 July 2004 was £1,431.9m (12 months to March 2003: £969.6m), earning a gross margin of £117.9m (2003: £74.1m) at 8.2% of turnover (2003: 7.6%). Sports betting turnover was £1,386.1m (2003: £950.3m), earning a gross margin of £72.1m (2003: £54.8m) at a gross margin percentage of 5.2% (2003: 5.8%). Casino betting and fee income contributed a further £35.6m and £10.2m respectively to both turnover and gross margin (2003: £4.0m and £15.3m). As set out in note 3, Sportingbet's basis for accounting for casino activities changed following the renegotiation of the Sportsbook earn-out in July 2003.

This has impacted upon the reported figures for casino turnover and margin, fee income and marketing expenses. These items for the 16 months ended 31 July 2004 have therefore been reported on a different basis to those for the twelve months ended 31 March 2003. Note 3 sets out the impact of this change in the basis for accounting. There is no impact on the overall profit of the Group.

Costs (excluding goodwill amortisation and exceptional costs) in the sixteen months of £96.2m (2003: £59.5m) represented 6.7% (2003: 6.1%) of turnover. Costs comprised marketing £27.5m (2003: £12.9m), commissions paid to marketing partners and third party software providers £17.1m (2003: £10.6m), banking fees £19.6m (2003: £13.6m), employee costs £18.7m (2003: £11.0m), other administration costs £11.0m (2003: £9.9m) and depreciation £2.3m (2003: £1.5m).

Operating profit (before goodwill and exceptional costs) for the sixteen months was £21.7m (2003: £14.6m), representing a margin of 1.5% (2003: 1.5%) of turnover. With approximately 85% of the Group's revenues and costs denominated in foreign currency, exchange rates, particularly the dollar/sterling rate, can have a significant impact on the reported figures. The average dollar/sterling exchange rate for the sixteen months was $1.74, a 12% decline over the average for the 12 months ended 31 March 2003. The net impact of the adverse exchange rate movements during the year has been to reduce the Group's operating profit from trading activities by £2.9m. However this has been partially offset by the retranslation at the end of the period of a US dollar creditor balance due to the vendors of Sportsbook, which resulted in an exchange gain of £2.4m. This gain is included in administration costs.

Profit before tax was £5.4m (2003: £1.4m), after deducting exceptional costs of £5.1m (2003: £1.4m), goodwill amortisation of £9.6m (2003: £9.6m), interest of £2.0m (2003: £2.2m) and adding share of operating profit in associate of £0.4m (2003: £nil). Basic earnings per share before exceptional costs and amortisation of goodwill was 10.0p (2003: 7.1p). Diluted earnings per share before exceptional costs and amortisation of goodwill was 6.8p (2003: 4.1p).

Exceptional costs of £5.1m were incurred in the period. £1.8m was incurred in the six months to 30 September 2003 and related to legal and professional fees associated with renegotiating the Sportsbook earn-out and offer discussions. The remaining £3.3m relates to the uncertain collection of outstanding bank processing monies. In the results for the year ended 31 March 2003, the Board reported that there was uncertainty regarding the collection of £3.3m due from former US facing bank networks. Progress continues to be made in collecting these monies, however the sums still remain outstanding. The Board has consequently decided to take the prudent position of making an exceptional provision.

Included within interest is a non-cash charge of £0.6m (2003: £1.5m) in respect of the FRS7 requirement to discount future earn-out liabilities back to current values. The final charge was made in July 2003, when the Sportsbook earn-out was settled.

During the sixteen months ended 31 July 2004, the Group generated cash from operating activities of £24.3m (2003: £9.3m), of which £16.9m was used to repay net debt. As at 31 July 2004, gross debt, including amounts owing under the rescheduled earn-outs of £16.5m, amounted to £33.8m (March 2003: £51.6m). This comprised a bank loan and overdraft totalling £17.3m, non-interest bearing, US dollar denominated creditors to the vendors of Sportsbook of £15.7m ($28.5m) and a contingent consideration payment in Australia of £0.8m, pending the outcome of ongoing litigation.

Since the year end, a further £2.0m of net debt has been repaid.

REVIEW OF OPERATIONS

In order to provide a meaningful indication of the progress of the Group, the review of operations below compares the twelve months ended 31 July 2004 with the twelve months ended 31 July 2003. In addition the following commentary has been given on the same basis as the information presented in note 3.

