sportingbet plc

Sportingbet Plc

Audited results for the year ended 31 July 2012

Sportingbet Plc, a leading global online sports betting and gaming group, announces its results for the year ended 31 July 2012.

Group Financial Highlights for the year

	2012 £m	2011 £m
Amounts wagered	**2,349.2**	**2,053.9**
Core total revenue	**188.9**	**206.3**
EBITDA*	**56.8**	**51.4**
Adjusted operating profit*	**32.2**	**38.1**
Operating (loss) /profit	**(39.1)**	**24.4**
Adjusted diluted EPS* (p)	**5.3**	**6.3**
Diluted EPS (p)	**(6.8)**	**3.9**
Dividend per share (p)	**1.7**	**1.7**

Group

- Amounts wagered up 14%
- 80% of revenue during the year derived from regulated and/or taxed territories
- Centrebet acquisition completed 31 August 2011
- Disposal of Turkish language website completed on 21 November 2011
- Final dividend of 1.1p making a total for the year of 1.7p (2011:1.7p)

Australia

- Australia's leading fixed odds internet and phone bookmaker by amounts wagered
- Amounts wagered online up 82% (like for like up 11%)
- Integration of Centrebet successfully completed with realised synergies of £15m pa £5.2m higher than originally planned
- New mobile apps for both brands and new Centrebet website launched in June
- Amounts wagered on mobile up 339% now accounting for 28% of revenue and 40% of players

Europe and Emerging Markets

- Amounts wagered down 30% (like for like down 9%)
- In:play continues to produce industry leading margins of 9.7%
- New in:play Console launched offering enhanced user experience
- Mobile penetration in UK and Spain now up to 30%
- Spanish, Danish, Maltese, Italian licences obtained
- Betting taxes rose by a net £9.4m
- European cost base reduced with £15m annualised costs removed

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* Adjusted to exclude exceptional items of £71.6m (2011: £10.8m), share option charge and amortisation of other intangible assets

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

"Sportingbet is a very different business to that of a year ago and is in a much stronger position. Our successful acquisition of Centrebet, which has out-performed our expectations, disposal of Turkey and introduction of regulation in our other key countries has resulted in over 80% of the Group's revenue now being derived from regulated and/or taxed countries.

"The Group has had a solid start to the new financial year in line with our expectations. We are confident that the increased advertising opportunities, improved payment processing and stable business platform provided by our regulated market presence will drive profitable growth in the medium term. Whilst the economic outlook remains challenging, our robust position across a variety of attractive territories gives us confidence in the outlook for the current financial year."

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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

This has been a year of significant change and progress for the Group. In particular, in August 2011 the acquisition of the Australian focused Centrebet business was completed, making the company the largest fixed odds internet and phone bookmaker by amounts wagered in the country. This was followed in November by the disposal of our Turkish language website. These corporate transactions, together with the passing of online gaming laws in two of our largest markets, Greece and Spain, have seen our revenue mix shift decisively towards licensed and taxed jurisdictions. The Group's revenue derived from regulated and/or taxed countries has risen to a current run rate of over 80%.

I am also pleased to announce a strong set of financial results for the year with amounts wagered up 14% to £2,349m and EBITDA increasing 11% to £56.8m despite some significant challenges encountered during the year.

Based on our experience of the regulated Australian market, an initial reduction in profitability resulting from the implementation of taxes is more than offset in the medium term. New opportunities resulting from the increased ability to advertise, improved trustworthiness and better payment processing efficiency, combined with an existing strong brand presence, provide an enhanced platform for medium-term profit growth. As a result the Group is in a stronger position to capitalise on stable, well regulated and growing markets.

The long term prognosis for the industry remains positive as the size of the online fixed odds sports betting market increases each year due to more customers being able to access the product through increased broadband penetration and the growth in smartphones and tablets. Although this growth can be disguised by the short term impact of regulation or economic recession, it is still evident in certain countries or channels. The mobile channel is currently demonstrating significant growth in our largest market, Australia, with the percentage of revenue derived from mobile increasing from 5% last year to 28% in July 2012.

