Sportingbet Plc

Audited results for the year ended 31 July 2010

Sportingbet Plc, a leading online sports betting and gaming group, announces its results for the year ended 31 July 2010.

Key Highlights for the Year

- Amounts wagered up 25% year on year to £1,971m
- EBITDA up 17% to £46.5m
- In:play continues to perform strongly - now 61% of European sports revenue (2009: 56%)
- Excellent World Cup with over £50m staked
- Industry-leading gross margin for European sports of 10.3% (2009:10.2%)
- Final dividend of 1.0p making a total of 1.5p (2009:1.0p)
- Solid start to new financial year: NGR up 17% in first two months
- Admission to the Official List of the UKLA in May 2010 and subsequent entry to the FTSE 250
- Non-Prosecution Agreement reached with the US

Financial Highlights for the Year
(continuing operations)

	2010 £m	2009 £m	%
Amounts wagered	**1,971.3**	1,577.2	**25.0**
Net gaming revenue	**207.5**	163.6	**26.8**
EBITDA*	**46.5**	39.7	**17.1**
Adjusted operating profit*	**35.4**	31.1	**13.8**
Group operating profit	**7.1**	21.9	**(67.6)**
Adjusted diluted EPS* (p)	**6.2**	6.0	**4.2**
Diluted EPS (p)	**0.7**	4.2	**(82.8)**
Net cash**	**34.2**	23.8	**43.7**

* Adjusted to exclude exceptional items of £24.5m (2009: £4.2m), share option charge and amortisation
** Net of long term debt and customer liabilities

Andrew McIver, Group Chief Executive, commenting on the results:

"This has been a year of significant progress on a number of fronts. Sportingbet has produced another strong financial performance and its evolution has continued with the move from AIM to the Official List and subsequent entry to the FTSE 250 index. Once again a year of continued top line growth reflects our on-going investment in both our best in class sportsbook and our comprehensive in:play offering. The settlement with the US Department of Justice draws a line under any issue relating to our historical US activities.

The new financial year has started well with net gaming revenue for the first two months up 17% on the same period last year. Whilst the economic outlook remains challenging, our spread of activities across the different economic cycles of Europe, Australia and South America gives us confidence for a year of further success."

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There is a presentation for analysts and investors today at 09.30 at the City Presentation Centre, 4 Chiswell Street, London, EC1Y 4UP. In addition, there will be a live audio webcast available at www.sportingbetplc.com. Registration will be made available 20 minutes prior to the presentation start time.

Chairman's Statement

Sportingbet has maintained its encouraging progress of recent years and I am pleased that the financial results of the last twelve months have once again demonstrated the strength of the business. Despite difficult economic conditions in some of our main markets, the geographic diversity of our customers and the underlying growth in the online gaming industry – and particularly in sports betting - continue to drive our revenues.

Our strategy is to provide a first-class sports betting product, offering customers an unprecedented number of betting opportunities at all times of the day. Sports betting is our focus as it offers the greatest scope to differentiate our product from competitors and has significant barriers to new entrants. Our best-in-class trading technology is fully owned and continuously developed and updated internally. We supplement the sports offer with a comprehensive suite of casino, games and poker products. The Group operates across a wide range of countries with each offer tailored to address the local customer, with country specific branding employed where appropriate.

Regulation continues to be a significant issue for the industry both as a risk and an opportunity. The industry is still relatively new and Governments are only just coming to grips with their understanding of it. As such, regulation remains an unknown in both its future incidence and impact. It is likely that this state of affairs will prevail for some years. Where it can, Sportingbet seeks to engage with the relevant authorities to both educate and influence. On the whole we welcome the move towards regulation as we recognise the need for the consumer protection that a regulated market can bring. However, for regulation to be successful there is a fine balance to be achieved between the goals of the customers, operators and the authorities. For our part we would like to see a system of taxation based on gross win, which we believe encourages competition, consumer choice and maximises tax returns. As long as a market is economically viable, wherever a stable regulated environment exists together with an equitable tax system and where the rules are enforced, we will apply for a licence.

Although it is impossible to fully mitigate the risk of a restrictive regulatory environment, the Group's strategy of operating across a broad geographical base provides a degree of protection against the introduction of legislation in a single country.

On 19 September 2010, after the financial year end, Sportingbet Plc signed a Non-Prosecution Agreement with the United States Attorney's Office for the Southern District of New York acting on behalf of the US Department of Justice. This confirmed that the Company would not be prosecuted for its activities in the US prior to the passing of the Unlawful Internet Gambling Enforcement Act on 13 October 2006. Sportingbet plc has agreed to pay $33m over an 18 month period to the US government as part of the settlement reached. This is an important milestone for the Group as the Agreement removes any uncertainty caused by its previous activities in the US. We are now well placed to use our shares in potential transactions, we have increased access to capital markets and have removed any perceived contingent liabilities.

