Sportingbet Plc

Unaudited results for the three months ended 31 October 2007

Sportingbet Plc, a leading online sports betting and gaming group, announces its results for the three months ended 31 October 2007, the first quarter of its financial year to 31 July 2008.

In order to aid comparison, the financial and operational information for the prior period is stated excluding the US business that was sold/closed in October 2006 resulting in Sportingbet's complete exit from that market.

This is the first period under which Sportingbet has adopted International Financial Reporting Standards ("IFRS") as the basis to report its financial results, as opposed to UK GAAP. Any differences arising between the results reported under IFRS and UK GAAP merely reflect the changes in accounting basis and are not a reflection of a change in business performance. As a result of the implementation of IFRS, terminology used in the presentation of the financial results has changed. Precise definitions of the new terms used are included in Note 1 on Accounting Policies. A reconciliation between the results under IFRS and UK GAAP is set out in Note 8.

Financial Highlights – Three months ended 31 October 2007

- Group operating profit* up 110% to £4.2m (2006 restated: £2.0m)
- Operating profit* 13.8% of net gaming revenue (2006: 6.2%)
- Cash on the balance sheet, net of customer liabilities, of £25.6m (2006: £52.0m)
- Statutory Group loss of £1.7m (2006: loss of £240.9m)
- Pre-exceptional profit before tax of £1.5m (2006: £1.1m)
- Diluted earnings per share* of 0.8p (2006: 0.3p)

(* stated before charging exceptional items, fair value restatements and amortisation)

Business Highlights – Three months ended 31 October 2007

- Continued strong growth in European sports betting – gaming revenue up 27%
- Benefits of cost restructuring coming through in enhanced operating margins
- Operational reorganisation post UIGEA now substantially complete
- Australian betting volumes up despite Equine Influenza
- Channel Islands office now fully operational and performing well

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

"I am delighted with the Group's strong performance in the first quarter, which has given us a very solid start to the financial year. With much of the restructuring now behind us, our focus can now be on better recruitment and retention of customers, on being a first class retailer of gaming services and on offering a true internet based experience. The second quarter has started well, with good margins and volumes across the Group. With the platform for growth in place, the Board looks to the future with confidence."

For further information please contact:

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There is a presentation for analysts and investors today at 09.30 at the offices of Smithfield Consultants, 10 Aldersgate St., London EC1M 4HJ. In addition, there will be a live audio webcast available at www.sportingbetplc.com. Registration will be made available 10 minutes prior to the presentation start time.

FINANCIAL RESULTS

In order to aid comparison, the financial and operational information for the prior period is stated excluding the US business that was sold/closed in October 2006 resulting in Sportingbet's complete exit from that market.

This is the first period under which Sportingbet has adopted IFRS as the basis to report its financial results, as opposed to UK GAAP. Any differences arising between the results reported under IFRS and UK GAAP merely reflect the changes in accounting basis and are not a reflection of a change in business performance. As a result of the implementation of IFRS, terminology used in the presentation of the financial results has changed. Precise definitions of the new terms used are included in Note 1 on Accounting Policies. A reconciliation between the results under IFRS and UK GAAP is set out in Note 8.

Three months ended 31 October 2007

Amounts wagered (previously disclosed as turnover) for the three months ended 31 October 2007 were £290.9m (2006 restated: £260.7m), earning net gaming revenue (previously disclosed as gross profit) of £30.4m (2006 restated: £32.5m) at 10.5% of amounts wagered (2006: 12.5%). The reduction in net gaming revenue is driven by the fall in poker rake, from £8.9m to £4.6m, Q1 on Q1, as a result of significantly reduced liquidity following the loss of US resident players.

Amounts wagered on sports betting in Europe were £169.6m (2006: £147.5m), earning net gaming revenue of £14.9m (2006: £12.6m). Casino and gaming, and poker contributed a further £7.4m and £4.6m respectively to both amounts wagered and net gaming revenue (2006: £7.1m and £8.9m). Amounts wagered on Australian sports betting were £109.3m (2006: £97.2m), earning net gaming revenue of £3.5m (2006: £3.9m).

Amounts wagered and net gaming revenue for the period are stated after a deduction for customer bonuses of £3.5m (2006: £1.7m). The European and Australian sports net gaming revenue as reported was 8.8% and 3.2% respectively (2006: 8.5% and 4.0%). Without the bonus deduction the equivalent numbers would have been 9.8% and 3.4% (2006: 9.0% and 4.1%). The increase in European customer bonuses reflects, in part, the bringing in-house of certain marketing partners.