Sportingbet Group

In the twelve months ended 31 July 2004, the Group has made strong progress across all of its key performance indicators. The number of registered customers has increased by 282,887 (29.8%) to 1,231,649 all of which has arisen through organic growth. The number of sports bets placed has risen by 8.5m (36.5%) to 31.9m (2003: 23.4m), reflecting both the strength of the Group's product range and the increased loyalty of the customer base. As the number of bets has risen, the Group's operational leverage has reduced the average cost per sports bet by 12.5% from £2.89 to £2.53. Increased database activity, in conjunction with the benefit of additional product, has also led to substantially higher casino, gaming and fee income, with margin rising by £11.6m (40.6%) to £40.2m (2003: £28.6m).

Europe

Europe continues to make significant progress. During the twelve months ended 31 July 2004, the region's key performance indicators have advanced strongly, and this, together with a wide-ranging increase in product offered and expansion into high margin new markets, has enabled the region to generate good operating profit. The European region now has a developed business in sixteen European markets, operating in fifteen different languages.

In the twelve months ended 31 July 2004, the number of customers rose by 186,614 (70.7%) from 263,971 to 450,585. The number of sports bets placed increased sharply by 5.4m (98.2%) to 10.9m (2003: 5.5m). The average bet size within each individual European market was broadly constant, though the average for the region as a whole fell during the year to £15.26 (2003: £21.18), reflecting the penetration into new lower staking markets. Turnover rose by 43.9% to £166.4m (2003: £115.6m).

Margin performance, assisted by the sharp rise in activity levels, a wider product range and expansion into higher margin markets, has been good throughout the year. The sports gross margin percentage increased to 8.5% (2003: 7.2%). The record level of activity, together with targeted cost reduction initiatives, lowered the average cost per sports bet to £1.95 (2003: £2.31), the lowest in the Group.

A particular area of success in the twelve months to 31 July 2004 has been the growth of the European region's casino, virtual games and poker products. Sportingbet's market-leading suite of proprietary virtual games, combined with its casino and fast growing poker room, generated a 157.5% rise in margin to £8.6m in the twelve months (2003: £3.3m).

America

The US region had a strong year. In the twelve months ended 31 July 2004, the number of customers rose by 85,387 (13.2%) from 647,691 to 733,078. The number of sports bets placed increased by 2.2m (12.8%) to 19.0m (2003: 16.8m). The average sports bet size rose during the year to $60 (2003: $57). The sports gross margin in the twelve months was 6.5% (2003: 6.9%). The increased activity level generated a reduction in the average cost per sports bet to £2.66 (2003: £2.83). The region's casino, gaming and fee income has performed strongly, generating a 24.9% increase in margin to £31.6m (2003: £25.3m).

The Board is particularly pleased with the growth of its US facing casino and gaming business, following the introduction of an enhanced product offering from World Gaming, Sportingbet's US software supplier, in the summer of 2003. Sportingbet launched its US facing horse racing business in April 2004 and the rollout across all of the US facing brands will be completed during November 2004. Internet poker was soft launched in July 2004. The Board was mindful not to launch poker across all of the region's major brands in order that maximum advantage could be leveraged from the Paradise Poker brand post acquisition. Following the acquisition, poker will now be aggressively rolled out and marketed across all brands in the region. With a large US sports betting customer database, the Board considers this to be a significant opportunity both in terms of organic poker growth and cross selling into the Paradise brand.

During the twelve months ended 31 July 2004, Sportingbet's internal review of the online gaming software market showed that the cost of supply of the US region's software from World Gaming was out of line with other newer and lower cost options. Sportingbet accordingly restructured its relationship with World Gaming in August 2004, which was approved by the shareholders of World Gaming in October 2004. The new arrangements provide Sportingbet with joint ownership of the software platform for its US facing business and, importantly, control over the future development of the software. The arrangements also reduce Sportingbet's costs going forward. Were the new arrangements in place for the full twelve months ended 31 July 2004, the total costs incurred by Sportingbet for the use of the software and for the provision of US facing hosting services would have been reduced by approximately $5m. As previously announced, Sportingbet intends to re-invest a reasonable proportion of these savings into additional development of the software.

Australia

The transition in the Australian sports betting market from being a primarily telephone-based betting market to one where the internet is now a strong force continues, with the internet both expanding the overall market size in the region and, importantly, taking market share. In the twelve months ended 31 July 2004, the percentage of bets taken through the internet rose to 43% (2003: 4%).

