Sportingbet Plc

Unaudited results for the second quarter ended 31 January 2007

Sportingbet, the online sports betting and gaming group, announces its results for the second quarter ended 31 January 2007.

In order to aid comparison, the financial and operational information for the prior period is stated excluding the US business that was sold in October 2006 resulting in Sportingbet's complete exit from this market. Highlights and commentary on the results for the six months to 31 January 2007 are included at the end of this announcement.

Financial highlights – Second quarter ended 31 January 2007

- Gross profit from continuing operations up 40% to £34.7m (2006: £24.7m)
- Group operating profit* up 54% to £2.0m (2006: £1.3m), despite legacy costs
- Cash on the balance sheet, net of customer liabilities, of £35.5m
- Diluted earnings per share* of 0.5p (2006: 0.1p loss)

(* Stated pre goodwill amortisation and FRS 20 share option charges)

Business highlights – Second quarter ended 31 January 2007

- Business now benefiting from the swift management actions taken to restructure and reduce cost base
- £56m of annualised costs removed from the ongoing group so far with additional initiatives in place to further improve efficiencies
- Strong growth in sports active customer numbers (up 28%) and sports bet volumes (up 44%)
- New software agreement with Boss Media combining all the Group's poker players onto the Boss Network
- Acquisition of assets of Turkish marketing partner for an initial £3.5m and deferred consideration of up to 35.3m Sportingbet Plc shares, wholly dependent on future performance
- Further investment in Sportingbet Italia taking ownership from 50% to 90%

Andrew McIver, Group Chief Executive, said:

"We are very pleased with these results in what has been a difficult and turbulent time for the industry and for our staff in particular. We are particularly pleased with the growth in Group gross profit, up 40%, driven by the Group's core offering of European sports betting.

Our strong KPI performance is flowing through into solid profitability as a direct result of the significant restructuring and cost reductions undertaken following our complete withdrawal from the US market. Whilst profits were inevitably impeded by legacy issues, we saw a significant acceleration in profitability during the period. The full benefit of the restructuring, along with a number of additional operational initiatives, will stand us in good stead as we look towards the balance of the year and beyond."

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FINANCIAL RESULTS

In order to aid comparison, the financial and operational information for the prior periods is stated excluding discontinued businesses. Highlights and commentary on the results for the six months to 31 January are included at the end of this announcement.

Second quarter ended 31 January 2007 – Continuing operations

Turnover for the second quarter ended 31 January 2007 was £281.9m (2006: £223.2m), earning a gross profit of £34.7m (2006: £24.7m) at 12.3% of turnover (2006: 11.1%). Sports betting turnover in Europe was £157.0m (2006: £119.7m), earning a gross profit of £16.9m (2006: £7.3m). Casino and gaming, and European poker contributed a further £8.0m and £3.9m respectively to both turnover and gross profit (2006: £7.0m and £3.1m).

A strong European margin percentage was however partially offset by a weaker Australia margin percentage and lower income from Paradise Poker due to reduced year on year liquidity. Australian sports betting turnover was £109.7m (2006: £88.9m), earning a gross profit of £2.6m (2006: £2.8m). Paradise Poker contributed gross profit of £3.3m (2006: £4.5m) during the period.

Turnover and margin for the period are stated after a deduction for customer bonuses of £1.5m (2006: £1.9m). The European and Australian sports gross profit as reported was 10.8% and 2.3% of turnover respectively (2006: 6.1% and 3.2%). Without the bonus deduction the equivalent numbers would have been 11.1% and 2.4% (2006: 6.6% and 3.3%).

Costs (excluding exceptional items, share option charge and goodwill amortisation) in the second quarter were £32.7m (2006: £23.4m).

Operating profit (before exceptional items, share option charge and goodwill amortisation) for the second quarter was £2.0m (2006: £1.3m).

Operating loss after charging share option charge of £2.1m (2006: £1.1m) and goodwill amortisation of £1.2m (2006: £1.4m) was £1.3m (2006: £1.2m).

Basic earnings per share before share option charges and amortisation of goodwill was 0.6p (2006: 0.1p loss). Diluted earnings per share before share option charges and amortisation of goodwill was 0.5p (2006: 0.1p loss).

As at 31 January 2007, the Group had £49.7m of cash and liquid resources on its balance sheet, of which £14.2m related to customer liabilities.

