Sportingbet Plc

Preliminary Results for the Year Ended 31 July 2006

Sportingbet Plc (LSE: SBT), the online sports betting and gaming group, announces its audited results for the year ended 31 July 2006.

Post Balance Sheet Events
Prior to the enactment, by President Bush, of the Unlawful Internet Gambling Enforcement Act on October 13th, Sportingbet exited the US market:

- Disposal of US-facing sports and casino operations for $1, discharging excess liabilities of approximately $13.2m and saving potential severance and closure costs amounting to approximately $14.0m
- Closure of US-facing poker operations. Paradise Poker will continue to focus on Europe and other relevant markets
- Exceptional costs of £210m estimated in year ending 31 July 2007 consisting of £200m of goodwill impairment and £10m of restructuring and related costs
- Cash on balance sheet net of client liabilities of £35.2m as at 13 October 2006. All bank debt repaid post year end

Financial Highlights – Year ended 31 July 2006

- Gross margin up 72.5% to £303.3m (2005: £175.8m)
- Operating profit* up 70.2% to £103.0m (2005: £60.5m)
- Basic earnings per share* of 24.9p (2005: 18.6p)
- Diluted earnings per share* of 23.8p (2005: 13.9p)

(* Stated before exceptional items, goodwill amortisation and share option charge)

Business Highlights – Year ended 31 July 2006

- New real money sign-ups up 64.2% to 640,472 (2005: 390,142), acquired at an average cost of £153 (2005: £137)
- Number of sports and gaming bets up 41.8% to 566.9m (2005: 399.9m)
- Average daily Paradise Poker rake up 81.1% to $513,995 (2005: $283,824)
- Group Finance Director Andrew McIver replaces Nigel Payne as Group Chief Executive Officer. Nigel Payne to remain as an Executive Director

Commenting on today's announcement, Nigel Payne, Executive Director and former Group Chief Executive, said:

“The past financial year, and my last as Group Chief Executive, has demonstrated the potential of the internet gaming industry and the strength of Sportingbet’s operations to deliver a wide range of gaming products in a safe, secure and entertaining environment. Sportingbet delivered record profits as we achieved significant organic growth from our key products and markets.

Whilst Sportingbet, and the industry as a whole, continues to demonstrate significant growth, this past year has seen the emergence of a sustained political focus and debate on the industry across many parts of the globe. The Board has continued to lobby for the adoption of consistent and transparent policies promoting the benefit of proper regulation. However this year has seen a fragmentation of the Group’s efforts, with many governments compromising this policy for various motives, be they fiscal protectionism or political gain. As we move into a new financial year, there is still little sign that governments are ready to embrace the Board’s belief in the harmonisation of internet trading across geographic borders. Important international entities such as the European Union and the World Trade Organisation are seemingly unable, at this time, to provide much needed clarity.

This action culminated in September 2006 when the United States Congress passed the Unlawful Internet Gambling Enforcement Act 2006, which has had a material impact on the industry and Sportingbet. As a result of clear advice received from its advisors, Sportingbet has exited from the US market.

Outside of the US market Sportingbet is performing well and this will now be our focus going forward. The Group’s continuing operations of European sports, casino and poker, Australian sports and the non US-facing business of Paradise Poker are well placed to grow. Having now attained penetration into targeted European markets, Sportingbet’s European business has an exciting future ahead of it. Sportingbet’s Australian business, with an ever greater focus on the retail customer, is generating stable margins and profitability. Paradise Poker will concentrate on growing its non US-facing business and will roll out multi-language and multi-currency sites over the coming months to complement our localised sports and casino offering.

As the Group now embarks on a new phase in its development, the strength and stability of its management team becomes even more important. Sportingbet has a strong and loyal team of experienced people. As I now stand aside and pass the baton to Andrew McIver, I have no doubt that this industry leading team will serve the Group and its stakeholders well.

In closing, I would like to take this opportunity to thank Peter Dicks for his contribution as Chairman to the Sportingbet business and also to recognise the efforts of our Senior Independent Director, Sean O’Connor, for kindly acting as Interim Chairman as we digest the outcome of recent events and move forward into a new stage in the life of Sportingbet.”

Commenting on the results, Andrew McIver, incoming Group Chief Executive, said:

“My first review as Group Chief Executive comes at a very disappointing time. The Board and I are particularly dismayed by the regulatory developments in the US over recent months. The Unlawful Internet Gambling Enforcement Act, passed by Congress on 29 September and enacted by President Bush on 13 October 2006, resulted in the Board having no choice but to withdraw all services to US based customers. This will have a significant impact on the Group’s trading results going forward. However, we retain strong

European and Australian businesses along with the non US-facing element of Paradise Poker, and we will build on these.

Concentrating on the year just ended, Sportingbet reported another record performance across all product areas and all geographies. This growth was particularly pleasing having come off the back of a significant increase in the size and scale of the business the previous year.

However, the post year end sale of the US-facing sports and casino business and closure of the US-facing poker operations will result in significant exceptional costs in the new financial year. These will include an impairment of the goodwill relating to the investments in the US-facing sports and casino operations and Paradise Poker together with a restructuring of overheads, the cost of which is expected to be in the region of £10m. Following this restructuring, the remaining three income streams will be more profitable and will be supported by a much leaner cost structure. Despite the setbacks, the Board has once again been supported greatly by the hard work of its employees, and we all look forward with confidence."

