Sportingbet Plc

Audited Results for the Year Ended 31 July 2009

Sportingbet Plc, a leading online sports betting and gaming group, announces its audited results for the year ended 31 July 2009.

Key Highlights

- Breadth of sports product increased significantly to over 8,000 different offers per day
- Introduced live streaming to supplement in:play betting
- Launched in Romania and South Africa
- 90+ new casino style games launched in Q4
- Intention to move listing from AIM to the Official List
- Reinstatement of dividend payments. 1.0p final dividend declared

Financial Highlights
for continuing operations

	2009 £m	2008 £m	%
Amounts Wagered	1,577.2	1,347.8	17%
Net Gaming Revenue	163.6	144.3	13%
EBITDA*	39.7	31.0	28%
Adjusted Operating Profit*	31.1	24.7	26%
Group Operating Profit	21.9	0.8	-
Diluted EPS (p)	4.2	(0.5)	-
Adjusted Diluted EPS* (p)	6.0	4.2	41%
Net cash**	23.8	28.6	-17%

* Adjusted to exclude exceptional items, share option charge and amortisation
** Net of long term debt and customer liabilities

Andrew McIver, Group Chief Executive, commented:

'This has been a very solid year for the Sportingbet Group. We are now seeing consistent profitable growth resulting from the structural changes made following our withdrawal from the US. Our focus on sports betting and geographical diversification is helping to support earnings in these troubled economic times. Additionally, our commitment to offer industry-leading sports betting products and excellent customer service has helped us to recruit and retain core customers. The Group is pleased to recommend the reinstatement of dividends with 1.0p per share as a final dividend for the year just ended.

The new financial year has started well. Although Australian sports margin is below long term averages it is made up for by strong European sports turnover outperforming budget. The Board remains optimistic for the outcome of the financial year at this stage.

Talks with the US Department of Justice are constructive and ongoing.

Finally, I am delighted to announce that it is our intention to move from AIM to the Official List within the next six months, which will provide the basis for our continued growth and success.'

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There is a presentation for analysts and investors at 9.30 today at the Sportingbet Head Office: 45 Moorfields, London EC2Y 9AE. 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.

Chairman's Statement

Once again, I am pleased to report that Sportingbet has made significant progress during the last financial year. The Group continues to consolidate its position as a leader in the online sports betting market whilst growing profits significantly. This has been achieved against the backdrop of a poor economic climate for consumer spending in all markets and the additional adverse impact of new taxes in one of the Group's core markets, Australia.

Regulation continues to define the internet gambling industry across Europe and the rest of the world. In general, we continue to see pressure on European countries to justify their national gambling regimes in light of the free-trade requirements of international law. Such actions have seen some countries move towards a more liberal stance and in certain cases the introduction of regulation whilst other nations continue to receive censure from various international trade organisations. Sportingbet strongly supports sensible, well balanced regulation that has consumer protection at the heart of its agenda. Corporately, the Group seeks to mitigate regulatory risk through geographic diversification whilst retaining structural flexibility to react positively to such regulation if, when and where it may occur.

In the United States, the Group continues to be in talks with the US Department of Justice to seek clarification of the position of the US Authorities with respect to the Group's previous activities and to determine whether a mutually acceptable resolution is possible. These talks continue and are both productive and amicable in their nature. The Board remains optimistic of reaching an appropriate settlement but there continues to be little visibility of the likely timing or quantum.

Our ethos is 'it's all about sport'. Sports betting is the origin and mainstay of our business, accounting for 64% of Group net gaming revenue, and is inherent in both the Company's name and our core branding. Our objective is to develop our market-leading internet sports betting platforms to offer customers something to bet on every minute of every day through a secure, user-friendly and efficient interface. The Group's European website offers one of the world's largest ranges of betting markets per day covering all mainstream sports and leagues across the globe.

Outside the main business of bookmaking we continue our sports ethos by supporting sport through various charitable and sponsorship contributions. Sportingbet is now the main supporter of HEROS, a charity dedicated to the welfare of former racehorses to ensure they have a comfortable existence once their racing days are over. Sportingbet is also focused on football, the dominant sport in Europe, and is now the main shirt sponsor for Wolverhampton Wanderers Football Club playing in the English Premier League, Steaua Bucharest of Romania and Slavia Sofia of Bulgaria. In Australia, the Group is the major sponsor of the Brisbane Broncos, one of Australia's leading Rugby League teams and Carlton Football Club, one of Australia's largest Aussie Rules teams.

The Group is also investing in the communities in which we base our operations. In Guernsey, the location of our main European operational base, we are proud to sponsor Heather Watson, a young Guernsey tennis player who has recently won the US Open girl's title. Heather is now ranked number one in the UK, and number three in the world. The Group also sponsors many local sports-based community events such as the Guernsey Marathon. In Antigua, where the Group has held a gaming license for many years, we have donated a significant sum to fund both the building of a library at the Island Academy International School and bursaries for a number of under privileged local children.

I am pleased to announce the reinstatement of dividend payments. The Group has achieved a considerable amount since the closure of the US-facing business in October 2006 and the payment of a 1.0p dividend marks a further stage in the development of the business. In addition, following the Group's listing on the AIM market of the London Stock Exchange in 2001, the Board has always been committed to comply with the strictest codes of corporate governance and policies. The Board has now concluded that it is an appropriate time to consider moving the Group's listing to the Official List of the London Stock Exchange and will shortly look to begin the process of achieving this goal.

Group Chief Executive's Review

FINANCIAL RESULTS: Year ended 31 July 2009

On 21 July 2009, the Group's licensed Italian operation, Sportingbet Italia S.p.A. was sold. All prior year key facts and figures have been restated to reflect the results of continuing operations for the period.

Amounts wagered for the year ended 31 July 2009 were £1,577.2m (2008: £1,347.8m), earning net gaming revenue ("NGR") of £163.6m (2008: £144.3m).