Gross financial liabilities amounted to £5.3m and comprised deferred cash consideration of £2.1m due to the vendors of the 40% shareholding in Sportingbet Italia and contingent cash consideration of £3.2m. Of the £3.2m contingent consideration, £2.0m is due to the vendors of Paradise Poker and £1.2m may be due to the vendors of the business of ISC Entertainment.

Since the end of the quarter, a compromise settlement has been reached with the vendors of Paradise Poker for the early cash payment of £1.4m ($2.7m) in respect of the remaining £2.0m outstanding contingent consideration. This settles all consideration payments under the terms of the November 2004 acquisition agreement.

REVIEW OF OPERATIONS

Sportingbet Group

During the quarter the Group has moved quickly to reorganise and restructure its operations, realigning the cost base. A considerable amount has been achieved since the passing of the US Unlawful Internet Gaming Enforcement Act ("UIGEA") and our complete withdrawal from the US market, removing approximately £139m of annualised costs from the Group. Of this, £83m is attributable to the disposal of the US Sports and Casino operations. Savings have been achieved through the reduction in size of the Paradise Poker business, implementation of cost saving measures in the European business and the removal of £8m of annualised costs from central head office. Furthermore, the Group has implemented a number of additional commercial and operational initiatives, which will create further efficiencies within the business, with the aim of saving further costs as compared to the current operational structure.

The Group has refined its strategy with a stated aim of becoming the mass market, customer champion of on-line retail gaming. To achieve this goal, the Board has implemented a number of initiatives to enhance the customer experience and create further efficiencies within the business. One such initiative is the bringing together of all non-Australian customer service personnel into a single dedicated customer service centre in Dublin, Ireland. As well as generating efficiencies, this operation will provide first rate customer service for all Sportingbet products in a seamless manner. This facility goes live during March 2007. In addition, investment is being made in the IT platform to streamline the customer experience making tasks such as login, cashier deposits and placing bets far easier for the customer.

As announced on 9 February 2007, Sportingbet entered into a new three year casino and poker contract to use Boss Media software to power both its casino and poker offerings for its European based websites. Whilst retaining the Paradise Poker brand, Sportingbet will migrate all Paradise based players onto the Boss network. This action will provide some cost savings for the Group, through reduced IT spend, and the increased liquidity will aid player retention and provide for increased yields. Some of this benefit may be offset initially by the loss of revenue that might occur as a result of migrating players from one platform to another.

Europe

The number of customers who bet on the region's sports betting websites rose by 28% to 203,653 (2006: 159,661). The cost of acquiring a new active customer increased to £210 (2006: £157).

The number of sports bets placed by these customers increased by 40% to 12.2m (2006: 8.7m) at a rate of 60 bets per active customer per quarter (2006: 54 bets), however the average sports bet size was £12.96 (2006: £13.90). The sports margin percentage after betting tax was 11.1% (2006: 6.6%).

The number of customers who bet on the region's casino and gaming websites increased by 67% to 67,497 (2006: 40,413). The number of gaming bets placed by these customers rose by 15% to 48.1m (2006: 41.9m) at an average bet size of £4.32 (2006: £4.84). The gaming margin percentage was 3.9% (2006: 3.8%).

During the quarter the European region generated £4.1m of poker rake (2006: £3.5m), up 17% year on year, on the Boss Media platform. In addition, Paradise Poker generated a further £3.5m of poker rake (2006: £4.6m) from its remaining non-US players on its proprietary owned software platform.

Australia

The number of customers who bet with the region's sports betting business increased by 58% to 12,370 (2006: 7,853). The number of sports bets placed by these customers rose by 80% to 1.8m (2006: 1.0m) at a rate of 146 bets per customer per quarter (2006: 133 bets). The average sports bet size was lower at AUS$151 (2006: AUS$201), reflecting the increased activity on the more leisure-oriented internet platform.

During the quarter, the proportion of bets taken over the internet rose to 81% (2006: 74%), representing 37% of gross margin (2006: 26%). The margin, after betting taxes, was disappointing during the quarter at 2.4% (2006: 3.3%), partially impacted by additional taxes from the Racing Victoria Limited levy. The cost of acquiring a new active customer fell to AUS$498 (2006: AUS$1,252).