The move from AIM to the Official List and the trading of our shares on the main market of the London Stock Exchange was completed in May 2010. The move is a further sign of the Group's development and reflects it's size and maturity. The higher profile and greater liquidity resulting from of the Listing and the recent inclusion in the FTSE 250, will benefit the Group's stakeholders over the coming years.

We believe in supporting the industries from which we make our living and being part of the wider sports community. Financially we provide support through sponsorships, endorsements and by direct payments to communities where appropriate. We are the only online gaming operator to have voluntarily paid the UK horse racing levy as if our trading operations were based onshore. We are also the main supporter of HEROS, the UK charity dedicated to the welfare of retired racehorses. In addition we have put money back into sport through sponsoring or entering into betting partnerships with various sporting entities. These include: horse racing in the UK and Australia; football clubs such as Wolverhampton Wanderers, Tottenham Hotspur and Leeds United; rugby league teams such as Brisbane Broncos and Hull KR; cricket through English Test Match Grounds; European basketball through the sponsorship of Euroleague; and Australian Rules Football through Carlton.

Finally, I am pleased to announce that the Board has proposed a final dividend of 1.0p (2009: 1.0p). The 50% increase in the total dividend for the year reflects the considerable progress the Group has made over recent years. This brings the total dividend for the year to 1.5p (2009:1.0p). The dividend will be payable on 11 January 2011 to ordinary shareholders registered as of the close of business on 17 December 2010.

Group Chief Executive's Review

FINANCIAL RESULTS: Year ended 31 July 2010

Amounts wagered for the year ended July 2010 grew by 25% to £1,971.3m (2009: £1,577.2m), resulting in net gaming revenue ("NGR") up 27% (22% at constant currency) to £207.5m (2009: £163.6m).

Amounts wagered on sports betting in Europe (incorporating the financial results for the Emerging Markets division) grew by 29% to £1,165.1m (2009: £906.6m), earning NGR of £111.6m (2009: £82.7m) up 35% year on year. Casino and gaming contributed a further £44.9m, and poker £17.4m, to both amounts wagered and NGR (2009: £41.3m and £18.8m). Amounts wagered on Australian sports betting grew by 22% to £743.9m (2009: £610.5m), earning post betting tax NGR of £33.6m (2009: £20.8m).

As a percentage of amounts wagered, the European and Australian sports NGR were 9.6% and 4.5% respectively (2009: 9.1% and 3.4%). However, amounts wagered and NGR are stated after a deduction for customer bonuses of £18.8m (2009: £18.1m). Without the bonus deduction the equivalent numbers would have been 10.3% and 4.7% (2009: 10.2% and 3.7%)

Costs (excluding exceptional items, share option charge and amortisation) in the year were £172.1m (2009: £132.5m), accounting for 82.9% of NGR (2009: 81.0%)

There has been a net charge to the operating profit of £1.9m (2009: credit of £1.0m) arising from foreign exchange. The Group earns over 95% of its revenue in currencies other than Sterling.

Operating profit for the continuing business (before exceptional items, share option charge, amortisation and listing costs) for the year was an increase to £35.4m (2009: £31.1m).

Earnings before interest, tax, depreciation and amortisation (before share option charge and listing costs) increased 17% to £46.5m (2009: £39.7m).

Exceptional costs associated with the agreed settlement with the United States Department of Justice and the Group's move to the Official List of the UK Listing Authority totalled £24.5m (2009: £nil).

Operating profit after the share option charge of £2.0m (2009: £3.1m), amortisation of other intangible assets of £1.8m (2009: £1.9m) and exceptional costs of £24.5m (2009: £4.2m) was £7.1m (2009: £21.9m).

Interest income amounted to £0.4m (2009: £0.7m). Net finance cost was £0.2m (2009: £0.4m income).

Corporation tax increased to £3.0m (2009: £0.5m) as a result of higher profits from Australia and a prior year credit of £1.2m in 2009.

Adjusted basic earnings per share (before share option charge and amortisation) was 6.5p (2009: 6.5p) impacted by the higher corporation tax payable in Australia. Diluted earnings per share (before share option charge and amortisation) was 6.2p (2009: 6.0p). Basic Group statutory earnings per share was 0.7p (2009: 4.2p).

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As at 31 July 2010, the Group had £58.9m (2009: £44.3m) of cash and liquid resources on its balance sheet. After taking into account £18.2m (2009: £16.5m) of customer liabilities, £4.0m (2009: £4.0m) of bank loans secured on residential properties in the Channel Islands and £2.5m (2009: £nil) of finance leases, net cash at the period end stood at £34.2m (2009: £23.8m).

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Note: On 21 July 2009, the Group sold Sportingbet Italia S.p.A. Prior year comparatives have been restated to reflect only the results of continuing operations.¶
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REVIEW OF OPERATIONS

Sportingbet Group

Sportingbet is a significant player in the online gaming industry with divisions focused on Europe (which includes Emerging Markets in Africa and South America) and Australia. 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. The Group's Australian division is based in Darwin operating under a licence provided by the Northern Territory Government. In total the Group now employs over 550 people.