Amounts wagered on sports betting in Europe (incorporating the financial results for the Emerging Markets division) grew by 21.1% to £906.6m (2008: £748.5m), earning NGR of £82.7m (2008: £68.4m). Casino and gaming contributed a further £41.3m, and poker £18.8m, to both amounts wagered and NGR (2008: £36.8m and £20.0m). Amounts wagered on Australian sports betting grew by 12.5% to £610.5m (2008: £542.5m), earning NGR of £20.8m (2008: £19.1m).

As a percentage of amounts wagered, the European and Australian sports NGR were 9.1% and 3.4% respectively (2008: 9.1% and 3.5%). However amounts wagered and NGR are stated after a deduction for customer bonuses of £18.1m (2008: £13.5m). Without the bonus deduction the equivalent numbers would have been 10.2% and 3.7% (2008: 10.0% and 3.6%).

Costs (excluding exceptional items, share option charge and amortisation) in the year were £132.5m (2008: £119.6m), accounting for 81.0% of NGR (2008: 82.9%).

The Group earns over 90% of its revenue in currencies other than Sterling and has benefited in the translation of these results. At constant currency the total amounts wagered increased by 10% whilst total NGR increased by 7%. Since the majority of the costs are incurred in the same currency as the revenue is earned, the benefit to operating profit has been approximately £4.0m for the year.

Exceptional items for the year amounted to £4.2m, relating to a provision against monies due from one of the Group's European payment processing providers. The amount owed by the third party is now in dispute and at this time its recoverability is sufficiently unclear as to warrant the provision.

The loss for the year from discontinued operations amounted to £9.4m, arising as a result of the sale of the Group's Italian operations. This loss comprises the write down of goodwill of £6.4m, other associated costs of £1.5m and a year to date trading loss of £1.5m.

Operating profit for the continuing business (before exceptional items, share option charge and amortisation) for the year is £31.1m (2008: £24.7m).

Earnings before interest, tax, depreciation and amortisation (before exceptional items and share option charge) were up 28.0% to £39.7m (2008: £31.0m).

Operating profit after charging exceptional items of £4.2m (2008: £12.0m), share option charge of £3.1m (2008: £8.0m) and amortisation of other intangible assets of £1.9m (2008: £3.9m) was £21.9m (2008: £0.8m).

Basic earnings per share (before exceptional items, share option charge and amortisation) was 6.5p (2008: 4.8p). Diluted earnings per share (before exceptional items, share option charge and amortisation) was 6.0p (2008: 4.2p). Basic Group statutory earnings per share for the continuing business was 4.6p (2008: loss 0.5p).

As at 31 July 2009, the Group had £44.3m (2008: £49.4m) of cash and liquid resources on its balance sheet. After taking into account £16.5m (2008: £15.2m) of customer liabilities and £4.0m (2008: £5.6m) of bank loans secured on residential properties in the Channel Islands, net cash at the period end stood at £23.8m (2008: £28.6m).

REVIEW OF OPERATIONS

Sportingbet Group

Since being founded ten years ago, Sportingbet has grown significantly to become a major player in the online betting industry. Its market-leading European sports betting platform now offers over 8,000 sports betting markets on a busy trading day, covering a huge range of sports, leagues and bet types supplemented by revenues generated from casino, poker and other betting games. Sportingbet branded websites are now available in 23 different languages and the customer call centre, located in Dublin, is able to answer queries in 42 languages.

Sportingbet's operations are focused on Europe, Australia and a burgeoning Emerging Markets business. The European operation is based in the Channel Islands, operating under a licence provided by the Alderney Gambling Control Commission. This is supported by an operational centre in Dublin providing customer services and administrative support, together with an IT function located in London. The Group's Australian division is based in Darwin, operating under a license provided by the Northern Territories Government. In total, the Group now employs over 500 people.

Sport and sports betting continues to be at the heart of the Sportingbet business. Sports betting revenues accounted for approximately 64% (2008: 60%) of Group NGR. During the year significant additional functionality was added to the sports product offerings in response to consumer demand. In November 2008, live web-streaming of sport was made available to our European customer base to complement the Group's in-running betting product ("in:play"). This functionality allows customers to watch the game live on their PC, whilst placing bets on a wide variety of outcomes during the event. The demand for in:play betting is significant and now accounts for 56% of amounts wagered in Europe. In order to further support the demand for this product, Sportingbet now provides a round-the-clock in-running betting service on an ever wider variety of events irrespective of an event's location or time zone.

In addition to the extension of the Group's in:play product, the coverage of pre-match betting has also been broadened to include new sports, leagues and betting markets. As a result, Sportingbet offers one of the most extensive sports betting products available. This broad product offering is backed up by a best-in-class risk management and trading team. This is demonstrated by the continued market leading sports margin, a margin that is achieved in conjunction with maintaining competitive pricing for the customer. The Board believes that the Group's strength and expertise in this key operational area will stand it in good stead to capitalise on the significant potential in this industry.

During the year the Group launched websites into two further markets, South Africa and Romania. In South Africa, the Group acquired a licence for online sports betting in conjunction with a local partner and launched a localised site in February 2009. This market is currently immature and we are looking to the 2010 FIFA World Cup Finals in South Africa to help build this business. In addition, the Group launched a Romanian language site in April 2009 in conjunction with our very successful Greek partner. This launch has been supported by the sponsorship of Steaua Bucharest, the largest and most popular football team in Romania.

Europe

The European business (incorporating the financial results for the Emerging Markets Division) continues to grow strongly with the amount wagered on sports increasing by 21.4% to £917.5m (2008: £755.5m), generating a gross margin (pre bonus adjustment) of £93.6m (2008: £75.4m) up 24.1%. European casino and games revenue grew by 12.6% to £43.7m (2008: £38.8m) whilst poker revenues declined by 7.6% to £22.0m (2008: £23.8m).

The number of sports bets placed rose by 12% to 57.5m (2008: 51.5m). The continued increase in popularity of in:play betting has been a significant driver of the volume growth over the past year. In:play betting accounted for 56% of the value of bets placed during the year. This popularity is evidenced by the number of bets per customer increasing to 134 (2008: 111). The average bet size was up 9% to £15.97 (2008: £14.66) leading to yield per sports customer increasing from £161 to £216 per year.