Business Development

Turkey

Sportingbet today announces that it has agreed to acquire the business and assets of Maslin Properties Ltd, the Group's Turkish marketing partner, for an initial consideration of £3.5m and deferred consideration of up to a further 35.3m Sportingbet Plc shares wholly dependent on the performance of the Turkish business over the next two years. The £3.5m initial consideration is to be satisfied by the cancellation of a debtor owed by Maslin Properties Ltd.

The initial consideration will be payable immediately upon completion. Up to 35.3m Sportingbet Plc shares may be payable in the two years to 31 December 2008, should the Turkish business meet certain performance targets.

Maslin Properties Ltd is the Group's Turkish marketing partner and owner of the domain name, superbahis.com. Maslin Properties Ltd has worked with Sportingbet since 1998 and currently employs 47 people conducting marketing, web design and Turkish customer services. In the year ended 31 December 2006 the assets being acquired generated a profit before tax of £3.8m and are being purchased on a working capital neutral basis and therefore have zero net asset value. The transaction is expected to be enhancing to earnings immediately.

Italy

On 16 January 2007, agreement was reached with our Italian partners for the purchase of a further 40% of Sportingbet Italia S.p.A., taking the Group's total holding to 90% along with the cancellation of an ongoing 20% commission payment to the vendors. In aggregate consideration amounts to €4.25m, which was made up of €3m (£2.1m) in cash and 1.9m Sportingbet Plc shares, due to be issued in December 2007. As Sportingbet Italia is currently consolidated into the Group's financial statements, the additional profit contribution from the additional stake will be evident in lower minority interest deductions. In addition, the cancellation of the 20% commission payment removed £3.2m of contingent consideration from the Group balance sheet.

Regulatory Developments

Much uncertainty remains regarding regulation in the sector. However, the Board continues to believe that a properly regulated market remains the most appropriate structure for any gambling industry. Internally, Sportingbet continues to implement best practice policies in this regard wherever practical. The Group also undertakes ongoing regulatory reviews and risk assessment processes with regard to this uncertainty.

Externally however, there is little sign that the market distortions which now exist across various global markets show any signs of being resolved. With diverse government policies ranging from licensing and regulation to blatant protectionism now in place, the need for clarification has never been greater. Sadly, there is little sign that authorities such as the EU have the appetite to address the issue at present.

As part of the Group's ongoing risk assessment process, it continues to monitor legal and Regulatory developments in jurisdictions where it operates or where customers have been or continue to be offered services. The Group considers the potential impact on its business, and continues to take appropriate advice in this respect. There is uncertainty as to what Regulatory actions, if any, may occur and any impact such actions may have on the Group.

Board changes

On 31 January 2007, it was announced that Mark Blandford, Executive Director, and Bob Holt, Non-Executive Director, had decided to step down as directors of the Company.

In addition, Nigel Payne has today stood down as an Executive Director but will remain on the board as a Non-Executive Director. Nigel Payne will be Chairman of the Audit Committee and will continue to advise the Board on regulatory matters.

Following the Board reorganisation, the Group Board now comprises two executive directors and three non-executive directors.

Trading Outlook

Quarter three has started well, building on the developments that have been put in place during the second quarter. The Board is pleased with the rate at which the cost reduction exercise is translating into profit.

A solid platform from which to focus the Group’s customer offering is being established during the current financial year. The first stage of restructuring has been largely completed. The second stage of migrating poker to a single platform and the customer service move to Dublin is well underway. Over the balance of the year and beyond, the Board is confident that the full benefit of these and other operational initiatives, along with the acquisition of the Turkish and Italian businesses, will have a significant impact on Group financials.

Sportingbet will report its results for the third quarter ended 30 April 2007 on 31 May 2007.

Sportingbet Plc
Unaudited Consolidated Profit and Loss Account
Six months ended 31 January 2007