In Australia the acquisition and integration of Centrebet was completed on schedule with higher synergy benefits realised than originally planned. Online sports betting remains a very attractive growth market as customers turn away from retail, tote products. The division now accounts for over half of Group revenue on a proforma basis and is currently the key driver and component of the Group's profits.

In Europe, the disposal of the Turkish language website, the passing of online regulations in our two largest markets, Greece and Spain, and the current economic difficulties have warranted the investment of significant management time. The business has undertaken a restructuring programme resulting in a reduction in fixed costs of £15m pa, which leaves a cost base that is expected to produce a profit at budgeted revenue levels.

The Emerging Markets division has had an excellent year and continues to provide the Group with the benefits of operating across a broad geographic base. The medium-term possibilities presented by the division are significant as customers increasingly take up our fixed odds sports betting offering in Africa and South America.

Our overall strategy of providing a first class sports betting product and offering customers an unprecedented number of betting opportunities at all times of the day, remains unchanged. Sports betting remains our core focus as it offers the greatest scope to differentiate our product from competitors and provides significant barriers to new entrants. Our long-term trading strategy has been consistently executed, leveraging our proprietary best-in-class trading technology resulting in the delivery of an outstanding trading performance with best in class margin. To provide a comprehensive suite of products for our customers, we supplement the core sports offering with casino, games and poker products bought in from the leading suppliers in the industry.

Finally, I am pleased to announce that the Board has proposed a final dividend of 1.1p (2011: 1.1p). This brings the total dividend for the year to 1.7p (2011:1.7p). If approved by shareholders the dividend will be payable on 17 January 2013 to ordinary shareholders registered as of the close of business on 21 December 2012.

Group Chief Executive's Review

FINANCIAL RESULTS: Year ended 31 July 2012

Amounts wagered for the year ended 31 July 2012 grew by 14% to £2,349.2m (2011: £2,053.9m), resulting in net gaming revenue ("NGR") of £185.7m (2011: £204.0m), down 9% on the prior year. At constant currency and taking into account our exit from Turkey, the introduction of gaming duty in some of our largest markets and the acquisition of Centrebet, NGR was down 2% on a like for like basis.

Amounts wagered on Australian sports betting grew by 82% to £1,493.1m (2011: £822.0m), earning post betting tax NGR of £82.0m (2011: £37.2m). On a like for like basis the underlying growth in amounts wagered and NGR was 11% and 31% respectively.

Amounts wagered on sports betting in Europe and Emerging Markets fell by 31% to £814.0m (2011: £1,174.6m), resulting in NGR of £61.6m (2011: £109.5m) down 44% year on year. On a like for like basis European sports NGR was down 12% reflecting the difficult economic conditions across our main European markets.

Casino and gaming contributed a further £34.5m, and poker £7.6m, to both amounts wagered and NGR (2011: £44.0m and £13.3m).

As a percentage of amounts wagered, the European and Australian sports NGR were 7.6% and 5.5% respectively (2011: 9.3% and 4.5%). The year on year decrease in the European number was due to the imposition of gambling duty in two of its major markets.
However, amounts wagered and NGR are stated after a deduction for customer bonuses of £18.9m (2011: £20.3m). Without the bonus deduction the equivalent numbers would have been 8.3% and 5.8% (2011: 10.0% and 4.9%).

Costs (excluding exceptional items, share option charge and amortisation) in the year were £156.7m (2011: £168.2m), accounting for 83.0% of total revenue (2011: 81.5%).

Operating profit (before exceptional items, share option charge and amortisation) for the year decreased 15% to £32.2m (2011: £38.1m).

Earnings before interest, tax, depreciation and amortisation (before exceptional items and share option charge) increased 11% to £56.8m (2011: £51.4m).