During the year, a sports gross margin of 10.2% was achieved (2008: 10.0%) despite the increase of in:play betting which tends to have a lower average margin due to the greater proportion of straight wagers (versus multiple bets) than pre match betting. This margin has been achieved through absolute focus on accurate odds setting, risk management and investment in the underlying technologies to allow the team of highly experienced traders to maximise profits from the wagers that are taken.

Over the past 24 months, the European business has undertaken a thorough review of its customer database. As a result of this analysis, the Group implemented a change in marketing strategy to move from a 'quantity at any cost' to a 'quality and value' approach. The marketing focus is now prioritised on those customer segments that provide a significant contribution to Group performance. This has resulted in a movement away from mass market recruitment towards the recruitment and yield management of more valuable players.

Significant investment has also been made in the European customer service centre as part of the continued focus on our customer base. The service centre, based in Dublin, now employs over 150 people and has 42 language capabilities. The investment in the Dublin operation has been recognised by the World Contact Centre, the leading customer service industry body, through the award for Best Customer Services in Europe.

The Group aims to derive its revenues from a broad geographical base. The Board is aware that regulatory uncertainty exists in many markets in which the Group operates and therefore a broad geographic base helps to reduce the impact of potential regulatory shocks which may occur. The Group’s core markets of Greece and Spain continue to perform well with gaming revenues up 56% and 11% respectively.

Gaming revenues from the Turkish business have fallen by 15% year-on-year, equivalent to £4.1m as a result of the Group reducing the importance of this market. Turkey accounted for approximately 12.8% of Group revenue during the year compared to 17.2% for the prior year although the Turkish business performed strongly during the latter part of the year.

The UK market has historically been difficult for the Group and gaming revenues from this domain fell by 21% during the year. This market has been generally overserviced with a relatively expensive media environment. The impact of the recession in the UK has led to the cost of media falling, enabling the Group to consider strategies in this market which hitherto had been prohibitively expensive. As a result, the Group now has a number of sports-based sponsorships in the UK including over 75 horse races throughout the summer of 2009 and the main sponsorship of Wolverhampton Wanderers Football Club.

Eastern Europe continues to be a significant growth market, growing in aggregate by 26% to account for 15% of Group revenues (2008: 13%). In addition, increased focus on France and Germany, following more certainty around the longer term regulatory outlook, has resulted in an increase in NGR of 51%. These markets are expected to make a significant contribution to the Group’s results in future years.

Europe’s casino and games offering, which accounted for 24% of the Group’s revenue, grew by 12.6% during the year. Customers continue to move away from the traditional download casino product (down 2.5% year-on-year) in favour of more instant casino games using Flash-based technologies (up 34.3% year-on-year). To support this demand the Group has launched over 90 instant games in Q4, across certain domains provided by a range of software suppliers. Further initiatives are in place through the current financial year, to widen the availability of these new products to other geographies as well as integrating new software suppliers to increase the available content.

During the year, the European region generated poker rake of £22.0m (2008: £23.8m), pre-bonus deductions, down 7.6% on the prior year. Poker now accounts for only 12% of the Group’s revenue, down from 15% in 2008. The European poker market remains very challenging as the environment remains highly competitive with certain large US-focused poker companies using their significant cash flows and high liquidity to continue to attract customers from existing European only companies.

In July 2009, the Group sold its licensed Italian operation ("Sportingbet Italia S.p.A.") to the local management team for a nominal consideration. Sportingbet Italia S.p.A. was acquired in May 2006, in anticipation of expected further liberalisation of Italian online gaming regulation. These changes did not materialise and consequently the combination of alternative betting channels together with the lack of operational synergies with the rest of the Group's European business, has meant Sportingbet Italia S.p.A. had been loss making since acquisition. Whilst these losses had been reduced to the minimum considered achievable, the Board concluded that significant financial and managerial investment would be required to generate a profitable business in Italy from the current base and at the present time such investment would be better placed elsewhere in the Group's portfolio. During the first eleven months of the financial year, Sportingbet Italia S.p.A. generated amounts wagered of £14.1m and £2.1m of NGR, generating an operational loss of approximately £1.5m.

The disposal of Sportingbet Italia S.p.A. has resulted in a loss from discontinued operations of £9.4m which comprises the write down of goodwill of £6.4m, a loss on disposal and other associated costs of £1.5m and a year-to-date trading loss of £1.5m during the year.

Australia

The Australian betting market has undergone considerable change in the past financial year. The Australian market continues to be dominated by the Totaliser Agency Boards ("TABs") some of which remain state owned and some of which have now been privatised. The TABs account for approximately 70% of the A$20bn+ wagering industry in Australia. The corporate bookmakers have demonstrated a combined compound annual growth rate in turnover of over 28% over the past seven years compared with the growth of the TABs phone and internet operations of just 9.3%. The corporate bookmaking market is dominated by four main businesses, of which Sportingbet is the largest.

In September 2008, New South Wales and Victoria relaxed their restriction on sports betting advertisements with other States following suit shortly thereafter. Sportingbet, as Australia's largest independent bookmakers, was able to increase its profile in these markets through advertising in press, TV, radio and at sports events. It is anticipated that the internet business will be the prime beneficiary of such advertising. In response to the relaxation in advertising restrictions a number of States sought to impose further gambling taxes and levies on sports and betting revenues. These taxes vary by State and by sport and are charged in some cases on the amount wagered and in other cases on gross margin. The taxes and levies have been implemented by the States but remain subject to challenge by the industry.

Amounts wagered increased by 12.7% from £543.2m to £612.1m resulting in pre-tax margin increasing 24% from £23.4m to £29.1m. Gambling taxes in Australia amounted to £6.7m in the year (2008: £3.6m) resulting in post tax margin increasing by 13.2% from £19.8m to £22.4m. After bonuses, NGR increased by 8.9% from £19.1m to £20.8m.

The Australian operation comprises two elements: an internet business and a telephone business.