		Notes	**3 months to 31 January 2007 £m**	3 months to 31 January 2006 Restated £m	**6 months to 31 January 2007 £m**	6 months to 31 January 2006 Restated £m
Turnover	- continuing operations		**281.9**	223.2	**545.2**	423.6
	- discontinued operations		**-**	424.5	**228.2**	704.5
Turnover		2	**281.9**	647.7	**773.4**	1,128.1
Cost of sales			**(247.2)**	(564.6)	**(672.6)**	(980.4)
Gross profit			**34.7**	83.1	**100.8**	147.7
Gross profit %			**12.3%**	12.8%	**13.2%**	13.1%
Exceptional items		3	**-**	-	**(252.4)**	-
Share option charge			**(2.1)**	(1.5)	**(2.2)**	(3.0)
Goodwill amortisation			**(1.2)**	(5.5)	**(6.2)**	(11.0)
Other administration expenses			**(32.7)**	(48.3)	**(83.9)**	(90.6)
Total administration expenses			**(36.0)**	(55.3)	**(344.7)**	(104.6)
Group operating profit before exceptional items, share option charge and goodwill amortisation			**2.0**	34.8	**16.9**	57.1
Exceptional items		3	**-**	-	**(252.4)**	-
Share option charge			**(2.1)**	(1.5)	**(2.2)**	(3.0)
Goodwill amortisation			**(1.2)**	(5.5)	**(6.2)**	(11.0)
Group operating (loss)/profit	- continuing operations		**(1.3)**	(1.2)	**(14.5)**	(2.7)
	- discontinued operations		**-**	29.0	**(229.4)**	45.8
Group operating (loss)/profit			**(1.3)**	27.8	**(243.9)**	43.1
Finance costs		6	**0.2**	(0.8)	**1.4**	(1.8)
(Loss)/profit before taxation			**(1.1)**	27.0	**(242.5)**	41.3
Taxation			**(0.1)**	(0.4)	**(0.7)**	(0.7)
(Loss)/profit after taxation			**(1.2)**	26.6	**(243.2)**	40.6
Minority interest			**0.2**	-	**0.4**	-
(Loss)/profit for the financial period			**(1.0)**	26.6	**(242.8)**	40.6
(Loss)/earnings per ordinary share – continuing and discontinued operations		8				
Basic			**(0.2)p**	6.7p	**(56.9)p**	11.0p
Diluted			**(0.2)p**	6.5p	**(51.7)p**	10.7p
(Loss)/earnings per ordinary share – continuing operations		8				
Basic			**(0.2)p**	(0.7)p	**(3.6)p**	(1.4)p
Diluted			**(0.2)p**	(0.6)p	**(3.3)p**	(1.3)p

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 31 January 2007

	31 January 2007	31 January 2006	31 July 2006 Restated
	£m	£m	£m
Fixed assets			
Intangible assets – goodwill	**80.0**	377.9	351.6
Tangible assets	**16.5**	10.5	16.4
Investment in joint venture	**-**	8.8	8.0
	96.5	397.2	376.0
Current assets			
Debtors	**14.7**	22.4	21.9
Cash at bank and in hand	**49.7**	101.8	97.2
	64.4	124.2	119.1
Creditors: amounts falling due within one year			
Bank loans and overdrafts	**-**	41.4	10.5
Deferred consideration	**2.1**	-	17.9
Other creditors	**40.6**	70.4	67.9
	42.7	111.8	96.3
Net current assets	**21.7**	12.4	22.8
Total assets less current liabilities	**118.2**	409.6	398.8
Provisions for liabilities			
Other provisions	**0.6**	3.5	1.7
Contingent consideration	**3.2**	26.9	18.8
	3.8	30.4	20.5
NET ASSETS	**114.4**	379.2	378.3
Capital and reserves			
Called up share capital	**0.4**	0.4	0.4
Shares to be issued	**0.7**	40.5	24.0
Share premium	**42.7**	38.0	38.0
Share option reserve	**9.5**	3.0	7.3
Other reserves	**0.3**	0.3	0.3
Profit and loss account	**61.3**	297.0	308.5
SHAREHOLDERS' FUNDS	**114.9**	379.2	378.5
Minority interest	**(0.5)**	-	(0.2)
	114.4	379.2	378.3

Sportingbet Plc
Unaudited Consolidated Cash Flow Statement
Six months ended 31 January 2007