Betting on sports is at the heart of the Sportingbet business, accounting for 69% (2009:64%) of Group gross gaming revenue. The revenue growth in sports betting of 35% has primarily been driven by bets placed whilst the game is 'in:play', which accounts for 61% of European amounts wagered. The in:play product has been growing strongly at 44%pa over the last three years as more games and more betting opportunities per game are made available. The increase in in:play games available on the site over the last year of 64%, has been driven through additional investment in new technologies which allow us to cover games remotely. We have also increased the number of betting markets in each game from around 80 at the start of the year, to 150 at the time of the World Cup. The in:play product has also benefitted from sports games such as football, tennis and basketball that are streamed live on our website.

Although football is our core product accounting for 43% of gross gaming revenue, the Group offers betting markets on all major global sports. Significant investment in improved betting opportunities has been made in other sports such as horse racing in Australia and the UK, which when combined account for 17% of our sports betting revenue. All the Masters events in Tennis are available to bet on in:play as well as the four tennis majors. Basketball has also been a focus for us as it is a core product for most of the countries where the Group is the major brand. In particular we have doubled the number of NBA games we cover in:play and Sportingbet is the only online gambling company to offer live streaming of every Euroleague Basketball game.

While sports betting remains the focus of the business, we provide a complete range of other gaming products to our customers including casino, games and poker. Casino and games contribute 21% of total gross gaming revenue whilst poker makes up the remaining 10%. These products are not offered to our Australian customers due to regulatory constraints.

The Group achieved an operating margin of 17.1% (excluding exceptional items, share option charge and amortisation of intangible assets) during the year. This was slightly below the prior year as additional investment was made in products, marketing and IT. Much of this investment has been designed to enable the Group to support its continuing push for new customers and to enhance the customer experience once people are attracted to our site. Increased competition, customer expectations and the costs of regulatory compliance will require the Group to continue to invest in its operational capabilities.

IT is at the core of the Group’s performance improvements and the additional investment made during the year in people, software and hardware will enable Sportingbet to keep developing new product at a fast pace and to support the continued expansion in turnover and volumes.

A major improvement for our customers was implemented during the first half of the year with players no longer required to transfer funds between products or log-in to each product separately. A bet-by-bet funds transfer system now operates for casino table games and table level buy-in for poker, allowing simultaneous play across multiple products in real-time.

Other developments have seen a significant increase in the number of instant games, additional customer deposit methods, a renewal of the hardware estate, an increase in the disaster recovery functionality and a significant upgrade in our underlying operating software speeding up the updating of prices and bet settlement.

The ability of our business to adjust to the changing regulatory environment will be key to the continued successful development of the Group. Additional investment is being made in our systems to increase flexibility and to adapt to the common regulatory themes that are appearing across Europe.

In line with much of the betting industry, the Group enjoyed a strong performance during the FIFA World Cup aided by favourable margins as a result of a number of fixtures going against the favourites and a significant number of low scoring games. Over £50m was staked on World Cup markets of which 65% was bet in:play at an aggregate margin in excess of 17%. Particularly pleasing was the 11.7% margin achieved from the in:play product.

The Group has continued to expand into new international markets to provide future growth opportunities for the Group and to diversify the economic and regulatory risk. Sportingbet launched in Chile towards the end of the financial year under our Spanish Miapuesta brand. The South African and Romanian businesses established last year have made promising starts and are expected to continue their progress into 2011.

Europe

The European business (incorporating the financial results for the Emerging Markets Division) continues to grow strongly with the gross amount wagered (pre bonus adjustment) on sports increasing by 28% to £1,174.9m (2009: £917.5m), generating a gross gaming revenue of £121.4m (2009: £93.6m) up 30%. European casino and games gross revenue grew by 10% to £48.2m (2009: £43.7m) whilst poker gross revenue decreased marginally by 1.4% to £21.7m (2009: £22.0m) in tough market conditions.

Regional growth in NGR has been impacted by differing economic conditions and also by variances in sports margin by country. In particular, the Group's Greek business has demonstrated a resilient performance given it's economically troubled times with NGR growth (pre bonus adjustments) of 15%. Spain, another of the Group's major markets, was up 7% and 11% on sports wagers and NGR respectively.

The number of sports bets placed rose by 32% to 75.7m (2009: 57.5m). The number of bets per customer increased to 159 (2009: 134). Although the average bet size was down marginally to £15.51 (2009: £15.97), yield per sports customer increased from £218 to £254.

Once again the European business produced an industry leading sports margin of 10.3% (2009: 10.2%), This exceptional sportsbook performance is derived from our best-in-class trading function, which has been built up over a number of years of investment in the quality of our trading team and in our IT systems. This focus on accurate odds setting and the management of risk remain core to the Group's success in sports betting. The Group's sportsbook systems are all proprietary and the level of investment incurred since the business was founded in 1998 present a significant barrier to entry for potential competitors.