The telephone operation is biased towards higher staking customers, betting predominantly on horseracing and the business typically offers an element of credit to the customer. The internet business, which has been built from scratch over the last five years, is more recreational in nature and covers a greater diversity of sports. No credit is offered for internet customers. The different bias of the two operations leads the internet business to have a higher gross margin percentage than the telephone operation.

The internet business accounts for 34% of the amounts wagered and 46% of the gross margin. The number of bets placed on the internet has grown by 59% over the prior year.

Over the year we have seen the effect of the global financial crisis impacting on the higher staking telephone customers. In particular, the number of bets per telephone customer has decreased 26% from an average of 149 bets per year to 110 per year. The average bet size has also fallen by 9% from A$663 to A$603.

Emerging Markets

In accordance with the Board's desire for a broad geographical base, the Group has invested in its Emerging Markets Division for the past two years. The primary focus of this division is to identify new potential markets for online gambling, to understand the gambling culture, propensities and regulation in these regions and, if appropriate, launch into these markets. This expansion in our global footprint also helps to support the sustained increase in the Group's global sports offering which is proving to be increasingly popular with its existing European sports customers. The Emerging Markets financial performance is currently incorporated within the European Division's financial report.

The Emerging Markets Division has been focused primarily on two regions, Brazil and Canada. During the year, the Group acquired a sports betting licence from South Africa, in conjunction with a local partner. This licensed South African business was launched in February 2009.

In Brazil the Group has developed a strong business over the past two years, growing fourfold over the prior year, albeit from a relatively low base. The Sportingbet brand has developed a strong media presence in Brazil as well as being the main sponsor of the Brazilian Football league's second division – home of Corinthians, the country's most popular football team. The experience gained from this market will be used to launch into other geographies in the region. All profits are currently being reinvested in this market.

REGULATORY DEVELOPMENTS

The supply of betting and gaming services continues to be subject to a complex, inconsistent and often protectionist approach by jurisdictions worldwide. However, action to address this by international trade bodies (such as the World Trade Organisation and the European Commission) has resulted in the censuring of certain nations and, increasingly, the introduction of regulatory regimes for the activity.

The Group continues to provide its services only from jurisdictions where it is licensed and regulated, and that therefore the supply of services from these jurisdictions (where its regulator and applicable local laws deem the gambling transaction to take place) is explicitly legal.

In order to provide its worldwide gambling service, the Group currently maintains licences in Alderney, Antigua and Barbuda, Australia, South Africa and the UK.

Major issues of note in the last 12 months (all of which have been widely reported) include:

(a) the possibility that the UK will impose financial requirements on offshore operators who target the local gambling market;
(b) an ongoing move towards liberalisation of the gambling sector in a number of EU jurisdictions, including France, Denmark, Italy (through a wider regulatory regime) and Sweden;
(c) greater European Commission pressure on EU and EFTA Member States (principally Norway) to justify their national gambling regimes (including proposed new regulatory regimes) in light of the free trade requirements of international law; and
(d) increasing attempts to impose indirect taxes (via product fees) on gambling operators by certain States in Australia.

The European Union (EU)

EU Member States are subject to scrutiny from The European Commission (the "Commission") and, as guardian of the EC Treaty, it closely monitors existing and developing legislation in the EU. The principal method by which the Commission has applied pressure on Member States is through the use of infringement proceedings against EU Member States in contravention of EC law. Through such proceedings, the Commission has asked a number of States to amend their laws restricting the free movement of gambling services. The ongoing pressure from the Commission, and in some cases national court decisions declaring domestic legislation to be incompatible with EC law, has led to a domestic review of prohibitive legislation in a number of jurisdictions, including France, Italy, Sweden and Denmark.

On 9 September 2009, the European Court of Justice (the "ECJ") delivered its judgment in Case C-42/07 between Departamento de Jogos da Santa Casa da Misericordia de Lisboa ("Santa Casa") and Bwin, and effectively upheld the Portuguese national law restricting certain betting and gaming activities to the State monopoly, Santa Casa. While the ECJ maintained the need for restrictions on gambling services to be justified in the public interest, the judgment is unambiguous in its vindication of State monopolies as an effective method for doing so.

Spain

As a result of the uncertainty over the legality of the provision of online gambling, which is not expressly prohibited by Spanish law, Spain has historically adopted a tolerant approach to the supply of foreign gambling services into the jurisdiction.

Madrid and the Basque Region have both introduced licensing regimes for online betting, which has led to the Spanish government taking steps towards a nationwide system of regulation which will permit operators to obtain a Spanish gambling licence. The draft legislative process is ongoing, and has been subject to criticisms, including accusations of a lack of transparency and failure to consult stakeholders. As a result, other Spanish regions, including Castilla-Leon and La Rioja, have announced their intention to regulate the sector on a regional basis.

United Kingdom

The Group operates a licence granted by the Alderney Gambling Control Commission, and is therefore permitted to advertise in the UK under the Gambling Act 2005, which permits UK advertising for Alderney licensees on the back of Alderney's whitelisted status.

In April 2009, the Department for Culture, Media and Sport ("DCMS") announced that overseas gambling operators who advertise in the UK may face new financial and regulatory requirements to ensure a more even financial treatment of UK operators and non-UK operators who target the UK market. The DCMS is due to report its findings to Parliament before the end of 2009.

France

France has historically been a staunch opponent of the provision of online gambling services by operators without a French licence.

In light of this approach, the Commission has put substantial pressure on France's domestic regulation of online gambling, stating that its laws are not compatible with EC law. As a result of such pressure, France is to regulate the online gambling sector. Specifically, France will liberalise the online sports betting and skill gaming market (including poker), but will not liberalise online gaming. The draft online gambling law produced by France was subject to a number of critical comments by the Commission, but it is understood that the licensing system it introduces will be in force prior to the World Cup 2010. The Commission is certain to monitor the draft law as it progresses through the French legislature, and it is understood that it will carry out a full assessment of the final version to determine its compatibility with EC law.