	Notes	**3 months to 31 January 2007 £m**	3 months to 31 January 2006 £m	**6 months to 31 January 2007 £m**	6 months to 31 January 2006 £m
EBITDA		**1.6**	34.4	**5.6**	56.2
Net working capital movement		**0.1**	0.6	**1.6**	20.9
Net cash inflow from operating activities	4	**1.7**	35.0	**7.2**	77.1
Returns on investment and servicing of finance		**0.2**	(0.2)	**0.6**	(0.4)
Taxation		**(1.3)**	-	**(1.4)**	(0.1)
Capital expenditure		**(2.9)**	(1.9)	**(7.9)**	(3.8)
Acquisitions and disposals	4	**(17.6)**	(2.3)	**(19.3)**	(12.9)
Cash (outflow)/inflow before financing		**(19.9)**	30.6	**(20.8)**	59.9
Management of liquid resources		**1.5**	(8.5)	**2.8**	(8.5)
Financing		**-**	(14.7)	**(10.8)**	(25.1)
(Decrease)/increase in cash in the period		**(18.4)**	7.4	**(28.8)**	26.3

Reconciliation of net cashflow to movement in net funds

(Decrease)/increase in cash in the period	**(18.4)**	7.4	**(28.8)**	26.3
Cash (inflow)/outflow from (decrease)/increase in liquid resources	**(1.5)**	8.5	**(2.8)**	8.5
Cash outflow from decrease in debt	**-**	10.7	**10.8**	21.4
Movement in net funds resulting from cash flows in period	**(19.9)**	26.6	**(20.8)**	56.2
Disposals	**-**	-	**(15.9)**	-
Other movements	**-**	(0.2)	**(0.3)**	(0.5)
Movement in net funds in period	**(19.9)**	26.4	**(37.0)**	55.7
Net funds at start of period	**69.6**	33.9	**86.7**	4.6
Net funds at end of period	**49.7**	60.3	**49.7**	60.3

Sportingbet Plc
Unaudited Notes
Six months ended 31 January 2007

1. Consolidated statement of total recognised gains and losses:

	3 months to 31 January 2007 £m	3 months to 31 January 2006 £m	**6 months to 31 January 2007 £m**	6 months to 31 January 2006 £m
(Loss)/profit for financial period	**(1.0)**	26.6	**(242.8)**	40.6
Exchange translation differences on consolidation	**(2.0)**	(1.8)	**(4.4)**	(3.3)
Total recognised gains and losses for the financial period	**(3.0)**	24.8	**(247.2)**	37.3

2. Analysis of turnover and operating profit:

Turnover:

		Discontinued Operations £m	**Continuing Operations £m**	**3 months to 31 January 2007 £m**	Discontinued Operations £m	Continuing Operations £m	3 months to 31 January 2006 £m
a)	Analysis of revenue by activity						
	Sports betting	**-**	**266.7**	**266.7**	385.3	208.7	594.0
	Casino and gaming	**-**	**8.0**	**8.0**	12.2	7.0	19.2
	Poker rake	**-**	**7.2**	**7.2**	23.8	7.5	31.3
	Fee income	**-**	**-**	**-**	3.2	-	3.2
		-	**281.9**	**281.9**	424.5	223.2	647.7
b)	Analysis by geography						
	Americas	**-**	**0.8**	**0.8**	424.5	1.1	425.6
	Europe	**-**	**171.4**	**171.4**	-	133.2	133.2
	Australia	**-**	**109.7**	**109.7**	-	88.9	88.9
		-	**281.9**	**281.9**	424.5	223.2	647.7

Post the passing of the UIGEA, Americas comprises Canada and Central and South Americas.

		Discontinued Operations £m	**Continuing Operations £m**	**6 months to 31 January 2007 £m**	Discontinued Operations £m	Continuing Operations £m	6 months to 31 January 2006 £m
a)	Analysis of revenue by activity						
	Sports betting	**201.9**	**514.9**	**716.8**	637.1	397.5	1,034.6
	Casino and gaming	**6.7**	**15.4**	**22.1**	19.5	12.9	32.4
	Poker rake	**17.7**	**14.9**	**32.6**	42.3	13.2	55.5
	Fee income	**1.9**	**-**	**1.9**	5.6	-	5.6
		228.2	**545.2**	**773.4**	704.5	423.6	1,128.1
b)	Analysis by geography						
	Americas	**228.2**	**1.7**	**229.9**	704.5	2.0	706.5
	Europe	**-**	**336.6**	**336.6**	-	233.6	233.6
	Australia	**-**	**206.9**	**206.9**	-	188.0	188.0
		228.2	**545.2**	**773.4**	704.5	423.6	1,128.1

Sportingbet Plc
Unaudited Notes Continued
Six months ended 31 January 2007

2. Analysis of turnover and operating profit (continued):

Operating profit before exceptional items, share option charge and goodwill amortisation:

Analysis by geography	**Discontinued Operations £m**	**Continuing Operations £m**	**3 months to 31 January 2007 £m**	Discontinued Operations £m	Continuing Operations £m	3 months to 31 January 2006 £m
Americas	**-**	**0.1**	**0.1**	33.5	0.5	34.0
Europe	**-**	**3.1**	**3.1**	-	1.8	1.8
Australia	**-**	**0.3**	**0.3**	-	0.8	0.8
	-	**3.5**	**3.5**	33.5	3.1	36.6
Central costs	**-**	**(1.5)**	**(1.5)**	-	(1.8)	(1.8)
	-	**2.0**	**2.0**	33.5	1.3	34.8

Analysis by geography	**Discontinued Operations £m**	**Continuing Operations £m**	**6 months to 31 January 2007 £m**	Discontinued Operations £m	Continuing Operations £m	6 months to 31 January 2006 £m
Americas	**13.5**	**0.5**	**14.0**	54.8	0.9	55.7
Europe	**-**	**4.8**	**4.8**	-	3.1	3.1
Australia	**-**	**2.0**	**2.0**	-	1.8	1.8
	13.5	**7.3**	**20.8**	54.8	5.8	60.6
Central costs	**-**	**(3.9)**	**(3.9)**	-	(3.5)	(3.5)
	13.5	**3.4**	**16.9**	54.8	2.3	57.1

Operating (loss)/profit:

Analysis by geography	**Discontinued Operations £m**	**Continuing Operations £m**	**3 months to 31 January 2007 £m**	Discontinued Operations £m	Continuing Operations £m	3 months to 31 January 2006 £m
Americas	**-**	**(0.1)**	**(0.1)**	30.5	0.3	30.8
Europe	**-**	**2.6**	**2.6**	-	0.9	0.9
Australia	**-**	**0.2**	**0.2**	-	0.8	0.8
	-	**2.7**	**2.7**	30.5	2.0	32.5
Central costs	**-**	**(4.0)**	**(4.0)**	(1.5)	(3.2)	(4.7)
	-	**(1.3)**	**(1.3)**	29.0	(1.2)	27.8

Sportingbet Plc
Unaudited Notes Continued
Six months ended 31 January 2007

2. Analysis of turnover and operating profit (continued):

Operating (loss)/profit:

		Discontinued Operations	**Continuing Operations**	**6 months to 31 January 2007**	Discontinued Operations	Continuing Operations	6 months to 31 January 2006
a)	Analysis by geography	**£m**	**£m**	**£m**	£m	£m	£m
	Americas	**(228.2)**	**0.1**	**(228.1)**	48.8	0.5	49.3
	Europe	**-**	**3.7**	**3.7**	-	1.2	1.2
	Australia	**-**	**2.0**	**2.0**	-	1.7	1.7
		(228.2)	**5.8**	**(222.4)**	48.8	3.4	52.2
	Central costs	**(1.2)**	**(20.3)**	**(21.5)**	(3.0)	(6.1)	(9.1)
		(229.4)	**(14.5)**	**(243.9)**	45.8	(2.7)	43.1

3. Exceptional items:

	Notes	**3 months to 31 January 2007**	3 months to 31 January 2006	**6 months to 31 January 2007**	6 months to 31 January 2006
		£m	£m	**£m**	£m
Impairment of goodwill		**-**	-	**132.7**	-
Loss on disposal of business	5	**-**	-	**106.3**	-
Write-off of fixed assets		**-**	-	**0.8**	-
Reorganisation costs		**-**	-	**12.6**	-
		-	-	**252.4**	-

As previously announced, on 12 October 2006, Sportingbet sold its US-facing sports betting and casino business to Jazette Enterprises Limited resulting in a loss of £106.3m. As a result, the carrying value of the US-facing business at the end of October of £106.3m has been written off.

Sportingbet retained the Paradise Poker business, but ceased taking deposits from US resident customers. As a result an impairment charge of £132.7m has been made in the profit and loss account and the carrying value of the goodwill has been written down from £180.9m to £50.4m. The charge to the profit and loss account includes a £2.2m loss on exchange. In addition fixed assets of £0.8m have been written off.

The impact of the passing of the UIGEA and the subsequent decision to close the US-facing part of Paradise and dispose of the remaining US-facing operations has resulted in a number of reorganisation costs (including redundancies and other related costs) amounting to £12.6m.