For further information please contact:

Sportingbet Plc Andrew McIver, Group Chief Executive Simon Gregory, Director of Corporate Finance	Tel: 020 7184 1800
Smithfield Consultants(media) George Hudson	Tel: 020 7903 0669 or 07803 603130
IR Focus (analysts/investors) Neville Harris	Tel: 020 7378 7033

FINANCIAL RESULTS: Year Ended 31 July 2006

Turnover for the year ended 31 July 2006 was £2,063.5m (2005: £1,526.2m), earning a gross margin of £303.3m (2005: £175.8m) at 14.7% of turnover (2005: 11.5%). Sports betting turnover was £1,869.8m (2005: £1,422.0m), earning a gross margin of £109.6m (2005: £71.6m) at a gross margin percentage of 5.9% (2005: 5.0%). Casino and gaming, poker and fee income contributed a further £65.8m, £117.2m and £10.7m respectively to both turnover and gross margin (2005: £45.2m, £49.5m and £9.5m). Of the £303.3m of gross margin generated, £89.6m (2005: £47.1m) was generated by customers residing in Europe, £196.7m (2005: £119.7m) by US based customers and £17.0m (2005: £9.0m) by the rest of the world.

Turnover and margin for the period are stated after deducting customer bonuses of £19.6m (2005: £12.5m). The sports gross margin percentage as reported was 5.9% (2005: 5.0%). Without the bonus deduction, sports margin percentage was 6.4% (2005: 5.5%).

Costs (excluding goodwill amortisation and share option charge) in the year of £200.3m (2005: £115.3m) represented 66.0% (2005: 65.6%) of gross profit. Costs comprised marketing £80.7m (2005: £40.8m), banking fees £42.5m (2005: £28.3m), information technology £18.9m (2005: £12.5m), employee costs £33.6m (2005: £21.9m), other administration costs £19.1m (2005: £8.8m) and depreciation £5.5m (2005: £3.0m).

Operating profit (before exceptional items, goodwill amortisation and share option charge) for the year was £103.0m (2005: £60.5m), representing a margin of 34.0% (2005: 34.4%) of gross profit.

Profit before tax was £71.5m (2005: £40.8m), after including share option charge of £6.4m (2005: £nil), goodwill amortisation of £22.1m (2005: £16.4m), net finance costs of £3.0m (2005: £4.6m), exceptional profit of £nil (2005: £1.0m), and adding the share of operating profit in associated undertakings of £nil (2005: £0.3m).

Finance costs comprised interest receivable on the Group's cash balances of £1.8m (2005: £0.5m), interest payable on bank loans and overdrafts of £1.7m (2005: £3.4m), £1.0m (2005: £0.7m) relating to the amortisation of bank fees, other interest payable £nil (2005: £0.1m) and a non-cash charge of £2.1m (2005: £0.9m) arising from the discounting of future earnout liabilities back to current values in accordance with FRS 7.

Basic earnings per share before exceptional items, share option charge and amortisation of goodwill was 24.9p (2005: 18.6p). Diluted earnings per share before exceptional items, share option charge and amortisation of goodwill was 23.8p (2005: 13.9p).

During the year ended 31 July 2006, the Group generated cash from operating activities of £118.8m (2005: £71.8m). As at 31 July 2006, the Group had £97.2m (2005: £67.0m) of cash and liquid resources on its balance sheet, of which £38.6m (2005: £32.0m) represented customer deposits.

Gross financial liabilities amounted to £47.5m (2005: £102.7m). This comprised a bank loan of £10.8m (2005: £63.6m), deferred consideration of £17.9m (due to the vendors of Paradise Poker) and contingent cash consideration of £18.8m (£12.6m due to the vendors of Paradise Poker, £2.9m due to the vendors of the business of ISC Entertainment Inc and £3.3m due to vendors of the shareholding in Sportingbet Italia). Since the year end, the bank loan balance of £10.8m has been repaid.

REVIEW OF OPERATIONS: Year ended 31 July 2006

Sportingbet Group

In the year ended 31 July 2006, Sportingbet saw a further increase in the scale of its business. The Group's strategy of providing a broad range of online gaming experiences to a global customer base exhibited significant benefits. The Group consolidated its position in a number of its core markets whilst the number of active customers rose by 318,992 to 971,361. It operated in over 200 countries, serving customers in 24 languages.

The number of sports bets placed grew by 25.6m (52.6%) to 74.3m (2005: 48.7m). Casino and gaming bets grew by 141.3m (40.2%) to 492.6m (2005: 351.3m). Poker volumes also increased significantly over the levels experienced in 2005, with the average number of games played per day on Paradise Poker doubling over the year to 2.0m (2005: 1.0m).

However, on 29 September 2006 the United States Congress passed the Unlawful Internet Gambling Enforcement Act ("the Act"). The Act makes it illegal for anyone involved in the business of betting and wagering to knowingly accept payments, wire transfers or any other bank instrument from US customers in connection with "unlawful internet gambling". Having taken extensive legal advice, the Board concluded that it had no option but to cease offering its services to US citizens prior to the Act becoming law.

As the US resident customers made up approximately 56% of the Group's active customer database, the actions taken with regard to the US-facing operations will have a material impact on the Group's business going forward.