Operating loss after other income and gains from the Turkish language website of £10.7m (2011: nil), exceptional costs of £71.6m (2011: £10.8m), share option charge of £0.9m (2011: £1.2m) and amortisation of other intangible assets of £9.5m (2011: £1.7m) was £39.1m (2011: £24.4m profit).

Net finance cost was £6.4m (2011: £0.6m) due to the issuance of convertible stock used to partly finance the acquisition of Centrebet.

Corporation tax credit of £0.1m (2011: £3.1m payable) mainly in relation to the Australian business. This was mitigated this year by the integration costs, however as no losses will be carried forward a normalised tax rate is expected to be paid in future years.

Exceptional costs totalled £71.6m (2011: £10.8m). £18.1m were costs associated with the disposal of the Turkish language website and £16.8m related to the acquisition and integration of Centrebet. An impairment charge of £18.7m was taken relating to these transactions for computer hardware and software. £14.7m was incurred settling a Spanish tax charge. The exceptional charge has resulted in a cash outflow of £48.8m this year and a further £4.6m will be cash outflows in future periods.

Adjusted basic earnings per share (before exceptional items, share option charge and amortisation) was 5.5p (2011: 6.6p). Diluted earnings per share (before exceptional items, share option charge and amortisation) was 5.3p (2011: 6.3p). Basic loss per share was (6.8)p (2011: earnings per share of 3.9p).

As at 31 July 2012, the Group had £42.4m (2011: £180.2m) of cash and liquid resources on its balance sheet. After taking into account £29.0m (2011: £22.7m) of customer liabilities, net cash at the period end stood at £13.4m (2011: £29.9m).

REVIEW OF OPERATIONS

Sportingbet Group

Sportingbet is one of the world's leading online gaming operators with divisions focused on Australia, Europe and Emerging Markets. The Group's Australian division is based in Darwin and Sydney, operating under a licence provided by the Northern Territory Government. The European operation is based in the Channel Islands and Malta, operating under licences provided by the Alderney Gambling Control Commission, Spain, Italy, Denmark and Malta. This is supported by an operational centre in Dublin providing customer services and administrative support. In total the Group now employs over 690 people.

Betting on sports is at the heart of the Sportingbet business, accounting for 76% (2011: 71%) of Group gross gaming revenue. Football has been our main product for many years accounting for 46% of gross gaming revenue, however the reshaping of the Group has resulted in a better diversified revenue stream with 33% coming from Australian horse racing. The commitment to offering a wide range of betting markets remains with over 31 sports covered.

In:play, betting whilst the event is happening, remains a very significant component of revenue in our European and Emerging Markets business accounting for 61% of the amounts wagered. Our in:play margin of 9.7% (2011: 9.9%) continues to be the highest in the industry as a result of our experienced trading team, bespoke technology and wide product offering.

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 18% of Group gross gaming revenue whilst poker makes up the remaining 6%. These products are not offered to our Australian customers due to regulatory constraints.

Australia

Australia is one of the world's largest sports betting markets and one of the most advanced in terms of regulation and tax following market liberalisation in late 2008. Since 2008 Sportingbet has been able to compete on a level playing field with the incumbent tote operators and has consequently experienced an internet NGR CAGR of 34% supported by a CAGR of 31% in the number of actives, as customers have moved online to bet on fixed odds. Due to the stability of the regulatory regime, the size of the market and its growth rates, the Australian market is one of the most attractive in the world, hence the Group further consolidated its position in the market through the acquisition of Centrebet on 31 August 2011. The integration of Centrebet and Sportingbet operations was completed by the end of June 2012. In the latest independent report on the market for the year ended June

2011, the internet and phone channels to market accounted for 27% of the total Australian sports betting market. The Sportingbet and Centrebet brands account for 36% of this growing segment of the market, or 10% of the overall Australian sports betting market.