Germany

Despite criticism from the Commission, the Interstate Gambling Treaty remains in force in Germany. The Treaty effectively provides that all forms of online gambling are unlawful where they are targeted at German residents.

While the current official position in Germany is that the Treaty is not to be amended, we understand that the German government is under intense pressure from the Commission and at a political level internally to amend the legislation. Furthermore, enforcement action against operators where they actively target German residents (including through local marketing) has been curbed due to the lack of clarity in the legal position.

In our view, therefore, legislation that was intended to almost comprehensively block online gambling has had only limited effect and the general inability of the German government to block online gambling websites, coupled with the questionable legality of the legislation, has led to a continued supply of online gambling services, and an absence of extra-territorial enforcement against the activity.

Italy

Italy has changed its monopoly-orientated stance on online gambling and has started to permit a number of non-Italian bookmakers to obtain licences to operate online betting offerings from certain outlets such as newsagents, bars and cafes.

In addition, Italy has recently announced that it is to legislate for the licensing of online poker cash games, casino games, betting exchanges and betting on virtual events during the course of 2009. The draft legislation will be submitted to the Commission during the course of 2009, with the intention to commence licensing by the end of 2009.

Italy currently requires that even EU-licensed operators obtain an additional gambling licence in Italy in order to target its domestic market. However, such an approach is potentially in breach of the EU principle of mutual recognition of businesses licensed elsewhere in the EU, and it remains to be seen whether such a stance will be permitted by the Commission in the long term.

Norway

Outside of the EU, the EFTA Surveillance Authority (the “Authority”) has held that draft Norwegian legislation prohibiting the processing of payments for gambling infringes EFTA laws on the freedom to provide services and the free movement of capital. Norway is legally obliged to take account of the Authority’s comments and, if it fails to reflect them in the legislation, the Authority is likely to instigate infringement proceedings, formally requiring that the legislation is changed. In our view, such infringement proceedings, if not complied with, may ultimately result in the Norwegian legislation being referred to the EFTA Court by the Authority.

REST OF THE WORLD

Turkey

Anti-online gambling legislation was introduced in Turkey in February 2007 to underpin the State monopoly, although it remains legal for customers to transact with offshore online operators. The Group continues to accept bets from Turkish residents, although it does not have employees, nor does it conduct advertising, in the territory.

Australia

The lack of consistency in the approach and implementation of state and federal legislation across Australia has resulted in uneven regulation of the online gambling sector. This is particularly evident in the protectionist legislation in relation to the payment of fees for the use of sports products (e.g. race fields and sporting fixtures) which is levied against betting operators in Australia in a supposed bid to prevent illegal gambling and to police the dissemination of information in this field. Such fees are levied on operators licensed in Australia, in addition to taxes they pay in their licensing state.

Race fields legislation exists in every Australian state except the Australian Capital Territory and the Northern Territory; in addition no fees are currently payable in Western Australia and Tasmania as the relevant legislation has not yet come into effect. The race fields legislation, however, is subject to ongoing legal challenge, principally on the grounds that it is an unconstitutional violation of Australian free trade principles. The High Court has already ruled against such fees on the grounds that they are an unfair (and unconstitutional) restriction on competition.

Unlike race fields, and with the exception of Victoria, no state or territory has legislation that specifically requires betting operators to pay fees for the use of sporting fixture information. However, a general principle has developed under which corporate bookmakers enter into direct commercial agreements with the national administrative bodies for each sport. Such agreements typically provide for a fee equivalent to 5% of revenue to be paid to the administrative bodies.

United States

The US continues to prohibit online gambling supplied from offshore.

Despite the current prohibitive position, there have been suggestions that, in light of the economic downturn in the US and the resultant loss of revenue for land-based casino operators, liberalisation may occur in the online gambling market. Increasing pressure from consumers and lobby groups has also resulted in legislative proposals. To date these have not amounted to a change in the existing prohibitive regime.

The Group continues in its discussions with the US Department of Justice to seek clarification of the position of the US Authorities with respect to the Group's previous activities and whether a mutually acceptable resolution is possible. These talks continue and are productive and amicable in their nature. The Board continues to be optimistic of reaching a settlement but has little visibility of the likely timing or quantum.

Asia

The regulatory regime in many Asian countries is currently prohibitive and, at present, the Group has no operations or activities in Asia.

LISTING

It has for some time been Sportingbet's intention to seek a listing on the Official List of the London Stock Exchange. Following the Group's initial listing on OFEX in April 1999 and subsequent admission to AIM in January 2001, Sportingbet has matured to become a leading player in the online gaming industry with a market capitalisation of over £300m. The Board believes that the Official List will be a more appropriate platform for the continued growth of the Group by increasing Sportingbet's profile, assisting in the liquidity of the Company's shares and providing a greater range of potential investors for the Company.

The listing is expected in the first quarter of 2010 and further information regarding this move will be issued in due course.

DIVIDEND

The Group plans to reinstate the payment of a dividend of 1.0p for the year ended 31 July 2009. A considerable amount has been achieved since the closure of the US-facing business in October 2006 through efforts to restructure the business and the reinstatement of a dividend marks a further stage in the development of the Group. The intention to pay such a dividend is not expected to affect the discussions about any possible future agreement or financial settlement with the US Department of Justice.

The 1.0p dividend will be paid on 8 January 2010 to shareholders on the register on 11 December 2009 subject to shareholder approval at the Annual General Meeting to be held on 18 December 2009. The Group plans to follow a progressive dividend policy, subject to market conditions.

OUTLOOK

The Group's focus will remain on sports betting through further investment in IT, product and marketing. Strong consumer demand is driving the development of our in:play product which now offers round-the-clock live-betting opportunities for our customers, supplemented by live video footage. We continue to increase the number of markets we serve and plan to extend our footprint each year. Whilst these embryonic markets take time to mature, early indications from new markets have been encouraging.

CURRENT TRADING

Overall the new financial year has commenced in line with expectations. European sports betting continues to power the business with amounts wagered ahead of our expectations at this stage. Casino and games continue to perform in line with prior years whilst poker remains a difficult market.