Americas

In the year ended 31 July 2006, the number of customers who bet on the region's sports betting websites rose by 65.2% to 312,022 (2005: 188,856). The number of sports bets placed by those customers rose by 35.6% to 34.5m (2005: 25.4m) averaging 110 bets per active customer per annum (2005: 135 bets). The average sports bet size was relatively constant at $54 (2005: $58). Following strong performance in the second half of the year, the sports margin percentage was above historical levels at 6.7% (2005: 6.1%).

The number of customers who bet on the region's gaming websites rose by 47.1% to 164,630 (2005: 111,919). The number of gaming bets placed by those customers rose by 27.0% to 328.0m (2005: 258.2m) at an average bet size of $11 (2005: $11). In addition, 45,299 sports customers, representing 18.3% of the region's active customer base, also played poker at Paradise Poker.

As a result of the post year end disposal, the US-facing sports and casino operations is now discontinued.

Paradise Poker

Paradise Poker performed strongly during the year, exceeding the Board's expectations in all of its key performance indicators. As a result, earnout targets were met during the year realising $50m of contingent consideration. This amount, payable as £17.9m in cash and the issue of 9.8m shares, is due to be paid in November 2006.

In June 2006, Paradise Poker added a full casino suite to its download unit to complement the highly successful blackjack product launched in March 2005. The initial response from players to this addition was positive.

During the year, the number of active customers who have contributed to rake at Paradise Poker rose by 63.0% to 345,575 (2005: 212,000). The average daily revenue increased by 81.1% to $513,995 (2005: $283,824) representing a yield per active player of $543 (2005: $489). During the year, 58,190 (19.4%) active real money poker customers also bet on the Group's US-facing sports or casino websites.

Non US-resident customers generated 19% of the Paradise Poker rake.

Australia

The Australian region has continued to reap the benefits of the management actions undertaken in 2005 to realign the business. The move away from a primarily telephone based betting operation to one in which internet betting is increasingly important has been successful, and there has been a significant increase in profitability. This move, resulting in lower turnover and smaller bet size but with a broader customer base and higher margin, continues to benefit the Group. This trend was particularly notable during the FIFA World Cup.

During the year, the percentage of total bets taken over the internet has risen further to 66.0% (2005: 60.1%). These actions, together with good sports results, have increased sports gross margin to 3.8% (2005: 2.3%). In accordance with Australian licensing regulations, no casino or poker products are offered within Australia.

The number of customers who bet with Sportingbet Australia during the year rose by 181.6% to 17,732 (2005: 6,298). The number of sports bets placed by these customers rose by 51.4% to 4.6m (2005: 3.0m) averaging 259 bets per active customer per annum (2005: 482 bets). The average sports bet size was lower at AUS$181 (2005: AUS$301), reflecting the increased activity on the more leisure-orientated internet platform.

New active customers increased by 4,862 (122.1%) to 8,843 (2005: 3,981). The cost of acquiring a new active customer fell to AUS$521 (2005: AUS$917), yielding a cash payback of under three months.

Europe

The European business continued to demonstrate the strong growth levels experienced in the previous year, with significant progress in all product areas: sports, casino and poker.

The number of active customers who bet on the region's sports betting websites rose by 55.9% to 382,160 (2005: 245,215). The number of sports bets placed by these customers rose by 74.3% to 35.3m (2005: 20.2m) averaging 92 bets per active customer per annum (2005: 83 bets). The average sports bet size increased marginally to £13.8 (2005: £13.3). The overall sports margin percentage, after betting tax, was 7.5% (2005: 7.9%), impacted in part, by lower margins in European soccer and low margins across the World Cup.

The number of customers who bet on the region's gaming websites rose by 161.1% to 155,596 (2005: 59,596) at an average bet size of £5.1 (2005: £5.0). The gaming margin percentage was constant at 3.8% (2005: 3.8%). In addition, the European business generated £14.7m of poker rake (2005: £5.2m).

New active customers increased by 131,004 (79.6%) to 295,532 (2005: 164,528). The cost of acquiring new active customers continues to be cost effective at £158 (2005: £137), yielding a cash payback period of less than six months. This includes launch costs into new markets.

GROUP REORGANISATION: Post Balance Sheet Events

Following the passing of the Unlawful Internet Gambling Enforcement Act of 2006 (the “Act”) by US Congress on 29 September, the Board concluded that a disposal of the Group’s US-facing sports betting and casino operations together with the closure of its US-facing poker operations was in the best interest of all its stakeholders.

As a result, on 12 October 2006, Sportingbet sold its US-facing sports betting and casino business to Jazette Enterprises Limited for a cash consideration of $1 and has discharged excess liabilities amounting to approximately $13.2m.

Sportingbet will retain the Paradise Poker business, but now prevents US resident customers from making deposits. To allow for an orderly wind down of the US-facing Paradise Poker business, Paradise Poker will remain open to US customers for real money poker play utilising their existing account balances for one month, following which all US resident customers will be blocked from playing real money poker. In addition, the Board has taken immediate steps to prevent customers from 10 US States, with laws prohibiting internet gambling, from playing real money poker at Paradise Poker.

The continuing operations of Sportingbet will consist of the Group’s existing European sports, casino and poker business, the Australian sports business and the non US-facing business of Paradise Poker.

REGULATORY DEVELOPMENTS

The Board has always adopted a consistent and transparent global company policy that a fully regulated company acting within the remit of its online licence should be entitled to accept wagers from consenting adult participants in other jurisdictions. This, the Board believes, is the very essence of the internet. Unfortunately, during 2006, the Board has seen the fragmentation of this belief with governments around the world seeking to compromise this policy for various motives, be they fiscal protectionism or political gain.