Certain prior period comparatives have been restated as compared to the previously reported figures as a result of year-end audit adjustments. Included in the prior period net gaming revenue balance is an additional net £1.1m previously incorrectly classified under discontinued operations and now reclassified as continuing operations. Of this net £1.1m, £1.2m relates to additional poker net gaming revenue and £0.1m relates to a reduction in European sports net gaming revenue. In addition, £0.3m relating to progressive casino jackpot contributions has been reclassified from marketing expense to be set against casino net gaming revenue. The above adjustments have the effect of increasing the Q1 comparative operating profit to £2.0m (previously reported as £0.9m). Operating profit for the year to 31 July 2007 remains unchanged at £7.4m.

Costs (excluding exceptional items, fair value adjustment and amortisation) in the three months were £26.2m (2006: £30.5m), accounting for 86.2% of net gaming revenue (2006: 93.8%).

Operating profit (before exceptional items, fair value adjustment and amortisation) for the three months was £4.2m (2006 restated: £2.0m). Exceptional charges, amounting to £2.9m (2006: £12.6m), were incurred during the period relating to reorganisation projects commenced and announced last year which have continued into the first quarter, in particular the transfer of licensable activities to the Channel Islands.

Operating loss after charging exceptional items of £2.9m (2006: £12.6m), fair value restatement of £1.8m (2006: £0.6m), which comprises the share option charge, and amortisation of £1.1m (2006: £nil) was £1.6m (2006: £11.2m).

As at 31 October 2007, the Group had £38.5m (2006: £69.6m) of cash and liquid resources on its balance sheet, of which £12.9m (2006: £17.6m) related to customer liabilities. Gross financial liabilities amounted to £5.4m (2006: £24.0m) which comprised a bank loan of £5.3m (2006: £nil), secured on residential properties in the Channel Islands, and deferred consideration of £0.1m due to the vendors of the shareholding in Sportingbet Italia.

REVIEW OF OPERATIONS

Sportingbet Group

The objectives through last year were to reorganise and restructure the Group and in particular the European business to build a solid platform on which to take the business forward. Much of this has now been achieved, with the movement of personnel to Dublin and the Channel Islands, the Paradise migration complete and the marketing partner acquisitions well bedded-in. The benefits of these actions began to be realised through the first quarter as the Group builds a more efficient business model to capture the inherent growth of this industry.

Over the next 12 to 18 months, the Group will focus on a number of key overriding objectives. These objectives are about changing the way in which the business is operated rather than any strategic shift in market position. Firstly, the focus will be on the customer; both recruitment and retention of new ones and better serving the most important customers. Secondly, to become a retailer of gaming services; offering all customers a wide variety of gaming opportunities in a manner that is readily accessible and easy to understand, and thirdly offering a true internet based experience; with convenient sign-up, registration and transactional processes to provide customers with a seamless, first-class user experience.

Europe

The number of customers who bet on the region’s sports betting websites rose by 7% to 197,306 (2006: 184,777).

The number of sports bets placed by these customers increased by 16% to 11.8m (2006: 10.2m) at a rate of 60 bets per active customer per quarter (2006: 55 bets), and the average sports bet size was £14.58 (2006: £14.49). The sports margin percentage after betting tax was 9.8% (2006: 8.8%).

In aggregate, yield per sports active customer increased by 20% from £71.72 to £85.73 in part as a result of increased margin, but also from a slight increase in the number of bets made per customer.

The number of bets placed on the Group's casino website rose by 12% to 36.3m (2006: 32.4m) at an average bet size of £4.60 (2006: £5.57). The casino margin percentage was 3.6% (2006: 3.1%). This reflects a substantial change in product mix within the portfolio since last year, which has seen a significant growth in slot machine play, which by its nature, has a much higher bet frequency and higher overall win margin but a significantly lower stake than table games such as blackjack and roulette. This change in mix reflects a significant improvement in the Group's slot machine type product offering.

During the quarter the European region generated, pre bonus deductions, £5.5m of poker rake (2006: £9.3m, restated due to a +£1.2m year-end adjustment between continuing and discontinued operations), down 41% year on year. This fall reflects the significant reduction in liquidity experienced on the Paradise Poker platform year on year. For 75 of the 92 days of the first quarter last year, poker revenue benefited from enhanced liquidity from the presence of US players. Since the migration to the Boss network in late May 2007, this decline has abated and more recently exhibited renewed growth trends.

Australia

Against a backdrop of the country's outbreak of Equine Influenza, and the subsequent curtailment of horse racing in New South Wales and Queensland, the Board is particularly pleased by the growth in this business.

Overall the number of customers who bet with the region's sports betting business increased by 31% from 11,599 to 15,164. Margin for the region, after betting taxes, was 3.4% (2006: 4.1%), amounting to net gaming revenue of £3.5m (2006: £3.9m).

The Australian business comprises two distinct components, the historic credit, telephone based business that the Group acquired in March 2001, and a cash-in-advance internet based business that the Group has been building over recent years. Typically internet customers are more frequent bettors and generate a higher margin, but have a much lower average stake size. During the quarter, the proportion of bets taken over the internet rose to 87% (2006: 82%).