In Australia, the amounts wagered are only marginally ahead of the prior year. Additionally, the first two months of the year have experienced a lower than average sports margin in Australia due to a high percentage of favourites winning events.

However, given the strong sign-up and turnover trends in the core European sports business, the Board remains optimistic for the outcome of the financial year at this stage.

Sportingbet Plc
Consolidated Income Statement
Year ended 31 July 2009

	Notes	**Total Year ended 31 July 2009 £m**	Total Year ended 31 July 2008 £m Restated
Amounts wagered	4	**1,577.2**	1,347.8
Net gaming revenue	3, 4	**163.6**	144.3
Administrative expenses excluding exceptional items, share option charge and amortisation of other intangible assets		**(132.5)**	(119.6)
Group operating profit before exceptional items, share option charge and amortisation of other intangible assets		**31.1**	24.7
Other administrative expenses:			
• Exceptional items	5	**(4.2)**	(12.0)
• Share option charge	6	**(3.1)**	(8.0)
• Amortisation of other intangible assets		**(1.9)**	(3.9)
Total administrative expenses		**(141.7)**	(143.5)
Group operating profit		**21.9**	0.8
Finance income		**0.7**	0.8
Finance costs		**(0.3)**	(0.4)
Profit before taxation		**22.3**	1.2
Taxation		**(0.5)**	(3.5)
Profit/(loss) for the year		**21.8**	(2.3)
Loss for the year from discontinued operations		**(9.4)**	(2.0)
Profit/(loss) for the year		**12.4**	(4.3)
Profit/(loss) attributable to the equity holders of the parent		**12.4**	(4.3)
Profit/(loss) per ordinary share – continuing operations			
Basic	7	**4.6p**	(0.5)p
Diluted	7	**4.2p**	(0.5)p
Profit/(loss) per ordinary share			
Basic	7	**2.6p**	(0.9)p
Diluted	7	**2.4p**	(0.9)p

Sportingbet Plc
Consolidated Balance Sheet
As at 31 July 2009

	Notes	As at 31 July 2009 £m	As at 31 July 2008 £m
Non-current assets			
Goodwill		**41.2**	53.0
Other intangible assets		**15.9**	15.2
Property, plant and equipment		**21.9**	21.1
Non-current receivables		**-**	0.5
Deferred tax asset		**1.4**	0.7
		80.4	90.5
Current assets			
Trade and other receivables		**13.4**	7.5
Cash and cash equivalents		**44.3**	49.4
Derivatives		**0.7**	-
		58.4	56.9
Current liabilities			
Trade and other payables		**(41.0)**	(52.8)
Interest bearing loans and borrowings		**(4.0)**	(5.6)
Contingent consideration		**(0.5)**	(4.5)
Net current assets/(liabilities)		**12.9**	(6.0)
Non-current liabilities			
Long-term provisions		**(0.1)**	(0.1)
		(0.1)	(0.1)
Net assets		**93.2**	84.4
Equity			
Issued share capital		**0.5**	0.5
Shares to be issued		**-**	9.0
Share premium		**59.4**	56.3
Retained earnings		**33.3**	20.1
Foreign exchange reserve		**-**	(1.5)
Total equity		**93.2**	84.4

Sportingbet Plc
Consolidated Cash Flow Statement
Year ended 31 July 2009

	Notes	**Year ended 31 July 2009 £m**	Year ended 31 July 2008 £m
Group profit/(loss) after taxation		**12.4**	(4.3)
Depreciation		**4.7**	3.7
Software amortisation		**4.0**	2.8
Other amortisation		**1.9**	3.9
Loss on disposal		**7.9**	-
Share option charge	6	**3.1**	8.0
Finance income		**(0.4)**	(0.4)
Taxation		**0.5**	3.5
Operating cash flows before movements in working capital		**34.1**	17.2
Increase in receivables		**(4.8)**	(0.7)
(Decrease)/increase in payables		**(9.7)**	17.9
Cash generated by operations		**19.6**	34.4
Income tax paid		**(2.6)**	(1.4)
Net cash from operating activities		**17.0**	33.0
Purchases of property, plant and equipment	8	**(6.1)**	(12.2)
Purchases of software		**(6.6)**	(2.8)
Acquisitions		**(4.5)**	(4.6)
Interest received		**0.3**	0.4
Net cash from discontinued operations		**(1.2)**	-
Cash used in investing activities		**(18.1)**	(19.2)
Exercise of share options		**(0.1)**	-
New bank loans raised		**-**	0.3
Purchase of own shares		**(3.0)**	-
Repayment of borrowings		**(1.6)**	-
Net cash from financing activities		**(4.7)**	0.3
Net (decrease)/increase in cash and cash equivalents in the period		**(5.8)**	14.1
Cash and cash equivalents at beginning of period		**49.4**	34.5
Effect of foreign exchange rate changes		**0.7**	0.8
Cash and cash equivalents at end of period		**44.3**	49.4

Sportingbet Plc
Consolidated Statement of Recognised Income and Expense
Year ended 31 July 2009

	Year ended 31 July 2009 £m	Year ended 31 July 2008 £m
Amounts initially recycled to equity under designated cash flow hedges	**1.2**	-
Amounts recycled to the income statement to match the hedged items	**(0.5)**	-
Exchange differences on translation of foreign operations	**1.5**	1.1
Net income recognised directly in equity	**2.2**	1.1
Profit/(loss) for financial period	**12.4**	(4.3)
Total recognised income and expense for the period	**14.6**	(3.2)
Attributable to:		
Equity holders of the parent	**14.6**	(3.2)
	14.6	(3.2)

Sportingbet Plc
Notes to the Financial Information
Year Ended 31 July 2009

1. Accounting policies

Basis of preparation

The financial information has been prepared in accordance with the accounting policies set out in the Group's Annual Report and audited accounts for the year ended 31 July 2009 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. 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 financial information set out in this announcement does not constitute the Group's statutory accounts, as defined in Section 435 of the Companies Act 2006, for the years ended July 31 2009 or July 31 2008, but is derived from the 2009 Annual Report. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were unqualified, however they included a reference to an emphasis of matter in both years with regard to regulatory uncertainty and the reports did not contain statements under section 498(2) or 498(3) of the Companies Act 2006.