4. Notes to the Cashflow:

Acquisitions and disposals	**3 months to 31 January 2007 £m**	3 months to 31 January 2006 £m	**6 months to 31 January 2007 £m**	6 months to 31 January 2006 £m
Cash consideration and other sums paid to vendors	**(17.6)**	(2.3)	**(17.6)**	(12.9)
Cash disposed of with disposal of operations	**-**	-	**(1.7)**	-
	(17.6)	(2.3)	**(19.3)**	(12.9)

Reconciliation of operating profit to net cashflow from operating activities	**3 months to 31 January 2007 £m**	3 months to 31 January 2006 £m	**6 months to 31 January 2007 £m**	6 months to 31 January 2006 £m
Operating (loss)/profit	**(1.3)**	27.8	**(243.9)**	43.1
Amortisation - goodwill	**1.2**	5.5	**6.2**	11.0
Depreciation	**1.7**	1.1	**3.5**	2.1
Impairment of goodwill	**-**	-	**132.7**	-
Loss on disposal of business	**-**	-	**106.3**	-
Write-off of fixed assets	**-**	-	**0.8**	-
Share option charge	**2.1**	1.5	**2.2**	3.0
Debtors	**5.6**	(3.0)	**1.1**	(0.5)
Creditors	**(6.8)**	2.9	**0.2**	19.3
Unrealised translation differences	**(0.8)**	(0.8)	**(1.9)**	(0.9)
	1.7	35.0	**7.2**	77.1

5. Discontinued Operations:

On 12 October 2006 the group disposed of its US-facing sports and casino operations. The loss on disposal has been calculated as follows:

	£m	£m
Consideration		
Cash proceeds		-
Net assets disposed of:		
Fixed assets	3.6	
Debtors	5.8	
Liquid resources	15.9	
Cash	1.7	
Creditor	(27.0)	
Provisions	(0.5)	
		(0.5)
Profit before Goodwill		0.5
Goodwill		106.3
Foreign exchange impact		(0.5)
Loss on disposal		(106.3)

6. Finance Costs:

	3 months to 31 January 2007 £m	3 months to 31 January 2006 £m	**6 months to 31 January 2007 £m**	6 months to 31 January 2006 £m
Interest receivable	0.2	0.4	0.8	0.6
Interest payable	-	(0.6)	-	(1.2)
Amortisation of loan agreement fees	-	(0.2)	(0.3)	(0.5)
	0.2	(0.4)	0.5	(1.1)
Finance charge on discounting of contingent consideration (FRS7)	-	(0.4)	0.9	(0.7)
Total finance costs	0.2	(0.8)	1.4	(1.8)

Sportingbet Plc
Unaudited Notes Continued
Six months ended 31 January 2007

7. Dividends:

	3 months to 31 January 2007 £m	3 months to 31 January 2006 £m	**6 months to 31 January 2007 £m**	6 months to 31 January 2006 £m
Ordinary shares				
Dividend of 1.0p (2005 – nil) per share	**-**	(4.2)	**-**	(4.2)

8. Earnings per share:

For continuing and discontinued operations:	**3 months to 31 January 2007**	3 months to 31 January 2006	**6 months to 31 January 2007**	6 months to 31 January 2006
(Loss)/earnings per ordinary share				
Basic	**(0.2)p**	6.7p	**(56.9)p**	11.0p
Diluted	**(0.2)p**	6.5p	**(51.7)p**	10.7p
For continuing operations:				
Loss per ordinary share				
Basic	**(0.2)p**	(0.7)p	**(3.6)p**	(1.4)p
Diluted	**(0.2)p**	(0.6)p	**(3.3)p**	(1.3)p
For continuing and discontinued operations:				
Adjusted earnings per ordinary share (before exceptional items, share option charge and goodwill amortisation)				
Basic	**0.6p**	8.4p	**4.2p**	14.8p
Diluted	**0.5p**	8.2p	**3.9p**	14.4p
For continuing operations:				
Adjusted earnings/(loss) per ordinary share (before exceptional items, share option charge and goodwill amortisation)				
Basic	**0.6p**	(0.1)p	**0.6p**	(0.1)p
Diluted	**0.5p**	(0.1)p	**0.6p**	(0.1)p

The basic earnings per share for the three months is based on the loss on ordinary activities after taxation of £1.0m (2006: £26.6m profit) and on the weighted average number of shares in issue of 431,750,322 (2006: 399,342,613).