Within the internet business, the number of bets increased by 49% with an average bet size of AUS $32 (2006: AUS $39) and a margin of 5.8% (2006: 6.1%). Within the telephone business, the number of bets decreased by 5% with an average bet size of AUS $672 (2006: AUS $625) and a margin of 2.6% (2006: 3.6%), more fully reflecting the significantly reduced racing product due to Equine Influenza.

REGULATORY DEVELOPMENTS

There have been no substantive changes in the regulatory environment since the Group reported its year end results on 17 October 2007.

In terms of the overall position, there is still no global consensus as to which countries' laws apply where in the internet space, and in particular whether they can extend beyond their own national borders. Additionally, within Europe, companies in the online gaming sector may face action from individual EU Member States despite the fact that legislation of such Member States may contravene EU principles and/or the Member State itself may be subject to an EU Commission initiated online gambling infringement proceeding.

Consequently, the Group's services continue to be provided only from jurisdictions that are licensed and regulated and as such explicitly legal. To facilitate this the Group is licensed in the UK, Alderney, Italy, Antigua and Australia.

TRADING OUTLOOK

The second quarter has started well, with strong volumes and margins across the Group. The robust Q1 performance, coupled with the strong start to Q2, gives the Board confidence in the expected outcome for the current financial year.

In Europe, trading in sports has built on the strong trends of Q1 with amounts wagered up 17% year on year. In poker, average daily rake for November was 17% ahead of the Q1 average, maintaining the progress made during the latter half of Q1. The casino/games enhancements, although currently rolled-out over only a small portion of the portfolio, are performing strongly with net gaming revenue up over 20% year on year.

In Australia, the business had a good performance through November, which saw some of the major spring horse-race meetings including the Melbourne Cup. Additionally, the business is starting to return to full strength with the recommencement of horse racing in Queensland and New South Wales.

Sportingbet Plc
Unaudited Consolidated Interim Income Statement
Three months ended 31 October 2007

	Notes	**3 months to 31 October 2007 £m**	3 months to 31 October 2006 £m
Amounts wagered		**290.9**	260.7
Net gaming revenue	2, 3	**30.4**	32.5
Administrative expenses excluding exceptional items, fair value restatements and amortisation		**(26.2)**	(30.5)
Group operating profit before exceptional items, fair value restatements and amortisation		**4.2**	2.0
Other administrative expenses:			
• Exceptional items	4	**(2.9)**	(12.6)
• Fair value restatements		**(1.8)**	(0.6)
• Amortisation		**(1.1)**	-
Total administrative expenses		**(32.0)**	(43.7)
Group operating loss	3	**(1.6)**	(11.2)
Finance income		**0.3**	0.1
Finance costs		**(0.1)**	(0.4)
Loss before taxation		**(1.4)**	(11.5)
Taxation		**(0.3)**	(0.5)
Loss for the period		**(1.7)**	(12.0)
Loss for the period from discontinued operations		**-**	(228.9)
Group loss for the period		**(1.7)**	(240.9)
Loss attributable to minority interest		**-**	(0.2)
Loss attributable to the equity holders of the parent		**(1.7)**	(240.7)
Loss per ordinary share – continuing operations	6		
Basic		**(0.4)p**	(2.8)p
Diluted		**(0.4)p**	(2.8)p
Loss per ordinary share – continuing and discontinued operations	6		
Basic		(0.4)p	(57.1)p
Diluted		(0.4)p	(57.1)p

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 31 October 2007

	31 October 2007 £m	31 October 2006 £m
Non-current assets		
Goodwill	**51.8**	84.3
Other intangible assets	**9.1**	7.6
Property, plant and equipment	**7.8**	5.1
Investment property	**8.1**	-
	76.8	97.0
Current assets		
Trade and other receivables	**8.2**	20.3
Cash and cash equivalents	**38.5**	69.6
	46.7	89.9
Non-current assets held for sale	**-**	2.6
Current liabilities		
Interest bearing loans and borrowings	**(5.3)**	-
Deferred consideration	**-**	(17.5)
Other payables	**(34.9)**	(48.6)
	(40.2)	(66.1)
Net current assets	**6.5**	26.4
Non-current liabilities		
Provisions	**(1.2)**	(0.7)
Deferred consideration	**(0.1)**	(6.5)
	(1.3)	(7.2)
Net assets	**82.0**	116.2
Equity		
Issued share capital	**0.4**	0.4
Shares to be issued	**22.1**	4.8
Share premium	**42.9**	38.0
Other reserves	**0.3**	0.3
Retained earnings	**16.6**	73.1
Equity attributable to equity holders of the parent	**82.3**	116.6
Minority interest	**(0.3)**	(0.4)
Total equity	**82.0**	116.2

Sportingbet Plc
Unaudited Consolidated Cash Flow Statement
Three months ended 31 October 2007