In the twelve months ended 31 July 2004, the number of customers rose by 10,886 (29.3%) from 37,100 to 47,986. The number of sports bets placed increased by 0.9m (85.5%) to 2.0m (2003: 1.1m). The average sports bet size has fallen in line with the increase in lower staking internet activity to AUS$408 (2003: AUS$505). The 71.5% increase in activity, offset by a lower average bet size, has generated an increase in turnover of 65.4% to £332.1m (2003: £200.8m). This record activity level and particularly the introduction of the higher volume, lower cost internet betting platform has resulted in the average cost per sports bet falling significantly to £4.50 per bet (2003: £6.65).

The gross margin percentage in the region was below management's expectations at 2.3% (2003: 3.8%). The fast expanding internet business delivered a margin of 3.9% and is growing well. The telephone business, however, delivered a margin of 2.1%. Whilst the Board recognises that telephone margin across the industry in this region has been below the long term average this year, the Board has nevertheless initiated a review of the Group's telephone risk management policies and early signs of this change programme are encouraging.

Regulatory Developments

The UK Government continues on its path towards modernising its gambling legislation and regulating online gaming. The UK Gambling Bill, which recognises that remote interactive gambling is a significant opportunity for the UK to become the global base for online gaming operators, seeks to provide an appropriate regulatory framework to achieve this. Sportingbet is supportive of the Bill's objective of creating a proper UK regulatory framework. Remote gambling is the only gambling segment currently unregulated in the UK and this Bill will bring such laws up to date with new technology and communications platforms. This will have the effect of enhancing consumer protection and social responsibility for such services. Sportingbet also welcomes the clarification by the UK Government that its proposed regulatory framework permits bets to be taken from US based customers. Notwithstanding its broad support, the Board remains concerned that the UK Gambling Bill, despite its now advanced stage, is still unclear on a number of issues including taxation levels and server location.

Elsewhere in Europe, the European Court of Justice's verdict in the Gambelli case has had differing effects. Some countries such as Germany have interpreted this ruling as defining legislation that opens up EU markets to suppliers in other member countries. However other countries, such as Denmark and Holland, continue to protect their domestic industry. The European Commission has sent Denmark an official request for information on its legislation, and the Commission intends to verify the compatibility of the Danish legislation with the provisions of the EC Treaty on the free movement of services and on the freedom of establishment. In light of the above and other contradicting views between Member States, the European Commission plans to review the need for a new set of laws to govern remote gambling services across all of its Member States.

In the USA, Representative Bachus passed a Bill (HR2143) through the House of Representatives in June 2003 that would outlaw the use of various financial instruments for the purposes of interactive gambling and attempted to hold financial institutions legally responsible for gaming transactions. The necessary companion Bill in the Senate has been unable to make progress, as the Senate leadership has requested that there be initial consensus from all interested parties, which has not thus far been possible. A further attempt was made in October 2004 to append this Bill to the Patriot Bill (HR10) but this was rejected by the House leadership.

In March 2004, the World Trade Organisation ruled in favour of Antigua and Barbuda and against the US in their trade dispute with regard to internet gambling. The dispute, which was supported by the EU, Japan and Canada, sought to make the US accountable for those commitments in the General Agreement on Trade and Services (GATS) that it had already agreed to, specifically relating to the opening of its borders to non-domestic gambling supply. Whilst not yet public, the WTO report is widely believed to conclude that there is no evidence to support the US position regarding the level of risk it associates with internet gambling. Initial attempts by the US to settle the dispute have not, to date, been successful and Sportingbet awaits the publication of the full report in November with interest.

In Australia, the review of the federal Interactive Gambling Act 2003 has now been completed. No changes to Sportingbet's business model arise from the review. As part of the review submissions, the Australian Racing Board introduced a proposal to charge a product fee. Such a levy, if enacted, would be charged to all corporate bookmakers for the use of the "horse racing product". Sportingbet believes that such a levy, if introduced, would in fact be counterproductive. A number of operators would simply relocate offshore, thereby avoiding paying the product fee and existing taxes. At the same time they would then be able to offer games of chance (such as casino, poker and virtual games) for which no onshore licences are presently available. The review also allowed, for the first time, individual States to issue Australian Exchange Licences. This new policy from the Government has been controversial and to date no actual licences have been issued.

Dividends

The Board continues to review the options for eliminating the Company's deficit on its distributable reserves, including a Court approved reduction of capital. Subject to the elimination of this deficit, and satisfactory financial performance, the Board intends to declare a maiden dividend in respect of the year ending 31 July 2005.

Outlook

During the first three months of the current financial year, organic growth in the number of new customers and bets placed has continued to advance at a strong pace and the key performance indicators of the Group have progressed well. As we approach the end of the first quarter, trading is in line with management's expectations.

Sportingbet will report its results for the three months ending 31 October 2004 on 25 November 2004.