2. Discontinued operations

On 21 July 2009, the Group's licensed Italian operation, Sportingbet Italia S.p.A. was sold to the local management team for a nominal consideration. Sportingbet Italia S.p.A. was acquired by the Group in May 2006, in anticipation of expected further liberalisation of the Italian online gaming regulation. This did not materialise and consequently Sportingbet Italia S.p.A. has been loss making since acquisition.

Whilst these losses have been reduced to the minimum considered achievable the Board has concluded that significant financial and managerial investment would be required to generate a profitable business in Italy and such investment would be better placed elsewhere in the Group's portfolio.

	Year ended 31 July 2009 £m	Year ended 31 July 2008 £m
Amounts wagered	**14.1**	16.4
Net gaming revenue	**2.1**	2.7
Administrative expenses	**(3.6)**	(4.7)
Operating loss	**(1.5)**	(2.0)
Taxation	**-**	-
Loss for the year	**(1.5)**	(2.0)
Loss on disposal	**(7.9)**	-
Loss for the period from discontinued operations	**(9.4)**	(2.0)

2. Discontinued operations (continued)

	Year ended 31 July 2009 £m	Year ended 31 July 2008 £m
Loss after taxation	**(1.5)**	(2.0)
Depreciation	**0.2**	0.2
Operating cash flows before movements in working capital	**(1.3)**	(1.8)
Decrease/(increase) in receivables	**0.4**	(0.1)
(Decrease)/increase in payables	**(0.3)**	2.0
Cash generated by operations	**0.1**	1.9
Net cash from operating activities	**(1.2)**	0.1
Purchases of property, plant and equipment	**-**	(0.3)
Cash used in investing activities	**-**	(0.3)
Net cash from financing activities	**-**	-
Net decrease in cash and cash equivalents in the period	**(1.2)**	(0.2)
Cash and cash equivalents at beginning of period	**1.2**	1.4
Cash and cash equivalents at end of period	**-**	1.2

3. Net gaming revenue

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

	Total 2009 £m	Total 2008 £m
Gaming revenue	**181.7**	157.8
Promotional bonuses	**(18.1)**	(13.5)
	163.6	144.3

Sportingbet Plc
Notes to the Financial Information (Continued)
Year Ended 31 July 2009

4. Primary and secondary segmental information

For management purposes, the Group is currently organised into three geographical regions – Europe, Australia and Emerging Markets. These operating divisions are the basis on which the Group reports its primary segment information.

The following table presents revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 July 2009 and 31 July 2008.

Emerging Markets refer to the Group's operations in Canada, Brazil and South Africa.

2009					***Continuing operations***	*Discontinued operations*
	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	**Total £m**	Total £m
Amounts wagered	938.7	610.5	28.0	-	**1,577.2**	14.1
Net gaming revenue	139.4	20.8	3.4	-	**163.6**	2.1
Depreciation	(7.5)	(0.6)	-	(0.4)	**(8.5)**	(0.2)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(95.4)	(14.6)	(3.3)	(10.7)	**(124.0)**	(3.4)
Group operating profit before exceptional items, share option charge and other amortisation	36.5	5.6	0.1	(11.1)	**31.1**	(1.5)
Other administrative expenses:						
› Exceptional items	(4.2)	-	-	-	**(4.2)**	-
› Share option charge	(1.5)	(0.6)	-	(1.0)	**(3.1)**	-
› Other amortisation	(1.9)	-	-	-	**(1.9)**	-
Total administrative expenses	(110.5)	(15.8)	(3.3)	(12.1)	**(141.7)**	(3.6)
Operating profit/(loss)	28.9	5.0	0.1	(12.1)	**21.9**	(1.5)
Balance sheet information						
Total assets	114.8	24.0	-	-	**138.8**	-
Total liabilities	(36.5)	(9.0)	-	-	**(45.5)**	-
Expenditure incurred to acquire property, plant and equipment and intangible assets	11.7	1.0	-	-	**12.7**	-

Sportingbet Plc
Notes to the Financial Information (Continued)
Year Ended 31 July 2009

4. Primary and secondary segmental information (continued)

For segmental information by activity, revenue is attributed to three principal areas of activity: sports betting, casino gaming and poker.

2009	Sports betting £m	Casino gaming £m	Poker rake £m	**Total £m**
Amounts wagered	1,517.1	41.3	18.8	**1,577.2**
Net gaming revenue	103.5	41.3	18.8	**163.6**

2008					***Continuing operations***	*Discontinued operations*
	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	**Total £m**	Total £m
Amounts wagered	795.2	542.5	10.1	-	**1,347.8**	16.4
Net gaming revenue	123.5	19.1	1.7	-	**144.3**	2.7
Depreciation	(5.2)	(0.6)	-	(0.5)	**(6.3)**	(0.2)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(85.9)	(11.2)	(2.7)	(13.5)	**(113.3)**	(4.5)
Group operating profit before exceptional items, share option charge and other amortisation	32.4	7.3	(1.0)	(14.0)	**24.7**	(2.0)
Other administrative expenses:						
› Exceptional items	(12.0)	-	-	-	**(12.0)**	-
› Share option charge	(5.8)	(1.3)	-	(0.9)	**(8.0)**	-
› Other amortisation	(3.9)	-	-	-	**(3.9)**	-
Total administrative expenses	(112.7)	(13.2)	(2.7)	(14.9)	**(143.5)**	(4.7)
Operating profit/(loss)	10.7	6.0	(1.0)	(14.9)	**0.8**	(2.0)
Balance sheet information						
Total assets	133.9	13.5	-	-	**147.4**	-
Total liabilities	(53.7)	(9.3)	-	-	**(63.0)**	-
Expenditure incurred to acquire property, plant and equipment and intangible assets	13.7	1.0	-	-	**14.7**	0.3

4. Primary and secondary segmental information (continued)

For segmental information by activity, revenue is attributed to three principal areas of activity: sports betting, casino gaming and poker.