	3 months to 31 October 2007 £m	3 months to 31 October 2006 £m
Group loss for the period	**(1.7)**	(240.9)
Depreciation	**1.4**	1.8
Amortisation	**1.1**	-
Impairment of goodwill	**-**	136.3
Loss on disposal of business	**-**	106.3
Write-off of property, plant and equipment	**-**	0.8
Fair value restatements	**1.8**	0.1
Finance income	**(0.2)**	(0.8)
Taxation	**0.3**	0.5
Operating cash flows before movements in working capital	**2.7**	4.1
Decrease/(increase) in receivables	**1.2**	(4.5)
Increase in payables	**1.7**	7.0
Unrealised translation differences	**-**	(1.1)
Cash generated by operations	**5.6**	5.5
Income tax paid	**-**	(0.1)
Net cash from operating activities	**5.6**	5.4
Purchases of property, plant and equipment	**(4.3)**	(5.0)
Disposals	**-**	(17.6)
Interest received	**0.2**	0.4
Cash used in investing activities	**(4.1)**	(22.2)
Repayment of borrowings	**-**	(10.8)
Net cash used in financing activities	**-**	(10.8)
Net increase/(decrease) in cash and cash equivalents in the period	**1.5**	(27.6)
Cash and cash equivalents at beginning of period	**37.0**	97.2
Cash and cash equivalents at end of period	**38.5**	69.6

Sportingbet Plc
Unaudited Consolidated Statement of Recognised Income and Expense
Three months ended 31 October 2007

	3 months to 31 October 2007 £m	3 months to 31 October 2006 £m
Exchange differences on translation of foreign operations	**0.1**	(2.4)
Net income/(charge) recognised directly in equity	**0.1**	(2.4)
Loss for financial period	**(1.7)**	(240.9)
Total recognised income and expense for the period	**(1.6)**	(243.3)
Attributable to:		
Equity holders of the parent	**(1.6)**	(243.5)
Minority interests	**-**	0.2
	(1.6)	(243.3)

Sportingbet Plc
Unaudited Notes
Three months ended 31 October 2007

1. Accounting policies

Basis of preparation
The financial information provided is for the three months ended 31 October 2007, the first quarter of the Group's financial year ending 31 July 2008.

The financial information has been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 July 2008 or are expected to be adopted and effective at 31 July 2008, our first annual reporting date at which we are required to use IFRS as adopted by the EU. These financial statements are not statutory accounts within the meaning of s.240 of the Companies Act 1985, and do not include all of the information required for full annual financial statements.

The Group's statutory financial statements for the year ended 31 July 2007, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

The Group has chosen not to adopt IAS 34 in the preparation of this financial information in accordance with the AIM rules.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Basis of consolidation – subsidiaries
The Group financial statements for the period consolidate the financial statements of Sportingbet Plc and the entities it controls (its subsidiaries).

Subsidiaries are consolidated from their date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights or by way of contractual agreement. The financial statements of subsidiaries are prepared using consistent accounting policies as the parent company. All inter-company balances and transactions are eliminated.

Business combinations
On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

1. Accounting policies (continued)

Restatement of comparatives

The Group's consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP") until 31 July 2007. The date of transition to IFRS was 1 August 2006. The comparative figures in respect of the year ended 31 July 2007 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in Note 8.

Amounts wagered

Amounts wagered represents amounts staked in respect of bets placed on sporting events in the period, net win in respect of casino and gaming, and rake in respect of poker games that have concluded in the period. Amounts wagered are stated net of certain promotional bonuses.

Net gaming revenue

Net gaming revenue is measured at the fair value of consideration received or receivable, and comprises the following:

a) Sports betting: Gains and losses in respect of bets placed on sporting events in the period, stated after betting taxes and certain promotional bonuses. Sports betting net gaming revenue is adjusted for the fair market value of gains and losses on open betting positions.

b) Casino and gaming: Net win in respect of bets placed on casino games that have concluded in the period, stated net of certain promotional bonuses.

c) Poker: Net win in respect of rake for poker games that have concluded in the period, stated net of certain promotional bonuses.

d) Fee income: Net commissions invoiced in respect of licensing type agreements.

Where the Group refers to gaming revenue, this represents net gaming revenue before the deduction of promotional bonuses.

Intangible assets - Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets and liabilities of an acquired subsidiary, associate or jointly controlled entity. Goodwill is allocated to cash generating units for the purpose of impairment testing.

For acquisitions that occurred on or after 31 July 2006, goodwill is not amortised and is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill arising on earlier acquisitions was being amortised over its estimated useful life of 20 years. In accordance with the transitional provisions of IFRS 3 "Business Combinations", the unamortised balance of goodwill at 31 July 2006 was frozen and reviewed for impairment, and will be reviewed for impairment at least annually.

1. Accounting policies (continued)

Intangible assets - Computer software
Where, in the opinion of the Directors, the Group's expenditure in relation to development of internet activities results in future economic benefits, these costs are capitalised and amortised over the useful economic life of the asset.