In:play betting in our European business accounted for 61% of the value of bets placed during the year. Amounts wagered on live betting increased 42% year on year generating total NGR of £66.9m and equating to a gross margin of 9.3%.

During 2010 the Group invested further in the development of its mobile betting platform with a new sportsbook platform deployed in the UK. This is currently being rolled out across all the countries in which we operate.

Also during the year the Company invested in a number of additional instant casino and games products. The total number available is now over 200 and covers the most popular categories such as Roulette, Blackjack and Slots. As these have been rolled out across our major territories they have proved popular with customers and have driven revenue growth of 10.3% over the year. During the last quarter of the financial year a new series of live casino games was launched with promising results.

Poker continues to suffer as part of a global trend where huge liquidity advantages are realised by some of our competitors who are prepared to accept US resident players. During the year, the Group generated poker rake (pre bonus deductions) of £21.7m (2009: £22.0m), down marginally (1.4%) on the prior year. We believe this is a relatively good performance and was down to several factors: localising the poker product, improving our Paradise poker tour and working with the IPN network to improve the acquisition and retention of players.

Following the passing of French regulation in May 2010 the Group withdrew from the market whilst it considered the on going viability of that market in light of the resulting tax regime and the Group's low market share, together with the opportunity cost of the IT work required to obtain a license. It remains the intention to apply for a licence when the Group considers conditions in the market make it economically viable to deliver an adequate return. In the year ended July 2009 the NGR derived from the French market was less than 4% of the Group's total revenue.

Norway implemented legislation during 2010 which established that processing payments for unlicensed gambling was an accessory offence for financial services providers. As the Group considered that this law had been correctly enacted through the European Union and the European Free Trade Association's legal process, and as the Group is an EU based operation, we have ceased taking business from Norwegian citizens. In the year ended July 2009 the NGR derived from the Norwegian market was less than 1% of the Group's total revenue.

Australia

Gross amounts wagered in Australia increased by 22% from £612.1m to £745.3m resulting in pre-tax margin of £45.5m (2009: £29.1m). Gambling taxes in Australia amounted to £10.5m in the period (2009: £6.7m). After accounting for these taxes, the post tax margin increased by 56% from £22.4m to £35.0m. After bonuses, NGR increased by 62% (27% at constant currency) from £20.8m to £33.6m.

The sports margin in Australia was well above the long term average in the year at 4.7% (2009: 3.7%) as certain horse racing results favoured the bookmaker. The telephone business accounted for 63% of the amounts wagered and 52% of the gross margin. Active telephone customer numbers increased 11% and the amount wagered on the telephone increased by 16% to £468.7m with number of bets placed increasing by 8%.

The relaxation of Australian advertising regulation in September 2008 has benefited the internet based business with active customer numbers up 11% and the amount wagered up 32% to £271.9m. Heavy investment in offline marketing has generated strong brand exposure across a variety of media and supported the business against strong competition.

During the year the internet offering was bolstered with the launch of a new website. In addition our first Australian mobile platform was launched which proved successful showing an average growth rate of 10% month on month.

The Australian business has seen a significant change to its cost structure following the relaxation of advertising rules and the introduction of state level gambling taxes.

The business is now incurring around $20m in extra tax and advertising costs compared to 2008. However, profitability has now returned to 2008 levels as internet driven revenue has increased by 97% over the same period. This is a consequence of being given the freedom to advertise and compete with incumbent companies and the ongoing market shift to the internet.

The number of bets placed on our internet site rose by 18% over the prior year. The number of bets per internet customer increased by 6% to A$326 this year. The average bet size on the internet was A$28 (2009 A$30).

REGULATORY UPDATE

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 therefore the position in its place of supply (and 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, Northern Cyprus, South Africa and the UK.

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

(a) France introduced regulation and licensing of online gambling activities;
(b) an ongoing move towards regulation of the gambling sector in a number of further EU jurisdictions, including Spain, Denmark, Italy and Greece;
(c) reduced European Commission pressure on EU and EFTA Member States to justify their national gambling regimes in light of the free trade requirements of international law also reflected in the protectionist judgments of the European Court of Justice in the cases of Santa Casa (in Portugal), the Betfair and Ladbrokes cases (Netherlands); and Sjoberg and Gerdin (in Sweden); albeit the impact of these judgments has been tempered to a degree by the recent Carmen Media (and others) case in Germany, and the Engelmann case in Austria; and
(d) increasing attempts to impose indirect taxes (via "product fees") on gambling operators by certain States in Australia.

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United States

On 20 September 2010, the Group entered into a Non-Prosecution Agreement (the "Agreement") with the Office of the United States Attorney for the Southern District of New York ("SDNY"), acting on behalf of the United States Department of Justice, with respect to the Group's previous activities in the United States. Under the terms of the Agreement, SDNY will not seek to prosecute the Group for activities related to its internet gambling business with customers in the United States from 1998 to 2006.