Sportingbet Plc
Audited Consolidated Profit and Loss Account
16 months ended 31 July 2004

	Notes	**16 months to 31 July 2004**	12 months to 31 March 2003 Restated
		£m	£m
TURNOVER	2	**1,431.9**	969.6
Cost of sales		**(1,314.0)**	(895.5)
GROSS PROFIT		**117.9**	74.1
Gross profit %		**8.2%**	7.6%
Exceptional costs	4	**(5.1)**	(1.4)
Goodwill amortisation		**(9.6)**	(9.6)
Other administration expenses		**(96.2)**	(59.5)
Total administration expenses		**(110.9)**	(70.5)
Group operating profit before exceptional costs and goodwill amortisation		**21.7**	14.6
Exceptional costs		**(5.1)**	(1.4)
Goodwill amortisation		**(9.6)**	(9.6)
GROUP OPERATING PROFIT		**7.0**	3.6
Share of operating profit in associate		**0.4**	-
PROFIT BEFORE INTEREST		**7.4**	3.6
Finance costs	5	**(2.0)**	(2.2)
PROFIT BEFORE TAXATION		**5.4**	1.4
Taxation		**-**	-
PROFIT AFTER TAXATION		**5.4**	1.4
Minority interest		**(0.1)**	-
PROFIT FOR THE FINANCIAL PERIOD	8	**5.3**	1.4
EARNINGS PER ORDINARY SHARE	9		
Basic		**2.6p**	0.8p
Diluted		**1.8p**	0.5p
ADJUSTED EPS (PRE EXCEPTIONALS AND GOODWILL)			
Basic		**10.0p**	7.1p
Diluted		**6.8p**	4.1p

Sportingbet Plc
Audited Consolidated Balance Sheet
As at 31 July 2004

	31 July 2004 £m	31 March 2003 £m
FIXED ASSETS		
Intangible fixed assets – goodwill	**124.2**	125.1
Investments	**2.7**	-
Tangible assets	**5.2**	4.3
	132.1	129.4
CURRENT ASSETS		
Debtors	**8.3**	9.8
Cash at bank and in hand	**20.3**	20.1
TOTAL CURRENT ASSETS	**28.6**	29.9
CREDITORS		
Amounts falling due within one year	**40.6**	18.5
Bank loans and overdrafts	**17.3**	-
Convertible loan notes	**-**	15.3
TOTAL CURRENT LIABILITIES	**57.9**	33.8
NET CURRENT LIABILITIES	**29.3**	3.9
TOTAL ASSETS LESS CURRENT LIABILITIES	**102.8**	125.5
CREDITORS		
Amounts falling due after more than one year	**0.1**	0.1
Provisions for liabilities and charges	**1.7**	37.0
NET ASSETS	**101.0**	88.4
CAPITAL AND RESERVES		
Called up share capital	**0.2**	0.2
Shares to be issued	**26.7**	29.5
Share premium	**52.5**	48.6
Other reserves	**21.3**	13.8
Profit and loss account	**0.3**	(3.7)
SHAREHOLDERS' FUNDS – EQUITY	**101.0**	88.4

Sportingbet Plc
Audited Consolidated Cash Flow Statement
16 months ended 31 July 2004

	16 months ended 31 July 2004 £m	12 months ended 31 March 2003 £m
Cash inflow in respect of EBITDA	**18.9**	14.7
Net working capital movement	**5.4**	(5.4)
Net cash inflow from operating activities	**24.3**	9.3
Returns on investment and servicing of finance	**(1.4)**	(0.6)
Capital expenditure	**(3.5)**	(1.9)
Acquisitions	**(27.3)**	(7.9)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND BEFORE FINANCING	**(7.9)**	(1.1)
Management of liquid resources	**1.3**	(6.0)
Financing	**(2.2)**	(0.1)
DECREASE IN CASH IN THE PERIOD	**(8.8)**	(7.2)
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS		
Decrease in cash in the period	**(8.8)**	(7.2)
Cash (inflow)/outflow from increase in liquid resources	**(1.3)**	6.0
Cash outflow from decrease in debt	**2.3**	3.5
MOVEMENT IN NET FUNDS RESULTING FROM CASH FLOWS IN PERIOD	**(7.8)**	2.3
Loan notes issued to fund acquisition	**-**	(2.5)
Other movements	**5.9**	0.3
Movement in net funds in period	**(1.9)**	0.1
Net funds at start of period	**4.5**	4.4
NET FUNDS AT END OF PERIOD	**2.6**	4.5