Amounts wagered in Australia increased by 82% from £820m to £1,493.1m resulting in a pre-gaming duty margin of £101.1m (2011: £47.0m). The underlying like for like growth rates were impressive with amounts wagered up 11% and NGR up 31%, continuing the strong growth rates experienced over the last few years. Market data suggests that the customers who use our products tend to be satisfied, loyal, high value and frequent visitors to the site which reflects the breadth of our product offering.

After accounting for gambling taxes and product fees of £19.1m (2011: £9.9m), the post tax margin increased by 120% from £37.2m to £82.0m at a margin of 5.5% (2011: 4.9%). The rise in margin is driven by the change in business mix as customers continued to move towards higher margin mobile and internet products. Mobile revenue, which generates a margin of 9.8% rose 369% driven by an increase of 214% in the number of actives. Revenue from customers betting over the internet continued to grow strongly with actives up 6% and NGR rising 18%. These two channels to market now account for 78% of total revenue and have more than offset the decrease experienced in the low margin legacy telephone business, which fell 1% and now accounts for just 22% of revenue.

The integration of Centrebet was completed in line with the original time schedule. Both the Sportingbet and Centrebet brands have been retained and are continuing to be aimed at different sectors of the market. The support functions, such as trading, customer service, IT and finance have been integrated to achieve maximum synergies, whilst at the same time ensuring that the product remains the most advanced fixed odds racing and sports experience in Australia. The original estimate of the synergies was £9.8m. As the integration progressed more synergies were identified than were originally envisaged, especially in areas such as IT and management. The final level of synergies obtained were £15m pa, which equates to around one third of Centrebet revenue. The cash cost of obtaining the synergies was slightly higher than planned at £8m rather than the initial estimate of £5m.

Both brands are now operating out of the same office locations and the Centrebet brand has been transferred onto the Sportingbet proprietary owned IT platform for both the website and the mobile products. At acquisition the combined headcount of the two companies was 341 with Centrebet having 225 staff. After the full integration of IT and restructuring of all departments, Sportingbet Group Australia now comprises 216 staff.

During the year Sportingbet successfully recovered GST of Aus$9.1m from the Australian Tax office relating to overseas wagers. This amount has been included within exceptional items.

In May, a court case in New South Wales upheld the validity of product fees being based on a turnover percentage of amounts wagered rather than as a percentage of NGR. As a result Victoria changed to a turnover based tax and Queensland increased its tax rate resulting in an expected rise in tax payable of around Aus$6m in the financial year 2012-13.

There is the medium-term possibility of significantly increasing profitability if the Australian Government regulates to allow betting in:play, online casino, games and poker. The Productivity Commission report in January 2010 recommended regulation of all products and the present Government has initiated a review of the Interactive Gaming Act. The final results of the consultation process and any proposed changes to the draft law have not yet been published.

Europe

The European business (incorporating the financial results for the Emerging Markets Division) has experienced a year of change with the disposal of the Turkish language website and the implementation of new regulatory and tax regimes in some of its markets, including two of its largest, Spain and Greece. In addition, the difficult economic conditions across much of Europe have depressed trading. These factors have seen the amount wagered on sports decrease by 31% to £814.0m (2011: £1,174.6m). NGR also fell to £103.7m (2011: £166.8m) down 38%, although this was also partly due to new gambling taxes paid during the year of £11.3m. Underlying NGR at constant currency, taking into account the disposal of Turkey and the increases in taxes fell by 12%. However during the period our Spanish website was also closed for two months due to a court injunction which accounted for 3% of this decrease.

Greece, which accounted for 5% of Group amounts wagered, had a particularly tough year due to economic conditions and the passing of the online gaming bill in August 2011. Amounts wagered fell by 21% following a decrease of a similar size in 2011 of 22%. NGR fell by a larger percentage, 37%, largely due to the imposition of the 30% gaming duty. Greek tax, net of our partner’s share, has been paid or accrued totalling £7.2m in the period. Our business remains the online market leader in the country.