The Group ceased to offer online gambling to United States customers on 12 October 2006.

As part of the Agreement, the Group has agreed to pay a total of $33m (£21.3m) to SDNY, payable in three instalments: (i) $15m (£9.7m) payable no later than 30 September 2010, (ii) $12m (£7.7m) no later than 30 September 2011 and (iii) $6m (£3.9m) no later than 31 March 2012.

In addition to the above, the Group has agreed to cooperate with SDNY and disclose information to SDNY relating to the Group's former internet gambling business in the United States and adhere to certain further obligations from the date of the Agreement with respect to its future conduct in the United States. The Group has also acknowledged and accepted certain details regarding its former business activities in the United States which are set out in the Statement of Facts which form part of the Agreement.

Other

As set out in its recently issued Prospectus relating to the Group’s move on to the Official List of the UKLA, the Group has been involved in arbitration proceedings related to certain contractual matters with Intertel Serveis Audiotext Sociedad Limitada (“Intertel”), the Group’s former marketing partner for the Spanish market. The arbitrator found in favour of the Group at the primary liability hearing which took place 23 February 2010. Intertel has accepted this ruling.

OUTLOOK

Overall the new financial year has commenced in line with expectations with NGR in the first two months 17% above the same period last year. The trends seen during the last twelve months have continued with the sportsbook growing strongly whilst casino and games and poker are weak due to competitive and economic pressures.

Whilst the economic outlook remains challenging, our spread of activities across the different economic cycles of Europe, Australia and South America gives us confidence for a further year of success.

Sportingbet Plc
Directors Responsibility Statement

The Directors confirm that to the best of their knowledge:

1. The financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

2. The Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This statement is in accordance with DTR 6.3 to cover our dissemination requirements.

Sportingbet Plc
Audited Consolidated Income Statement
Total year ended 31 July 2010

	Notes	**Total Year ended 31 July 2010 £m**	Total Year ended 31 July 2009 £m
Amounts wagered	5	**1,971.3**	1,577.2
Net gaming revenue	4, 5	**207.5**	163.6
Administrative expenses excluding exceptional items, share option charge and amortisation of other intangible assets		**(172.1)**	(132.5)
Group operating profit before exceptional items, share option charge and amortisation of other intangible assets		**35.4**	31.1
Other administrative expenses:			
• Exceptional items	6	**(24.5)**	(4.2)
• Share option charge	7	**(2.0)**	(3.1)
• Amortisation of other intangible assets		**(1.8)**	(1.9)
Total admin expenses	5	**(200.4)**	(141.7)
Group operating profit	5	**7.1**	21.9
Finance income		**0.4**	0.7
Finance costs		**(0.6)**	(0.3)
Profit before taxation		**6.9**	22.3
Taxation		**(3.0)**	(0.5)
Profit after tax		**3.9**	21.8
Loss from discontinued operations	3	**-**	(9.4)
Profit for the period		**3.9**	12.4
Profit attributable to the Owners of the parent		**3.9**	12.4
Profit per ordinary share – continuing operations	9		
Basic		**0.8p**	4.6p
Diluted		**0.7p**	4.2p
Profit per ordinary share	9		
Basic		**0.8p**	2.6p
Diluted		**0.7p**	2.4p

Sportingbet Plc
Audited Consolidated Statement of Comprehensive Income
Year ended 31 July 2010

	Year ended 31 July 2010 £m	Year ended 31 July 2009 £m
Profit for the year	**3.9**	12.4
Amounts taken to equity under designated cash flow hedges	**0.3**	1.2
Amounts reclassified to the income statement to match the hedged items	**0.3**	(0.5)
Exchange differences on translation of foreign operations	**1.5**	1.5
Net income recognised directly in other comprehensive income	**2.1**	2.2
Total comprehensive income for the year	**6.0**	14.6
Attributable to: Owners of the parent	**6.0**	14.6

Sportingbet Plc
Audited Consolidated Balance Sheet
As at 31 July 2010

	Notes	As at 31 July 2010 £m	As at 31 July 2009 £m
Non-current assets			
Goodwill		**41.5**	41.2
Other intangible assets	10	**21.8**	15.9
Property, plant and equipment	10	**27.1**	21.9
Deferred tax asset		**2.0**	1.4
		92.4	80.4
Current assets			
Trade and other receivables		**12.6**	13.4
Cash and cash equivalents		**58.9**	44.3
Derivatives		**1.3**	0.7
		72.8	58.4
Current liabilities			
Trade and other payables		**(54.4)**	(41.0)
Interest bearing loans and borrowings		**(5.3)**	(4.0)
Contingent consideration		**-**	(0.5)
		(59.7)	(45.5)
Net current assets		**13.1**	12.9
Non-current liabilities			
Trade and other payables		**(11.6)**	-
Obligations under finance leases		**(1.2)**	-
Long-term provisions		**-**	(0.1)
		(12.8)	(0.1)
Net assets		**92.7**	93.2
Equity			
Issued share capital	9	**0.5**	0.5
Share premium		**59.9**	59.4
Retained earnings		**32.3**	33.3
Total equity		**92.7**	93.2