As Sportingbet moves into a new financial year, there is little sign that governments are ready to embrace the urgent need to harmonise internet trading across geographic borders, nor regrettably are international entities such as the EU and the WTO seemingly able at this time to provide clarity.

As part of the Board’s ongoing operational risk assessment process, it continues to monitor legal and regulatory developments, and their potential impact on the Group’s business, and continues to take appropriate advice in respect of these developments.

US

In September 2006, US Senate Majority Leader Frist attached a rider to the Safe Port Bill that has become the Unlawful Internet Gambling Enforcement Act. The Act makes it a crime for anyone involved in the business of betting and wagering (for instance the actual operator) to knowingly accept payments, wire transfers or any other bank instrument in connection with unlawful internet gambling. It will also, via yet-to-be-published regulations, require banks, credit card companies and other “financial transaction providers” to put in place procedures to block these payments.

The Act defines “unlawful internet gambling”, being that which is “unlawful under any applicable Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received or otherwise made”. The Board believes that such definitions are somewhat ambiguous, that elements of the Act are contrary to the 2005 ruling of the WTO in Antigua and Barbuda’s action against the US and, most importantly, the Act will serve only to drive the industry underground and compromise the “social responsibility” objective that is stated as the driving force behind the legislation.

Having taken extensive legal advice, the Board concluded that it had no option but to stop offering its services to US citizens prior to the Act becoming law.

Europe

In the UK, the Gambling Act moves nearer to full implementation (scheduled for September 2007). Accordingly, the Gambling Commission continues to consult with the industry on the content of the numerous regulations that will supplement the Gambling Act. The Board has been actively involved in the consultation process. The tax rates that will be imposed on UK-licensed operators under the Gambling Act remain undecided and, as a result, there will not necessarily be an influx of operators into the UK on its implementation. Indeed, the reverse may well be the case as UK operators seek lower taxes offshore.

Elsewhere in Europe, positive developments appear to have outweighed, if not necessarily made the same headlines as, the negative. The current investigation of seven member states for alleged restrictive practice by the European Commission, with the possibility of similar action against eight more, has demonstrated that the European Commission is taking positive action. While the industry was surprised by the arrests of the bwin co-chief executives, the action provoked criticism of France and its apparently unlawful and over-restrictive practices in light of EU law rather than any support for its clampdown on the gambling industry. The European Commission has made it clear that it is watching events closely.

Australia

There have been no significant developments in the Australian gambling market following the completion in the middle of 2004 of the government’s review of the Interactive Gambling Act 2001.

MANAGEMENT

As announced in our third quarter results, Andrew McIver, former Group Finance Director, has now succeeded Nigel Payne as Group Chief Executive. Nigel Payne will remain an Executive Director.

In addition, as previously announced, Mr Peter Dicks resigned as Chairman on 14 September 2006. The Board is seeking a replacement for the non-executive Chairman’s role.

DIVIDEND

The Board does not consider it appropriate to pay a final dividend. An interim dividend of 1.0p was paid in April 2006 (2005: nil).

TRADING OUTLOOK

During the first 10 weeks of the current financial year, trading across the Group was strong. Following the Board's decision to sell the US-facing sports and casino betting operations and close its US-facing poker operations, the Group must now focus on its European and Australian operations.

In Europe sports bets are 62% ahead of the same period last year and gross margin is more than 50% ahead of the previous year, following strong sports margins in recent weeks. In addition, poker rake from the European Boss Media platform is 75% ahead of last year.

The Australian business, with an ever greater focus on the leisure customer, is generating more stable margins. Internet customers now represent 81% of the bets made compared to 67% in the prior year. In addition, volume to date is strong with sports bets up 80% compared to the same period last year and a promising sports margin performance.

Following the closure of its US-facing business, Paradise Poker will now focus primarily on Europe as we continue to exploit the high growth in this market. The European Paradise Poker platform will roll out multi-language and multi-currency sites over the coming months to complement Sportingbet's localised sports and casino offering. 19% of rake generated in 2006 was from non-US customers. However, following the significant fall in total customers now able to play at Paradise Poker, this revenue may potentially be at risk if significant numbers of these customers now seek larger, more liquid "black market" poker rooms. The Group will have a better idea of whether this will have a material impact or not as the year unfolds.

The sale of the US-facing sports and casino business and the closure of the US-facing poker operations will result in significant exceptional costs in the current financial year. These will include an impairment of the goodwill relating to the investment in the US-facing sports and casino business and Paradise Poker amounting to approximately £200m, as well as a restructuring of overheads and related costs amounting to approximately £10m. These are detailed further in the notes to the accounts.