Development costs are capitalised only when it is probable that future economic benefit will result from the project and the following criteria are met:

- the technical feasibility of the product has been ascertained;
- adequate technical, financial and other resources are available to complete and sell or use the intangible asset;
- the Group can demonstrate how the intangible asset will generate future economic benefits and the ability to use or sell the intangible asset can be demonstrated;
- it is the intention of management to complete the intangible asset and use it or sell it; and
- the development costs can be measured reliably.

Intangible assets - Other
Identifiable assets, that meet the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date and amortised over their useful economic life.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment except for freehold land and investment properties, at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Fixtures, fittings and equipment	25% on cost
Leasehold improvements	10% on cost
Motor vehicles	25% on cost
Computer equipment	33% on cost

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Investment properties
Certain of the Group's properties are classed as investment properties, being held for long-term investment and to earn rental income.

Investment properties are measured initially at cost, including transaction costs, and thereafter are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

1. Accounting policies (continued)

Impairment of property, plant and equipment and other intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Finance costs
Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables do not carry any interest and are stated initially at fair value and are measured subsequently at amortised cost, less provision for impairment.

1. Accounting policies (continued)

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables
Trade payables are not interest-bearing and are stated at initially at their fair value and thereafter at their amortised cost using the effective interest rate method. The fair value of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying values recognised in the balance sheet to be a reasonable approximation of their fair value.

Equity instruments
Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments
The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The Group uses interest rate swap contracts to hedge its interest rate exposure and retains cash balances in foreign currencies matched against its foreign currency liabilities (client deposit accounts) to hedge its exposure to foreign currency exchange rates. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Dividends
Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

Functional and presentational currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling (£) which is the parent's functional and presentational currency.

Foreign currency translation
Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the closing spot rate. Any differences are taken to the income statement.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the income statement at an average rate are taken to reserves.

1. Accounting policies (continued)

The Group has applied the exemption in IFRS 1 to set cumulative translation differences on retranslation of foreign operations to zero at the transition date.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or of other assets and liabilities in a transaction (other than in a business combination) that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents
Cash and short-term deposits on the balance sheet comprise cash at banks and in hand, current asset investments and short term deposits.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Employee benefits

a) Pension costs
For defined contribution arrangements the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1. Accounting policies (continued)

b) Share based employee remuneration
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Leases
Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

Exceptional items
Exceptional items are those that in management's judgement need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Interest bearing loans and other borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; and difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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Unaudited Notes (Continued)
Three months ended 31 October 2007

2. Net gaming revenue

Net gaming revenue for the period has been calculated as follows:

	3 months to 31 October 2007 £m	3 months to 31 October 2006 £m
Gaming revenue	**33.9**	34.2
Promotional bonuses	**(3.5)**	(1.7)
	30.4	32.5

3. Primary and secondary segmental information

Net gaming revenue:

		3 months to 31 October 2007 £m	3 months to 31 October 2006 £m
a)	Analysis by geography		
	Spain	**6.0**	6.4
	Turkey	**5.9**	5.0
	Rest of Europe	**14.4**	17.1
	Total Europe	**26.3**	28.5
	Australia	**3.6**	3.9
	Americas	**0.5**	-
		30.4	32.4
b)	Analysis by activity		
	Sports betting	**18.4**	16.5
	Casino and gaming	**7.4**	7.1
	Poker rake	**4.6**	8.9
		30.4	32.5

Note that in the “Financial Results” and “Review of Operations” sections of this announcement, the Americas region (operations serving customers in North America (including Canada) as well as South America) is included within Europe. No figures for the Americas region are available for the comparative period.

Sportingbet Plc
Unaudited Notes (Continued)
Three months ended 31 October 2007

3. Analysis of revenue and operating profit (continued)

Operating profit before exceptional items, fair value restatements and amortisation:

		3 months to 31 October 2007 £m	3 months to 31 October 2006 £m
a)	Analysis by geography		
	Spain	**2.9**	2.5
	Turkey	**5.3**	2.2
	Rest of Europe	**7.1**	6.4
	Operating and central costs	**(9.2)**	(7.6)
	Total Europe	**6.1**	3.5
	Australia	**1.1**	2.0
	Americas	**-**	-
	Unallocated central cost	**(3.0)**	(3.5)
		4.2	2.0

Operating loss:

		3 months to 31 October 2007 £m	3 months to 31 October 2006 £m
a)	Analysis by geography		
	Spain	**2.9**	2.5
	Turkey	**5.3**	2.2
	Rest of Europe	**7.1**	6.4
	Operating and central costs	**(13.4)**	(8.9)
	Total Europe	**1.9**	2.2
	Australia	**0.8**	1.6
	Americas	**-**	-
	Unallocated central cost	**(4.3)**	(15.0)
		(1.6)	(11.2)

4. Exceptional items

The following exceptional costs were incurred during the period:

	Notes	**3 months to 31 October 2007 £m**	3 months to 31 October 2006 £m
Reorganisation costs relating to UIGEA	(a)	**0.2**	12.6
Transfer of licensable activities to the Channel Islands	(b)	**2.7**	-
		2.9	12.6

a) The impact of the passing of the UIGEA and the subsequent decision to close the US-facing part of Paradise Poker and dispose of the remaining US-facing operations resulted in a number of reorganisation costs. £0.2m of legal costs were incurred during the period.
b) The costs relating to the transfer of the licensable activities to Alderney and Guernsey include redundancy, recruitment, training, temporary accommodation and other related costs. The project was still in progress at year end.