Sportingbet Plc
Audited Consolidated Statement of Changes in Equity
Year ended 31 July 2010

	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 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 1 August 2009	**0.5**	**59.4**	**-**	**-**	**33.3**	**-**	**93.2**
Employee share options	-	0.5	-	-	(0.6)	-	(0.1)
Share option charge	-	-	-	-	1.1	-	1.1
Profit for the period	-	-	-	-	3.9	-	3.9
Dividends paid	-	-	-	-	(7.5)	-	(7.5)
Hedging reserve	-	-	-	-	0.6	-	0.6
Foreign currency exchange	-	-	-	-	-	1.5	1.5
As at 1 August 2010	**0.5**	**59.9**	**-**	**-**	**30.8**	**1.5**	**92.7**

Sportingbet Plc
Audited Consolidated Cash Flow Statement
Year ended 31 July 2010

	Year ended 31 July 2010 £m	Year ended 31 July 2009 £m
Group profit after taxation	**3.9**	12.4
Depreciation	**5.4**	4.7
Software amortisation	**5.7**	4.0
Other amortisation	**1.8**	1.9
Loss on disposal	**-**	7.9
Share option charge	**2.0**	3.1
Finance income	**0.2**	(0.4)
Taxation	**3.0**	0.5
Operating cash flows before movements in working capital	**22.0**	34.1
Decrease/(increase) in receivables	**0.8**	(4.8)
Increase/(decrease) in payables	**25.0**	(9.7)
Cash generated by operations	**47.8**	19.6
Income tax paid	**(4.0)**	(2.6)
Net cash from operating activities	**43.8**	17.0
Purchases of property, plant and equipment	**(10.4)**	(6.1)
Purchases of software	**(13.3)**	(6.6)
Acquisitions	**(0.6)**	(4.5)
Interest (paid)/received	**(0.2)**	0.3
Net cash from discontinued operations	-	(1.2)
Cash used in investing activities	**(24.5)**	(18.1)
Exercise of share options	**(1.0)**	(0.1)
Issue of shares	**0.2**	-
Obligation under finance leases	**2.5**	-
Dividends paid	**(7.5)**	-
Purchase of own shares	**-**	(3.0)
Repayment of borrowings	**-**	(1.6)
Net cash used in financing activities	**(5.8)**	(4.7)
Net increase/(decrease) in cash and cash equivalents in the period	**13.5**	(5.8)
Cash and cash equivalents at beginning of period	**44.3**	49.4
Effect of foreign exchange rate changes	**1.1**	0.7
Cash and cash equivalents at end of period	**58.9**	44.3

Sportingbet Plc
Audited Notes to the Financial Information
Year ended 31 July 2010

1. Basis of preparation

The audited financial information provided is for the year ended 31 July 2010.

The Audited financial information has been prepared in accordance with applicable International Financial Reporting Standards ('IFRSs') as adopted by the European Union that are effective for the year ending 31 July 2010.

Deleted: IAS 34 - "*Interim Financial Reporting*, and have been prepared on the basis of

Deleted: and International Financial Reporting Interpretations Committee ('IFRIC') interpretations

The accounting policies adopted are consistent with those of the annual financial statements for the year ended July 31, 2009, as described in those financial statements, with the exception of the following new standards, which have become mandatory for the first time for the year ending July 31, 2010:

The adoption of IAS 1 (revised) has required the reconciliation of movements in equity, previously disclosed in note 21 in the financial statements for the year ended July 31, 2010, to be presented as a primary statement entitled 'Consolidated Statement of Changes in Equity'. In addition, the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income.

Deleted: Unaudited

IFRS 8 "Operating Segments", Amendment to IAS 23 "Borrowing costs" and Amendment to IFRS 2 "Share based payments" are effective for annual periods beginning on or after January 1, 2009.

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

Deleted: ¶

Deleted: The Group's statutory financial statements for the year ended 31 July 2009 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified, however they included a reference to an emphasis of matter with regard to regulatory uncertainty consistent with the prior year, and the reports did not contain statements under section 498(2) or (3) of the Companies Act 2006. ¶

2. Seasonality of operations

The Group's profitability is particularly sensitive to sporting events that attract a large volume of stakes. Revenues in the online betting industry in the second and third quarter of the financial year are generally stronger than revenues in the first and fourth. The Group's operating results generally reflect this seasonality, but have also been impacted by other factors that are not necessarily seasonal including, the imposition of new regulatory taxes and general economic conditions. Consequently, the Group's quarterly operating results are not necessarily indicative of operating results for an entire year and historical operating results in a quarterly or annual period are not necessarily indicative of future performance.

3. 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. was loss making since acquisition.