Sportingbet Plc
Audited Group Profit and Loss Account
Year Ended 31 July 2006

	Notes	**Year ended 31 July 2006 £m**	Year ended 31 July 2005 £m
Turnover – continuing operations		**887.5**	667.1
– acquisitions		**2.6**	-
– discontinued operations		**1,173.4**	859.1
Turnover	3	**2,063.5**	1,526.2
Cost of sales		**(1,760.2)**	(1,350.4)
Gross profit		**303.3**	175.8
Gross profit %		**14.7%**	11.5%
Exceptional items	4	**-**	1.0
Share option charge		**(6.4)**	-
Goodwill amortisation		**(22.1)**	(16.4)
Other administration expenses		**(200.3)**	(115.3)
Total administration expenses		**(228.8)**	(130.7)
Group operating profit before exceptional items, share option charge and goodwill amortisation		**103.0**	60.5
Exceptional items		**-**	1.0
Share option charge		**(6.4)**	-
Goodwill amortisation		**(22.1)**	(16.4)
Group operating profit/(loss) – continuing operations		**(5.8)**	0.1
– acquisitions		**(0.4)**	-
– discontinued operations		**80.7**	45.0
Group operating profit		**74.5**	45.1
Share of operating profit in associated undertaking		**-**	0.3
Profit before interest		**74.5**	45.4
Finance costs	5	**(3.0)**	(4.6)
Profit before taxation		**71.5**	40.8
Taxation	6	**(2.0)**	(0.9)
Profit after taxation		**69.5**	39.9
Minority interest		**0.2**	-
Profit for the financial year		**69.7**	39.9
Earnings per ordinary share – continuing and discontinued operations	10		
Basic		17.7p	13.4p
Diluted		16.9p	10.1p
Loss per ordinary share – continuing operations	10		
Basic		(2.4)p	(1.0)p
Diluted		(2.3)p	(0.7)p

Sportingbet Plc
Audited Group Balance Sheet
As at 31 July 2006

	31 July 2006 £m	31 July 2005 Restated £m
Fixed assets		
Intangible assets – goodwill	**351.6**	386.5
Tangible assets	**16.4**	8.8
Investment in joint venture	**8.0**	9.0
	376.0	404.3
Current assets		
Debtors	**21.9**	22.2
Cash at bank and in hand	**97.2**	67.0
	119.1	89.2
Creditors: amounts falling due within one year		
Bank loans and overdrafts	**10.5**	41.5
Deferred consideration	**17.9**	3.2
Other creditors	**67.9**	60.5
	96.3	105.2
Net current assets/(liabilities)	**22.8**	(16.0)
Total assets less current liabilities	**398.8**	388.3
Creditors: amounts falling due after more than one year		
Bank loan	**-**	20.8
	-	20.8
Provisions		
Other provisions	**1.7**	2.8
Contingent consideration	**18.8**	26.5
	20.5	29.3
NET ASSETS	**378.3**	338.2
Capital and reserves		
Called up share capital	**0.4**	0.3
Shares to be issued	**24.0**	73.1
Share premium	**38.0**	0.6
Share option reserve	**6.4**	-
Other reserves	**0.3**	0.3
Profit and loss account	**309.4**	263.9
SHAREHOLDERS' FUNDS	**378.5**	338.2
Minority interest	**(0.2)**	-
	378.3	338.2

Sportingbet Plc
Audited Group Cash Flow Statement
Year Ended 31 July 2006

	Notes	**Year ended 31 July 2006 £m**	Year ended 31 July 2005 £m
EBITDA		**102.1**	64.5
Net working capital movement		**16.7**	7.3
Net cash inflow from operating activities		**118.8**	71.8
Returns on investment and servicing of finance		**0.5**	(4.7)
Taxation		**(0.8)**	(0.1)
Capital expenditure		**(12.8)**	(6.4)
Acquisitions	8	**(14.8)**	(130.0)
Dividends paid		**(8.4)**	-
Cash inflow / (outflow) before financing		**82.5**	(69.4)
Management of liquid resources		**(0.2)**	(17.4)
Financing	8	**(52.3)**	118.6
Increase in cash in the period		**30.0**	31.8

Reconciliation of net cashflow to movement in net funds

Increase in cash in the period	**30.0**	31.8
Cash outflow from increase in liquid resources	**0.2**	17.4
Cash outflow/(inflow) from decrease/(increase) in debt	**52.9**	(56.3)
Movement in net funds resulting from cash flows in period	**83.1**	(7.1)
Acquisitions	**-**	7.8
Other movements	**(1.0)**	1.3
Movement in net funds in period	**82.1**	2.0
Net funds at start of period	**4.6**	2.6
Net funds at end of period	**86.7**	4.6

1. **Accounting policies and restatement of comparative figures**

The preliminary results are prepared on the basis of the accounting policies stated in the Group's Annual Report 2005 with the exception of the accounting policies for dividends and earnings per share following the adoption of FRS 21 and FRS 22 respectively.

Final dividends are only accounted for once legally approved in the Annual General Meeting and, accordingly, the dividend declared for the year ended 31 July 2005 that was approved at the Annual General Meeting in December 2005 has been charged in the year ended 31 July 2006 and amounts included for the year ended 31 July 2005 of £3.4m have been reversed. Additionally, creditors as at 31 July 2005 have been reduced by £3.4m.

Adjusted earnings per ordinary share are no longer disclosed on the face of the profit and loss account.