5. Fair value restatements

	3 months to 31 October 2007 £m	3 months to 31 October 2006 £m
Share option charge	**1.8**	0.6
	1.8	0.6

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Unaudited Notes (Continued)
Three months ended 31 October 2007

6. Earnings per share

	3 months to 31 October 2007	3 months to 31 October 2006
For continuing and discontinued operations:		
Loss per ordinary share		
Basic	**(0.4)p**	(57.1)p
Diluted	**(0.4)p**	(57.1)p
For continuing operations:		
Loss per ordinary share		
Basic	**(0.4)p**	(2.8)p
Diluted	**(0.4)p**	(2.8)p
For discontinued operations:		
Loss per ordinary share		
Basic	**-**	(54.3)p
Diluted	**-**	(54.3)p
For continuing and discontinued operations:		
Adjusted earnings per ordinary share (before exceptional items, fair value restatements and amortisation)		
Basic	**0.9p**	3.7p
Diluted	**0.8p**	3.6p
For continuing operations:		
Adjusted earnings per ordinary share (before exceptional items, fair value restatements and amortisation)		
Basic	**0.9p**	0.3p
Diluted	**0.8p**	0.3p
For discontinued operations:		
Adjusted earnings per ordinary share (before exceptional items, fair value restatements and amortisation)		
Basic	**-**	3.4p
Diluted	**-**	3.3p

The calculation of basic earnings per share is based on the loss on ordinary activities after taxation and minority interests attributable to shareholders of Sportingbet Plc of £1.7m (2006: £240.7m) and the weighted average number of shares in issue during the period of 433,732,138 (2006: 421,486,844).

Due to the size of non-cash items the Group has adjusted its earnings per ordinary share to exclude exceptional items, fair value restatements and amortisation. Adjusted earnings per ordinary share excludes continuing business exceptional items of £2.9m (2006: £12.6m continuing and £239.8m discontinued), fair value restatements of £1.8m (2006: £0.6m) and amortisation of £1.1m (2006: £nil).

6. Earnings per share (continued)

Under IFRS a loss per share can not be diluted. As at 31 October 2007 the Group had the following shares in issue and potentially dilutive shares:

	As at 31 October 2007	As at 31 October 2006
Number of shares in issue	**443,267,845**	421,486,844
Employee share schemes	**34,808,886**	5,910,873
Deferred consideration	**36,544,118**	9,772,125
Fully diluted number of shares in issue	**514,620,849**	437,169,842

7. Property, plant and equipment

Additions to fixed assets were £3.3m during the period (2006: £3.1m), relating primarily to the transfer of the licensable activities to Alderney and Guernsey.

8. Impact of the adoption of International Financial Reporting Standards

From the year ending 31 July 2008 Sportingbet Plc will prepare its financial statements in accordance with IFRS. This note has been prepared to illustrate differences that have arisen through preparation of the financial statements under IFRS rather than UK GAAP.

Below are the reconciliations of the UK GAAP balance sheets to its IFRS balance sheets at 1 August 2006 (the “opening balance sheet”), 31 July 2007 and 31 October 2007 together with reconciliations of the Group UK GAAP income statement to its IFRS income statement for the year to 31 July 2007 and the three months to 31 October 2006.

The changes as a result of the transition to IFRS and of adopting the IFRS Group accounting policies are described below. In addition to these changes there are a number of other assets and liabilities that are classified differently under IFRS. These reclassifications are shown in the reconciliations below.

First-Time Application

In accordance with IFRS 1 the Group is entitled to a number of voluntary and mandatory exemptions from full restatement. The following exemption has been adopted:

- IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred prior to 1 August 2006.

IAS 32 Financial Instruments

Under IAS 32, changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. At 1 August 2006, the Group held an interest rate swap which was settled during the three months ended 31 October 2006. Under UK GAAP, the gain was only taken to the income statement once realised. Under IFRS, the unrealised gain is recognised in the income statement.

The Group may have, at any point in time, an exposure on ante-post sports bets. These bets meet the definition of a financial derivative under IAS 32 and therefore are recorded at fair value with gains or losses recognised in the income statement. Sports betting net gaming revenue is adjusted for the fair market value of gains and losses on open betting positions.