2008	Sports betting £m	Casino gaming £m	Poker rake £m	**Total £m**
Amounts wagered	1,291.0	36.8	20.0	**1,347.8**
Net gaming revenue	87.5	36.8	20.0	**144.3**

5. Exceptional items

The following exceptional costs were incurred:

	Notes	**2009 £m**	2008 £m
Reorganisation costs relating to UIGEA	(a)	**-**	3.3
Transfer of licensable activities to the Channel Islands	(b)	**-**	4.0
Transfer of EMEA and poker customer services operation to Dublin	(c)	**-**	0.3
Paradise – Boss migration	(d)	**-**	(0.3)
Transfer of Spanish customer services operation to Dublin	(e)	**-**	4.7
Provision against monies due from payment processing provider	(f)	**4.2**	-
		4.2	12.0

(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 (including redundancies and other related costs amounting to £nil (2008: £3.1m) and retention and loyalty payments to retained employees of £nil (2008: £0.2m)).
(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.
(c) The costs to create the dedicated EMEA and poker customer services and fraud centre in Dublin comprise redundancy, recruitment, training, temporary accommodation and other related costs.
(d) Paradise – Boss migration costs relating to the migration of Paradise Poker players to the Boss Media platform include redundancy, one-off migration marketing and other related costs.
(e) The costs to transfer the Spanish language customer services centre to Dublin include recruitment, training, temporary accommodation costs, one-off marketing, the termination payment to the former Spanish partner and other related costs.
(f) Provision against monies due from one of the Group's European payment processing providers, where the amount owed by the third party is in dispute and its recoverability is not sufficiently clear.

6. Share option charge

	Total 2009 £m	Total 2008 £m
Share option charge	**3.1**	7.6
Social security costs on share options	**-**	0.4
	3.1	8.0

Sportingbet Plc
Notes to the Financial Information (Continued)
Year Ended 31 July 2009

7. Earnings per share

	Continuing 2009	**Discontinued 2009**	**Total 2009**	Continuing 2008	Discontinued 2008	Total 2008
Profit/(loss) per ordinary share						
Basic	4.6p	(2.0)p	**2.6p**	(0.5)p	(0.4)p	(0.9)p
Diluted	4.2p	(1.8)p	**2.4p**	(0.5)p	(0.4)p	(0.9)p
Adjusted earnings per ordinary share (before exceptional items, share option charge and amortisation)						
Basic	6.5p	(0.3)p	**6.2p**	4.8p	(0.5)p	4.3p
Diluted	6.0p	(0.3)p	**5.7p**	4.2p	(0.4)p	3.8p

The calculation of basic earnings per share is based on the profit/(loss) on ordinary activities after taxation attributable to shareholders of Sportingbet Plc and the weighted average number of shares in issue during the year.

Due to the size of non-cash items the Group has adjusted its earnings per ordinary share to exclude exceptional items, share option charge and amortisation:

	Continuing 2009	**Discontinued 2009**	**Total 2009**	Continuing 2008	Discontinued 2008	Total 2008
	£m	**£m**	**£m**	£m	£m	£m
Basic earnings	21.8	(9.4)	**12.4**	(2.3)	(2.0)	(4.3)
Exceptional items	4.2	-	**4.2**	12.0	-	12.0
Share option charge	3.1	-	**3.1**	8.0	-	8.0
Amortisation	1.9	-	**1.9**	3.9	-	3.9
Adjusted earnings	31.0	(9.4)	**21.6**	21.6	(2.0)	19.6

During the year the Group had the following weighted average number of shares in issue and potentially dilutive shares:

	2009 No.	2008 No.
Weighted average number of shares in issue	**477,099,664**	454,244,357
Employee share schemes	**39,630,748**	38,686,358
Contingent consideration	**-**	19,187,386
Fully diluted number of weighted average number of shares in issue	**516,730,412**	512,118,101

Sportingbet Plc
Notes to the Financial Information (Continued)
Year Ended 31 July 2009

7. Earnings per share (continued)

As at 31 July 2009 the Group had the following shares in issue and potentially dilutive shares:

	2009 No.	2008 No.
Number of shares in issue	**483,987,106**	472,011,023
Employee share schemes	**39,630,748**	38,686,358
Contingent consideration	**-**	19,187,386
Fully diluted number of shares in issue	**523,617,854**	529,884,767

8. Property, plant and equipment

Additions to property, plant and equipment were £6.1m during the year (2008: £12.2m), relating primarily to the purchase of two residential properties in Guernsey and IT hardware.

9. Movement in Group equity

	Issued share capital £m	**Share premium account £m**	**Shares to be issued £m**	**Own shares £m**	**Profit and loss account £m**	**Foreign exchange reserve £m**	**Total £m**
As at August 2007	**0.4**	**42.9**	**14.6**	**-**	**16.8**	**(2.6)**	**72.1**
Acquisitions	0.1	13.4	(5.6)	-	-	-	7.9
Share option charge	-	-	-	-	7.6	-	7.6
Loss for the year	-	-	-	-	(4.3)	-	(4.3)
Foreign currency exchange	-	-	-	-	-	1.1	1.1
As at 1 August 2008	**0.5**	**56.3**	**9.0**	**-**	**20.1**	**(1.5)**	**84.4**
Acquisitions	-	3.1	(9.0)	-	-	-	(5.9)
Share option charge	-	-	-	-	3.1	-	3.1
Profit for the year	-	-	-	-	12.4		12.4
Purchase of own shares	-	-	-	(3.0)	-	-	(3.0)
Issue of own shares in lieu of options	-	-	-	3.0	(3.0)	-	-
Hedging reserve	-	-	-	-	0.7		0.7
Foreign currency exchange	-	-	-	-	-	1.5	1.5
As at 31 July 2009	**0.5**	**59.4**	**-**	**-**	**33.3**	**-**	**93.2**