Going concern

The Directors have considered the implications of the change in US legislation on 13 October 2006 for the Group and the Company. As explained in note 11 this will have a material adverse impact on the trading and carrying value of assets relating to the Group's US-facing operations. The Directors have reviewed the cashflow projections for the Group in light of these events and have considered the financial resources available to the Group. Accordingly, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. **Group statement of total recognised gains and losses:**

	Year ended 31 July 2006 £m	Year ended 31 July 2005 £m
Profit for financial period	**69.7**	39.9
Exchange translation differences on consolidation	**(15.8)**	10.0
Total recognised gains and losses for the financial year	**53.9**	49.9

3. **Analysis of turnover:**

		Year ended 31 July 2006 £m	Year ended 31 July 2005 £m
a)	Analysis of revenue by activity		
	Sports betting	**1,869.8**	1,422.0
	Casino and gaming	**65.8**	45.2
	Poker rake	**117.2**	49.5
	Fee income	**10.7**	9.5
		2,063.5	1,526.2
b)	Analysis by geography		
	Americas (inc. USA)	**1,177.6**	859.6
	Europe	**539.3**	295.4
	Australia	**346.6**	371.2
		2,063.5	1,526.2

Sportingbet Plc
Audited Notes Continued
Year Ended 31 July 2006

4. **Exceptional items:**

	Year ended 31 July 2006 £m	Year ended 31 July 2005 £m
Recovery of bad debt (continuing operations)	**-**	1.0
	-	1.0

5. **Finance Costs:**

	Year ended 31 July 2006 £m	Year ended 31 July 2005 £m
Interest receivable	**1.8**	0.5
Interest payable	**(1.7)**	(3.5)
Amortisation of loan agreement fees	**(1.0)**	(0.7)
	(0.9)	(3.7)
Finance charge on discounting of contingent consideration	**(2.1)**	(0.9)
Total finance costs	**(3.0)**	(4.6)

6. **Taxation:**

	Year ended 31 July 2006 £m	Year ended 31 July 2005 £m
Profit on ordinary activities before taxation	**71.5**	40.8
Profit assessed at UK corporation tax rate (30%)	**21.4**	12.2
Expenses not allowed for tax purposes (primarily goodwill amortisation)	**8.9**	6.1
Effect of lower tax rates on overseas earnings net of losses	**(28.3)**	(17.4)
Current tax charge for the period	**2.0**	0.9

7. **Dividends:**

	Year ended 31 July 2006 £m	Year ended 31 July 2005 Restated £m
Ordinary shares		
Final 2005 dividend paid of 1.0p (2005: nil) per share	**(4.2)**	-
Interim 2006 dividend paid of 1.0p (2005: nil) per share	**(4.2)**	-
	(8.4)	-

8. **Notes to the cashflow:**

Acquisitions:	**Year ended 31 July 2006 £m**	Year ended 31 July 2005 £m
Cash consideration paid to vendors of Paradise Poker	**-**	(110.7)
Cash acquired with acquisition	**0.3**	0.1
Cash consideration paid to vendors of Sportsbook	**-**	(15.7)
Cash consideration paid to World Gaming	**(2.2)**	(3.7)
Cash consideration paid to vendors of ISC Entertainment Inc	**(9.7)**	-
Cash consideration paid to vendors of Sportingbet Italia S.R.L.	**(2.3)**	-
Deferred consideration paid to vendors of Number One Betting Shop Limited	**(0.9)**	-
	(14.8)	(130.0)

Financing:	**Year ended 31 July 2006 £m**	Year ended 31 July 2005 £m
Exercise of share options	**0.6**	2.3
Issue of ordinary share capital	**-**	60.0
New bank loan	**-**	85.0
Repayment of bank loan	**(52.8)**	(28.4)
Capital element of finance lease	**(0.1)**	(0.3)
	(52.3)	118.6

9. **Acquisitions:**

Sportingbet Italia S.R.L
On 30 May 2006 the Group acquired a 50% interest in Sportingbet Italia S.R.L., giving rise to goodwill of £5.1m. The fair value of consideration as at 31 July 2006 comprised:

	£m
Cash	**2.3**
Contingent consideration - cash	**3.3**
Consideration (including £0.3m expenses)	**5.6**

The Company is treated as a subsidiary undertaking with a 50% minority interest on the basis that the Group exercises control over it.

10. **Earnings per share:**

	Year ended 31 July 2006	Year ended 31 July 2005
For continuing and discontinued operations:		
Earnings per ordinary share		
Basic	**17.7p**	13.4p
Diluted	**16.9p**	10.1p
For continuing operations:		
Loss per ordinary share		
Basic	**(2.4)p**	(1.0)p
Diluted	**(2.3)p**	(0.7)p
For discontinued operations:		
Earnings per ordinary share		
Basic	**20.1p**	14.4p
Diluted	**19.2p**	10.8p
For continuing and discontinued operations:		
Adjusted earnings per ordinary share (before exceptional items, share option charges and goodwill amortisation)		
Basic	**24.9p**	18.6p
Diluted	**23.8p**	13.9p

The calculation of basic earnings per share is based on the profit on ordinary activities after taxation and minority interests attributable to shareholders of Sportingbet Plc of £69.7m (2005: £39.9m) and the weighted average number of shares in issue during the period of 394,551,671 (2005: 296,693,558).

The calculation of diluted earnings per share is based on the profit for the financial year of £69.7m (2005: £39.9m) and the weighted average number of shares in issue of 412,778,778 (2005: 396,620,913), adjusted to assume the exercise of options over shares of 8,454,981 (2005: 7,317,304) and the effect of dilutive earn out shares to be issued of 9,772,125 (2005: 92,610,015).

Due to the size of non-cash items the Group has adjusted its earnings per ordinary share to exclude goodwill amortisation, share option charges and exceptional items. Adjusted earnings per ordinary share excludes amortisation of goodwill of £22.1m (2005: £16.4m), share option charges of £6.4m (2005: £nil) and exceptional items of £nil (2005: £1.0m profit).