Deleted: Sportingbet Plc¶
Audited Notes to the Financial Information (Continued)¶
Year ended 31 July 2010¶

Deleted: 3. Discontinued operations (continued)¶
¶ ... [1]

4. Net gaming revenue

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

	Year ended 31 July 2010 £m	Year ended 31 July 2009 £m
Gaming revenue	**226.3**	181.7
Promotional bonuses	**(18.8)**	(18.1)
	207.5	163.6

5. Operating segments

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

The following tables present revenue and profit information and certain asset and liability information regarding the Group's operating segments for the years to 31 July 2010 and 31 July 2009.

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

Sportingbet Plc
Audited Notes to the Financial Information (Continued)
Year Ended 31 July 2010

5. Operating segments (continued)

2010	Europe	Australia	Emerging Markets	Unallocated central costs	***Continuing operations*** **Total**	*Discontinued operations* Total
	£m	£m	£m	£m	**£m**	£m
Amounts wagered	1,157.8	743.9	69.6	-	**1,971.3**	-
Net gaming revenue	167.4	33.6	6.5	-	**207.5**	-
Depreciation and software amortisation	(9.7)	(1.0)	-	(0.4)	**(11.1)**	-
Administrative expenses excluding exceptional items, share option charge and other amortisation	(112.2)	(24.8)	(4.7)	(19.3)	**(161.0)**	-
Group operating profit/ (loss) before exceptional items, share option charge and other amortisation	45.5	7.8	1.8	(19.7)	**35.4**	-
Other administrative expenses:						
› Exceptional items	-	-	-	(24.5)	**(24.5)**	-
› Share option charge	(0.5)	(0.1)	-	(1.4)	**(2.0)**	-
› Other amortisation	(1.8)	-	-	-	**(1.8)**	-
Total administrative expenses	(124.2)	(25.9)	(4.7)	(45.6)	**(200.4)**	-
Operating profit/(loss)	**43.2**	**7.7**	**1.8**	**(45.6)**	**7.1**	-
Finance (cost)/income	-	-	-	(0.2)	**(0.2)**	-
Taxation	(0.4)	(2.6)	-	-	**(3.0)**	-
Profit for the year	**42.8**	**5.1**	**1.8**	**(45.8)**	**3.9**	-
Balance sheet information						
Total assets	138.4	26.4	-	-	**164.8**	-
Total liabilities	(60.2)	(11.9)	-	-	**(72.1)**	-
Expenditure incurred to acquire property, plant and equipment and intangible assets	21.7	2.0	-	-	**23.7**	-

Management also review, revenue according to it’s three principal products: sports betting, casino gaming and poker.

Sportingbet Plc
Audited Notes to the Financial Information (Continued)
Year Ended 31 July 2010

5. Operating segments (continued)

2010	Sports betting £m	Casino gaming £m	Poker rake £m	**Total £m**
Amounts wagered	1,920.2	48.2	21.7	1,990.1
Promotional bonuses	(11.2)	(3.3)	(4.3)	(18.8)
Net amounts wagered	**1,909.0**	**44.9**	**17.4**	**1,971.3**
Gaming revenue	156.4	48.2	21.7	226.3
Promotional bonuses	(11.2)	(3.3)	(4.3)	(18.8)
Net gaming revenue	**145.2**	**44.9**	**17.4**	**207.5**

2009	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	***Continuing operations*** **Total £m**	*Discontinued operations* 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 and software amortisation	(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/ (loss) 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)
Finance (cost)/income	-	-	-	0.4	**0.4**	-
Taxation	1.0	(1.5)	-	-	**(3.0)**	-
Profit for the year	**29.9**	**3.5**	**0.1**	**(11.7)**	**21.8**	-

5. Operating segments (continued)

2009					***Continuing operations***	*Discontinued operations*
	Europe	Australia	Emerging Markets	Unallocated central costs	**Total**	Total
	£m	£m	£m	£m	**£m**	£m
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**	-

2009	Sports betting	Casino gaming	Poker rake	**Total**
	£m	£m	£m	**£m**
Amounts wagered	1,529.6	43.7	22.0	**1,595.3**
Promotional bonuses	(12.5)	(2.4)	(3.2)	**(18.1)**
Net amounts wagered	1,517.1	41.3	18.8	**1,577.2**
Gaming revenue	116.0	43.7	22.0	**181.7**
Promotional bonuses	(12.5)	(2.4)	(3.2)	**(18.1)**
Net gaming revenue	103.5	41.3	18.8	**163.6**

6. Exceptional items

	Year ended 31 July 2010	Year ended 31 July 2009
	£m	£m
Department of Justice settlement (a)	**22.8**	-
Move to the main market (b)	**1.7**	-
Provisions against monies from payment processing providers (c)	**-**	4.2
	24.5	4.2

(a) The agreed settlement payment to the United States Department of Justice in respect of the US-facing element of the Group's business operating prior to the implementation of the Unlawful Gambling Enforcement Act ("UIGEA"). In return, the US Federal Government will not seek to prosecute the Group with regard to its former actions in the US.