The diluted earnings per share for the financial period is based on the loss on ordinary activities after taxation of £1.0m (2006: £26.6m profit) 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 471,436,643 (2006: 411,341,598).

Adjusted basic and diluted earnings per ordinary share before goodwill and share option charges exclude amortisation of goodwill of £1.2m (2006: £5.5m) and share option charges of £2.1m (2006: £1.5m).

The basic earnings per share for the six months is based on the loss on ordinary activities after taxation of £242.8m (2006: £40.6m profit) and on the weighted average number of shares in issue of 426,618,583 (2006: 368,066,310).

The diluted earnings per share for the financial period is based on the loss on ordinary activities after taxation of £242.8m (2006: £40.6m profit) 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 469,458,046 (2006: 380,065,295).

Adjusted basic and diluted earnings per ordinary share before goodwill and share option charges exclude amortisation of goodwill of £6.2m (2006: £11.0m) and share option charges of £2.2m (2006: £3.0m).

As at 31 January 2007 there were 432,517,844 shares in issue. In addition to these shares there are 1,943,593 shares in relation to consideration owing to our Italian joint venture partners (these will be issued in December 2007) and 45,176,273 outstanding share options of which 40,931,870 are accounted for as dilutive for the six months to 31 January 2007 (37,751,128 for the three months to 31 January 2007). Under the terms of the agreement with the Group's Turkish marketing partner, further shares of up to 35,294,118 may be issued in the period up to 31 December 2008.

9. Impact of accounting changes:

During the period the Group adopted FRS 20 "Share-based Payment", and has restated its comparatives accordingly. Under FRS 20 the cumulative share option charge as at 1 August 2006 is £0.6m (previously £Nil) and the share option charge for the year ended 31 July 2006 is £6.7m (previously £6.4m).

10. These results have been prepared on the basis of the accounting policies set out in the Group's 2006 statutory accounts, except as stated in Note 9. These results do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.

Sportingbet Plc
Continued
Six months ended 31 January 2006

Highlights – Six months ended 31 January 2006

- Group operating profit* of £16.9m (2006: £57.1m)
- Loss before tax of £242.5m (2006: profit of £41.3m), including previously reported exceptional charges of £252.4m
- Cash generated from operating activities of £7.2m (2006: £77.1m)
- Diluted earnings per share* of 3.9p (2006: 14.4p)

(* Stated pre goodwill amortisation and FRS 20 share option charges)

FINANCIAL RESULTS

Six months ended 31 January 2007

Turnover for the first half ended 31 January 2007 was £773.4m (2006: £1,128.1m), earning a gross profit of £100.8m (2006: £147.7m) at 13.2% of turnover (2006: 13.1%). Sports betting turnover was £716.8m (2006: £1,034.6m), earning a gross profit of £44.2m (2006: £54.2m) at a gross profit percentage of 6.2% (2006: 5.2%). Casino and gaming, poker and fee income contributed a further £22.1m, £32.6m and £1.9m respectively to both turnover and gross margin (2006: £32.4m, £55.5m and £5.6m).

Turnover and margin for the period are stated after a deduction for customer bonuses of £5.8m (2006: £11.7m). The sports gross margin as reported was 6.2% (2006: 5.2%), however without the bonus deduction, the equivalent number would have been 6.5% (2006: 5.8%).

Costs (excluding exceptional items, share option charge and goodwill amortisation) in the six month period were £83.9m (2006: £90.6m).

Operating profit (before exceptional items, share option charge and goodwill amortisation) for the six months was £16.9m (2006: £57.1m). Loss before tax was £242.5m (2006: £41.3m profit), after expensing exceptional items of £252.4m (2006: £Nil), share option charges of £2.2m (2006: £3.0m), goodwill amortisation of £6.2m (2006: £11.0m) and net finance income of £1.4m (2006: £1.8m charge).

Basic earnings per share before share option charges and amortisation of goodwill, was 4.2p (2006: 14.8p). Diluted earnings per share, before share option charges and amortisation of goodwill, was 3.9p (2006: 14.4p).

During the six months ended 31 January 2007, the Group generated cash from operating activities of £7.2m (2006: £77.1m).