11. **Post balance sheet events:**

On 14 September 2006, Peter Dicks resigned as Non-Executive Chairman and Director of the Company.

On 29 September 2006 the United States Congress passed the Unlawful Internet Gambling Enforcement Act. The Act makes it a crime for anyone involved in the business of betting and wagering to knowingly accept, from transactions originating in the United States of America, payments, wire transfers or any other bank instrument in connection with unlawful internet gambling. The Act was enacted into law when signed by President Bush on 13 October 2006.

Having considered the legal advice received and the options available, the Board concluded that a disposal of the Group's US-facing sports betting and casino operations together with the closure of its US-facing poker operations was in the best interest of all its stakeholders.

As a result, on 12 October 2006, Sportingbet sold its US-facing sports betting and casino business to Jazette Enterprises Limited for a cash consideration of US$1 and has discharged excess liabilities amounting to approximately $13.2m. Sportingbet retained the Paradise Poker business, but has ceased taking deposits from US resident customers.

The continuing operations of Sportingbet will consist of the Group's existing European sports, casino and poker business, the Australian sports business and the non US-facing business of Paradise Poker.

As a result, the carrying value of the Company's investment and the Group's assets employed in its US-facing operations have been significantly impaired. Contingent Consideration and goodwill will be reduced from £18.8m to £6.8m due to an anticipated reduction in earnout profits. Shares to be issued and goodwill will be reduced from £24.0m to £5.7m based on a share price of 58.5p as at 13 October 2006. Following the disposal of the US-facing operations, the Board considers that the carrying value of the US-facing business at 13 October 2006 will be written down from £108.4m to approximately £30.0m. The US-facing part of Paradise has been closed and as a result the Board considers that the carrying value of this investment at 13 October 2006 will be written down from approximately £186.0m to approximately £63.0m, representing the Directors' best estimate of the present value of the expected cashflows arising from the non US-facing operations.

Consequently, for the year ending 31 July 2007, the Boards' best estimate of the goodwill impairment charge to the Group's profit and loss account amounts to approximately £200.0m and in the Company's profit and loss account of approximately £160.0m for impairment of investments and intercompany indebtedness.

The impact of the passing of the Act and the subsequent decision to close the US-facing part of Paradise and dispose of the remaining US-facing operations will result in a number of costs (including redundancies and other related costs) which are estimated to amount to £10.0m.

The results of the Group's US-facing business and the US-facing part of Paradise Poker are shown as discontinued operations in the profit and loss account for the year ended 31 July 2006. No other adjustments are reflected in the accounts.

12. **Contingent liabilities:**

From time to time the Group is subject to legal claims and actions. The Group takes legal advice as to the likelihood of success of the claims and actions and no provision or disclosure is made where the Directors feel, based on that advice, that action is unlikely to result in a material loss or a sufficiently reliable estimate of the potential obligation cannot be made.

As part of the Board's ongoing operational risk assessment process, the Board continues to monitor legal and regulatory developments, and their potential impact on the business, and continues to take appropriate advice in respect of these developments.

Following the passing of the Unlawful Internet Gambling Enforcement Act, the Group stopped taking deposits from US citizens. As this effectively meant it could have no economic activity with its US customers, the Group discontinued its US operations. The Act does not add to or make any clearer the historic position as to US laws relating to the legality of online gaming in the US. This ambiguity, and the uncertain approach of the US authorities towards enforcement, means that there is a residual risk associated with the Group's historic US transactions. However, the Board does not consider it probable that a material liability will arise in respect of its historic activities.

13. The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ending 31 July 2006 or 31 July 2005. Statutory accounts for 2005 have been delivered to the Registrar of Companies. Accounts for the year ended 31 July 2006 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain statements under the Companies Act 1985, s 237(2) or (3). The report for the year ended 31 July 2006 contains the following statement:

    "Emphasis of matter - post year end disposal and closure of US-facing operations

    In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the financial statements concerning the implications of changes in United States legislation related to internet gaming. As a result of this new legislation, on 12 October 2006, the Group sold its US-facing sports betting and casino operations. The Group has also ceased taking deposits from US resident customers for its Paradise Poker business. The Group's business has been significantly reduced and the carrying values of the Company's investments and the Group's assets employed in its US-facing operations have been significantly impaired."

Appendix 1

EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Basis of Preparation

The Group's consolidated financial statements have been prepared in accordance with the Companies Act 1985 and United Kingdom Accounting Standards ("UK GAAP"). UK GAAP differs in certain respects from IFRS. The Group anticipates adopting IFRS for its year ending 31 July 2008 with an opening IFRS balance sheet for its transitional year at 1 August 2006. Illustrated below are the material areas where it is expected that IFRS would impact on the Group results had it been adopted for the year ended 31 July 2006. This financial information has been prepared in accordance with IFRS endorsed as at 31 July 2006, in terms of content but not layout. As IFRS is subject to ongoing review and endorsement by the European Commission or possible amendment by the International Accounting Standards Board, possible future changes could result in an adjustment to the financial information and disclosure included in this document prior to the issue of financial statements under IFRS. A transitional statement will be issued in due course.