8. Impact of the adoption of International Financial Reporting Standards (continued)

IAS 38 Software classification

Software is typically included within other intangibles under IFRS rather than tangible assets under UK GAAP. The impact of this is to reclassify software from tangible assets to intangibles assets. Total net assets are not affected by this adjustment.

IAS 40 Investment property

Under UK GAAP, investment property was included within property, plant and equipment. In accordance with IAS 40, investment property is disclosed separately.

IFRS 3 Business Combinations

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before 31 July 2006, therefore goodwill is stated in the opening balance sheet (at 1 August 2006) at £351.6m, being its UK GAAP carrying value.

Subsequent amortisation has been reversed, increasing operating profit by £3.0m for the year ended 31 July 2007 and £1.4m for the three months ended 31 October 2006.

The Group has adopted IFRS 3 in full for the year ending 31 July 2008. This has resulted in the recognition of additional intangible fixed assets of £3.5m during the year ended 31 July 2007, which, under UK GAAP, would have been recognised in goodwill.

IAS 7 Cash Flow statements

There are no significant adjustments between the cash flow statements produced under IFRS as against UK GAAP.

8. Impact of the adoption of International Financial Reporting Standard (continued)

Reconciliation of UK GAAP to IFRS income statement for the year ended 31 July 2007

	UK GAAP (IFRS format)	IAS 32 Financial Instruments	IFRS 3 Business combinations	**IFRS income statement**
	£m	£m	£m	**£m**
Amounts wagered	1,096.4			**1,096.4**
Net gaming revenue	119.4			**119.4**
Administrative expenses excluding exceptional items, fair value restatements and amortisation	(112.0)			**(112.0)**
Group operating profit before exceptional items, fair value restatements and amortisation	7.4			**7.4**
Other administrative expenses:				
• Exceptional items	(26.8)			**(26.8)**
• Fair value restatements	(9.9)			**(9.9)**
• Amortisation	(3.0)		1.2	**(1.8)**
Total administrative expenses	(151.7)		1.2	**(150.5)**
Group operating (loss)/profit	(32.3)		1.2	**(31.0)**
Finance income	0.1			**0.1**
Finance costs	(0.4)			**(0.4)**
Loss before taxation	(32.6)		1.2	**(31.3)**
Taxation	(1.2)			**(1.2)**
Loss for the period	(33.8)		1.2	**(32.6)**
Discontinued profit/(loss) for the period	(279.1)	(0.3)		**(279.4)**
Group loss for the period	(312.9)	(0.3)	1.2	**(312.0)**
Minority interest	0.6			**0.6**
Loss attributable to the equity holders of the parent	(312.3)	(0.3)	1.2	**(311.3)**

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Unaudited Notes (Continued)
Three months ended 31 October 2007

8. Impact of the adoption of International Financial Reporting Standard (continued)
Reconciliation of UK GAAP to IFRS income statement for the three months ended 31 October 2006

	UK GAAP (IFRS format)	IAS 32 Financial Instruments	IFRS 3 Business combinations	**IFRS income statement**
	£m	£m	£m	**£m**
Amounts wagered	260.7			**260.7**
Net gaming revenue	32.5			**32.5**
Administrative expenses excluding exceptional items, fair value restatements and amortisation	(30.5)			**(30.5)**
Group operating profit before exceptional items, fair value restatements and amortisation	2.0			**2.0**
Other administrative expenses:				
• Exceptional items	(12.6)			**(12.6)**
• Fair value restatements	(0.6)			**(0.6)**
• Amortisation	(1.4)		1.4	**-**
Total administrative expenses	(45.1)		1.4	**(43.7)**
Group operating (loss)/profit	(12.6)		1.4	**(11.2)**
Finance income	0.1			**0.1**
Finance costs	(0.4)			**(0.4)**
Loss before taxation	(12.9)		1.4	**(11.5)**
Taxation	(0.5)			**(0.5)**
Loss for the period	(13.4)		1.4	**(12.0)**
Discontinued profit/(loss) for the period	(228.6)	(0.3)		**(228.9)**
Group loss for the period	(242.0)	(0.3)	1.4	**(240.9)**
Minority interest	0.2			**0.2**
Loss attributable to the equity holders of the parent	(241.8)	(0.3)	1.4	**(240.7)**

8. Impact of the adoption of International Financial Reporting Standard (continued)
Reconciliation of UK GAAP to IFRS balance sheet at 31 July 2007