Sportingbet Plc
Audited Notes
16 months ended 31 July 2004

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

	16 months 31 July 2004 £m	12 months 31 March 2003 £m
Profit for financial period	**5.3**	1.4
Exchange translation differences on consolidation	**(1.3)**	0.1
Total recognised gains for the financial period	**4.0**	1.5

2. **Analysis of turnover:**

		16 months to 31 July 2004	12 months to 31 March 2003
a)	Analysis of revenue by activity	**£m**	£m
	Sports betting	**1,386.1**	950.3
	Casino betting	**35.6**	4.0
	Fee income	**10.2**	15.3
		1,431.9	969.6
b)	Analysis of revenue by region		
	AMER	**811.4**	663.6
	EMEA	**218.5**	92.3
	AA	**402.0**	213.7
		1,431.9	969.6

3. **Impact of accounting changes:**

As reported in Quarter 2, on 1 August 2003 Sportingbet acquired ownership of certain casino sites and following this adopted the generally accepted policy of showing net win on casino activities as turnover, whereas previously turnover was reported as gross bets placed. This change reduces Group turnover and increases gross margin percentage. There is no impact on operating profit. The net revenue from the acquired sites was previously included in white label fee income and associated marketing costs were net of amounts recharged.

For the purpose of a like for like comparison, set out below are the results as if these casino sites had been wholly owned for the sixteen months ended 31 July 2004 and the whole of the prior period.

	16 months to 31 July 2004 £m	12 months to 31 March 2003 £m
Turnover	**1,434.0**	978.7
Gross profit	**120.0**	83.2
Administration expenses	**(98.3)**	(68.6)
Operating profit before exceptional costs and goodwill amortisation	**21.7**	14.6

Sportingbet Plc
Audited Notes continued
16 months to 31 July 2004

Impact of accounting changes (continued):

	16 months to 31 July 2004	12 months to 31 March 2003
Analysis of revenue by activity	**£m**	£m
Sports betting	**1,386.1**	950.3
Casino betting	**40.0**	22.9
Fee income	**7.9**	5.5
	1,434.0	978.7

4. **Exceptional Costs:**

	16 months to 31 July 2004	12 months to 31 March 2003
	£m	£m
Legal and Professional fees	**(1.8)**	-
Provision against amounts due from payment processors	**(3.3)**	-
Integration and reorganisation costs	**-**	(0.2)
Bad debt Provision	**-**	(1.2)
Total exceptional costs	**(5.1)**	(1.4)

Legal and professional fees relate principally to the fees associated with the renegotiation of the Sportsbook earn-out and offer discussions at the beginning of the financial period. The provision against amounts due from payment processors relates to payment processors whose agreement has been terminated. As a result there is some uncertainty as to the degree of recoverability of the aforementioned debt.

5. **Finance Costs:**

	16 months to 31 July 2004	12 months to 31 March 2003
	£m	£m
Interest receivable	**0.1**	0.1
Interest payable	**(1.5)**	(0.8)
	(1.4)	(0.7)
Finance charge on discounting of deferred consideration	**(0.6)**	(1.5)
Total finance costs	**(2.0)**	(2.2)

6 As announced at the half-year results on 23 October 2003, the Group's year end has been changed from 31 March to 31 July in order to provide a better balance to its reporting cycle.

7 The financial information set out above does not constitute the company's statutory accounts for the periods ending 31 July 2004 or 31 March 2003, but is derived from those accounts. Statutory accounts for 2003 have been delivered to the Registrar of Companies and those for 2004 will be delivered following the company's general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under the companies Act 1985, s 237(2) or (3).

The audit report for the year ended 31 March 2003 contained a fundamental uncertainty in respect of the degree of recoverability of payment processing debtors amounting to £3.3m. This amount has been provided as an exceptional item in 2004.

8 All amounts on the profit and loss account relate to continuing activities.

9 The basic earnings per share for the financial period is based on the profit on ordinary activities after taxation of £5.3m (2003: £1.4m) and on the weighted average number of shares in issue of 201,290,345 (2003: 174,649,840).

The diluted earnings per share for the financial period is based on the profit on ordinary activities after taxation of £5.3m (2003: £1.4m) and the weighted average number of shares in issue adjusted to assume the exercise of options over shares and the effect of dilutive earn-out shares to be issued, of 293,026,616 (2003: 302,164,280).

Adjusted basic and diluted earnings per ordinary share before goodwill and exceptional costs exclude amortisation of goodwill of £9.6m (2003: £9.6m) and exceptional charges of £5.1m (2003: £1.4m).