An explanation of how the transition from UK GAAP to IFRS would affect the Group's financial position and financial performance is set out in the following tables and notes that accompany the tables:

Appendix 1

Sportingbet Plc

Unaudited Group Profit and Loss Account Under IFRS

Year Ended 31 July 2006

	Notes	**UK GAAP 31 July 2006**	Effect of IFRS	**UK GAAP Adjusted for IFRS 31 July 2006**
		£m	£m	**£m**
Turnover – continuing operations		**887.5**	(780.9)	**106.6**
– acquisitions		**2.6**	(2.6)	**-**
– discontined operations		**1,173.4**	(976.7)	**196.7**
Turnover	1	**2,063.5**	(1,760.2)	**303.3**
Cost of sales		**(1,760.2)**	1,760.2	**-**
Gross profit		**303.3**	-	**303.3**
Gross profit %		**14.7%**		**14.7%**
Share option charge	2	**(6.4)**	(0.2)	**(6.6)**
Goodwill amortisation	3	**(22.1)**	22.1	**-**
Other administration expenses		**(200.3)**		**(200.3)**
Total administration expenses		**(228.8)**	21.9	**(206.9)**
Group operating profit before share option charge and goodwill amortisation		**103.0**		**103.0**
Share option charge		**(6.4)**	(0.2)	**(6.6)**
Goodwill amortisation	3	**(22.1)**	22.1	**-**
Group operating profit/(loss) – continuing operations		**(5.8)**	5.3	**(0.5)**
– acquisitions		**(0.4)**	-	**(0.4)**
– discontinued operations		**80.7**	16.6	**97.3**
Group operating profit		**74.5**	21.9	**96.4**
Share of operating profit in associate		**-**	-	**-**
Profit before interest		**74.5**	21.9	**96.4**
Finance costs		**(3.0)**	-	**(3.0)**
Profit before taxation		**71.5**	21.9	**93.4**
Taxation		**(2.0)**	-	**(2.0)**
Profit after taxation		**69.5**	21.9	**91.4**
Minority interest		**0.2**	-	**0.2**
Profit for the financial period		**69.7**	21.9	**91.6**

Appendix 1

Sportingbet Plc

Unaudited Group Balance Sheet Under IFRS

As at 31 July 2006

	UK GAAP 31 July 2006 £m	Effect of IFRS £m	**UK GAAP adjusted for IFRS 31 July 2006 £m**
Fixed assets			
Intangible fixed – goodwill	**351.6**	21.6	**373.2**
Intangible fixed – software	**-**	8.8	**8.8**
Tangible assets	**16.4**	(8.8)	**7.6**
Investment in joint venture – share of gross and net assets	**8.0**	0.5	**8.5**
	376.0	22.1	**398.1**
Current assets			
Debtors	**21.9**	-	**21.9**
Cash at bank and in hand	**97.2**	-	**97.2**
	119.1	-	**119.1**
Creditors			
Amounts falling due within one year	**(96.3)**	-	**(96.3)**
Net current assets	**22.8**	-	**22.8**
Total assets less current liabilities	**398.8**	22.1	**420.9**
Creditors			
Amounts falling due after more than one year	**-**	-	**-**
Provisions	**(20.5)**	-	**(20.5)**
NET ASSETS	**378.3**	22.1	**400.4**
Capital and reserves			
Called up share capital	**0.4**	-	**0.4**
Shares to be issued	**24.0**	-	**24.0**
Share premium	**38.0**	-	**38.0**
Share option reserve	**6.4**	0.2	**6.6**
Other reserves	**0.3**	-	**0.3**
Profit and loss account	**309.4**	21.9	**331.3**
SHAREHOLDERS' FUNDS	**378.5**	22.1	**400.6**
Minority interest	**(0.2)**	-	**(0.2)**
	378.3	22.1	**400.4**

Appendix 1
Sportingbet Plc
Notes Under IFRS
Year Ended 31 July 2006

1. IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement.'

   The application of IAS 39 for betting transactions has concluded that such transactions should be treated as financial instruments. Consequently, under IFRS the gains and losses arising on betting activities should be reported as revenue measured at the fair value of the consideration received or receivable from customers, net of certain customer bonuses.

   Revenue will represent gains and losses, being the amounts staked less total payouts, from betting activity in the period. Open betting positions should be carried at fair market value and gains and losses arising on these positions should be recognised in revenue. Under UK GAAP, the Group reports the total amounts staked by customers on betting activities as revenue, net of certain customer bonuses and makes no adjustment for the open bet position which is included as a client liability until the sporting event has taken place. The Group will account for the fair market value of open bets when IFRS are adopted. The Group does not anticipate that this will have a material impact.

2. The Group has applied the requirements of IFRS 2 Share-based payments.

   The Group issues equity-settled and cash-settled share-based payments to certain employees. Under IFRS 2, equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

   Fair value is measured by use of a suitable option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

3. The Group has chosen to elect for the first time adoption exemption for IFRS 3 and account for business combinations under IFRS 3 only for those acquisitions which occur after the date of transition (which is anticipated to be 1 August 2006). Goodwill will be recognised at fair value at the date of transition. Under IFRS 3, goodwill acquired in a business combination is not amortised. Instead goodwill is tested annually for impairment. The illustration has been produced on the basis that under IFRS no goodwill amortisation would be charged for the year.

4. Under IAS 38 the Group must separately identify software as an intangible fixed asset as opposed to a tangible asset under UK GAAP.