	UK GAAP (IFRS format)	IAS 38 Software classification	IAS 40 Investment property	IAS 12 Goodwill	**IFRS Balance Sheet**
	£m	£m	£m	£m	**£m**
Non-current assets					
Goodwill	45.8			(3.0)	**42.8**
Other intangible assets	-	6.8		3.5	**10.3**
Property, plant and equipment	19.6	(6.8)	(8.1)		**4.7**
Investment property	-		8.1		**8.1**
	65.4	-	-	0.5	**65.9**
Current assets					
Trade and other receivables	9.6				**9.6**
Cash and cash equivalents	37.0				**37.0**
	46.6	-	-	-	**46.6**
Non-current assets held for sale	-				**-**
Current liabilities					
Interest bearing loans and borrowings	(5.3)				**(5.3)**
Deferred consideration	-				**-**
Other payables	(33.2)				**(33.2)**
	(38.5)	-	-	-	**(38.5)**
Net current assets	8.1	-	-	-	**8.1**
Non-current liabilities					
Provisions	(1.2)				**(1.2)**
Contingent consideration	(0.1)				**(0.1)**
	(1.3)	-	-	-	**(1.3)**
Net assets	**72.2**	**-**	**-**	**0.5**	**72.7**
Equity					
Issued share capital	0.4				**0.4**
Shares to be issued	13.0				**13.0**
Shares premium	42.9				**42.9**
Other reserves	0.3				**0.3**
Retained earnings	15.9			0.5	**16.4**
Equity attributable to equity holders of the parent	**72.5**	**-**	**-**	**0.5**	**73.0**
Minority interest	(0.3)				**(0.3)**
Total equity	**72.2**	**-**	**-**	**0.5**	**72.7**

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Unaudited Notes (Continued)
Three months ended 31 October 2007

8. Impact of the adoption of International Financial Reporting Standard (continued)
Reconciliation of UK GAAP to IFRS balance sheet at 1 August 2006

	UK GAAP (IFRS format)	IAS 38 Software classification	IAS 32 Financial instruments	**IFRS Balance Sheet**
	£m	£m	£m	**£m**
Non-current assets				
Goodwill	351.6			**351.6**
Other intangible assets	-	7.2		**7.2**
Property, plant and equipment	16.4	(7.2)		**9.2**
Investments	8.0			**8.0**
	376.0	-		**376.0**
Current assets				
Trade and other receivables	21.9		0.3	**22.2**
Cash and cash equivalents	97.2			**97.2**
	119.1	-	0.3	**119.4**
Non-current assets held for sale	-			**-**
Current liabilities				
Interest bearing loans and borrowings	(10.5)			**(10.5)**
Deferred consideration	(17.9)			**(17.9)**
Other payables	(67.9)			**(67.9)**
	(96.3)	-	-	**(96.3)**
Net current assets	22.8	-	0.3	**23.1**
Non-current liabilities				
Provisions	(1.7)			**(1.7)**
Contingent consideration	(18.8)			**(18.8)**
	(20.5)	-	-	**(20.5)**
Net assets	**378.3**	**-**	**0.3**	**378.6**
Equity				
Issued share capital	0.4			**0.4**
Shares to be issued	24.0			**24.0**
Shares premium	38.0			**38.0**
Other reserves	0.3			**0.3**
Retained earnings	315.8		0.3	**316.1**
Equity attributable to equity holders of the parent	**378.5**	**-**	**0.3**	**378.8**
Minority interest	(0.2)			**(0.2)**
Total equity	**378.3**	**-**	**0.3**	**378.6**

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Unaudited Notes (Continued)
Three months ended 31 October 2007

8. Impact of the adoption of International Financial Reporting Standard (continued)

Reconciliation of UK GAAP to IFRS balance sheet at 31 October 2006

	UK GAAP (IFRS format)	IAS 38 Software classification	IAS 12 Goodwill	**IFRS Balance Sheet**
	£m	£m	£m	**£m**
Non-current assets				
Goodwill	82.9		1.4	**84.3**
Other intangible assets	-	7.6	-	**7.6**
Property, plant and equipment	12.7	(7.6)		**5.1**
	95.6	-	1.4	**97.0**
Current assets				
Trade and other receivables	20.3			**20.3**
Cash and cash equivalents	69.6			**69.6**
	89.9	-	-	**89.9**
Non-current assets held for sale	2.6			**2.6**
Current liabilities				
Interest bearing loans and borrowings	-			**-**
Deferred consideration	(17.5)			**(17.5)**
Other payables	(48.6)			**(48.6)**
	(66.1)	-	-	**(66.1)**
Net current assets	26.4	-	-	**26.4**
Non-current liabilities				
Provisions	(0.7)			**(0.7)**
Contingent consideration	(6.5)			**(6.5)**
	(7.2)	-	-	**(7.2)**
Net assets	**114.8**	**-**	**1.4**	**116.2**
Equity				
Issued share capital	0.4			**0.4**
Shares to be issued	4.8			**4.8**
Shares premium	38.0			**38.0**
Other reserves	0.3			**0.3**
Retained earnings	71.7		1.4	**73.1**
Equity attributable to equity holders of the parent	**115.2**	**-**	**1.4**	**116.6**
Minority interest	(0.4)			**(0.4)**
Total equity	**114.8**	**-**	**1.4**	**116.2**