(b) The costs related to transferring the listing of the Group's entire issued share capital from AIM to a premium listing on the Official List of the UK Listing Authority ("Official List").

(c) 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.

Sportingbet Plc
Audited Notes to the Financial Information (Continued)
Year ended 31 July 2010

7. Share option charge

	Year ended 31 July 2010 £m	Year ended 31 July 2009 £m
Share option charge	1.1	3.1
Social security costs on share options	0.9	-
	2.0	3.1

8. Dividends paid

Dividends of 1.0p and 0.5p per share were paid on 8 January 2010 and 31 March 2010 to shareholders on the register respectively.

9. Earnings per share

	Continuing Year ended 31 July 2010	Continuing Year ended 31 July 2009	Discontinued Year ended 31 July 2009	Total 2009
Profit/(loss) per ordinary share				
Basic	**0.8p**	4.6p	(2.0)p	2.6p
Diluted	**0.7p**	4.2p	(1.8)p	2.4p
Adjusted earnings per ordinary share (before exceptional items, share option charge and amortisation)				
Basic	**6.5p**	6.5p	(0.3)p	6.2p
Diluted	**6.2p**	6.0p	(0.3)p	5.7p

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 Year ended 31 July 2010	Continuing Year ended 31 July 2009	Discontinued Year ended 31 July 2009	Total 2009
	£m	£m	£m	£m
Basic earnings	**3.9**	21.8	(9.4)	12.4
Exceptional items	**24.5**	4.2	-	4.2
Share option charge	**2.0**	3.1	-	3.1
Amortisation	**1.8**	1.9	-	1.9
Adjusted earnings	**32.2**	31.0	(9.4)	21.6

9. Earnings per share (continued)

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

	2010 No.	2009 No.
Weighted average number of shares in issue	**496,107,615**	477,099,664
Employee share schemes	**19,181,226**	39,630,748
Fully diluted number of weighted average number of shares in issue	**515,288,841**	516,730,412

As at 31 July 2010 the Group had the following shares in issue and potentially dilutive shares:

	2010 No.	2009 No.
Number of shares in issue	**502,038,144**	483,987,106
Employee share schemes	**19,181,226**	39,630,748
Fully diluted number of shares in issue	**521,219,370**	523,617,854

10. Property, plant and equipment and other intangible assets

Additions to property, plant and equipment and software were £10.4m and £13.3m respectively for the year (2009: £6.1m and £6.6m), relating largely to software development and IT projects. Significant capital expenditure to note over the last year include £7.3m in developing Europe trading software, £6.6m in disaster recovery costs and £5.1m in general IT costs.

11. Contingencies

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

As part of the ongoing operational risk assessment process adopted by the Group, there is continued monitoring of the legal and regulatory developments and their potential impact on the business. Appropriate advice continues to be taken in respect of these developments.

There is uncertainty as to what actions, if any, may occur from the above noted events, and any impact as such action may have on the Group. However, the Board does not consider it probable that a material liability or a material impairment in the carrying value of assets will arise as a result of any potential action.

(b) The Group has been paying betting taxes in the form of product fees to various states of Australia to the three racing codes. The Group's management believes the legal bases of these taxes is flawed and have been making payments under protest. The Group has paid $AUD 6.7m to the state of New South Wales, which maybe recoverable if legal action is successful.

(c) The business is situated, operated and managed from Guernsey through an Alderney registered company. The main business of the Group was mitigated to this company from the UK during the year ended 31 July 2007. HMRC have not yet given formal clearance that they accept the business has moved offshore. If HMRC were to successfully contend that the Group has not moved its operations offshore then there may be a material adverse effect on the amount of tax payable by the Group for the period since 31 July 2007. In addition the Group may be liable to a claim for additional employment taxes if the Group's interpretation of certain contracts is found to be incorrect.

3. Discontinued operations (continued)

	Year ended 31 July 2010 £m	Year ended 31 July 2009 £m
Amounts wagered	-	14.1
Net gaming revenue	-	2.1
Administrative expenses	-	(3.6)
Operating loss before taxation	-	(1.5)
Taxation	-	-
Loss for the year	-	(1.5)
Loss on disposal	-	(7.9)
Loss for the period from discontinued operations	-	(9.4)

	Year ended 31 July 2010 £m	Year ended 31 July 2009 £m
Loss after taxation	**-**	(1.5)
Depreciation	-	0.2
Bad debt provision movement	-	
Operating cash flows before movements in working capital	**-**	(1.3)
(Increase)/ decrease in receivables	-	0.4
Increase/ (decrease) in payables	-	(0.3)
Cash generated by operations	-	0.1
Net cash from operating activities	-	(1.2)
Cash used in investing activities	-	-
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents in the period	-	(1.2)
Cash and cash equivalents at beginning of period	-	1.2
Cash and cash equivalents at end of period	-	-