Our Spanish business, which operates under the brand name Miapuesta, accounted for 6% of Group amounts wagered. It was a difficult year for the business as it encountered several headwinds. The introduction of a 25% NGR tax in the May 2011 online gaming bill were compounded by difficult economic conditions and a two month enforced closure of the website due to an injunction from a Spanish land based casino operator. Despite the closure of the website and the regulatory ban preventing the contacting of previous customers, the opening of the new licensed website on 5 June has proved the resilience of our market leading brand. By September 2012 the business had recovered ahead of our expectations with around 50% of the sportsbook actives levels seen in the previous year. Casino and games has seen a more pronounced fall in the initial period of 85% in NGR, which we are unlikely to see significantly improve due to the product restrictions introduced by the regulatory regime.

The continued introduction of regulation in many of our European markets is a development we welcome as it provides greater certainty for the continuity of future income streams and increased consumer protection. Although the initial impact is to reduce profits as gaming duty is absorbed and product restrictions are implemented, there is also evidence from countries such as Italy and Australia that the market size increases substantially post regulation. If this is the case in countries such as Greece and Spain, where our brands have enjoyed a market leading position over the last few years, we are well positioned to recover profitability in the medium term.

One of the difficult aspects of regulation is that it absorbs management and IT resources. This has been particularly the case over the last year as Spain, Denmark and Italy have all awarded licenses to the Group. However, as IT resources have been freed they have been redirected towards improving the product and customer experience. Our new and improved In:play Console was rolled out with enhancements including improved navigation, content and personalisation features.

In January 2012 we acquired two Danish companies for a total of £8m which compliment our existing Sportingbet and Centrebet brands. Although the Danish market is relatively small, we believe that the regulatory regime introduced is fair and gives the Group a strong possibility of show casing our products and building a strong market position.

In November 2011 our Turkish language website, which had accounted for 26% of European and Emerging markets revenue in the first quarter, was sold. The Group's strategy has been to move towards increasing the proportion of regulated earnings and it was recognised that the Turkish market was unlikely to licence in a suitable manner for the foreseeable future.

The European cost base has been restructured to reflect the significant loss of income from the Turkish disposal and the implementation of gaming duty in some markets as mentioned above. The fixed cost base has been reduced by £15m pa, approximately 25% of the 2011 total, for a cash outflow of £5m. The restructuring was completed in July 2012 and the current cost base is suitable for the scale of the business and its planned revenue.

The economic recession felt in our largest European markets has impacted the number of sports actives, which fell by 1%. However, by providing markets to bet on every minute of every day we limited the fall in the number of sports bets placed to 8% at 72.8m (2011: 78.9m) and the number of bets per customer fell to 171 (2011: 184). Both the average bet size and the yield per sports active decreased, to £11.28 (2011: £15.01) and £160 (2011: £277) respectively.

Once again the European business produced an industry leading sports margin of 8.3% (2011: 10.0%). In:play betting in our European business accounted for 66% of the value of bets placed during the year and a gross margin of 9.7%. The development of our in:play service continued during the year, with the number of events offered rising by 14% to 67,548. The number of markets per event has also risen with derivative programmes, which improve the accuracy and consistency of returns, being rolled across several sports in addition to those already used in our football product.

The Emerging Markets division saw NGR fall 12% (1% at constant currency) as the 2011 Copa America comparatives were high and our South American businesses had no comparable competition in this financial year. Our licensed South African business recorded growth in amounts wagered of 117% which is the fourth consecutive year that growth has exceeded 100%.

Looking forward to the coming financial year we expect to see our competitive position and market share further enhanced by the release of a licensed mobile betting product in South Africa in the first quarter. The mobile penetration rate in South Africa is rapidly approaching the 100% mark. With the recent introduction of significantly lower-cost mobile broadband services the expectation is for a significant increase in the number of high speed data subscribers capable of accessing our products and services via mobile devices.

Mobile usage has risen to around 15% - 30% in our more mature domains, with the take up varying widely from country to country depending on smartphone penetration. Those customers using smartphones tend to spend more across both online and mobile channels. We now have a Sportingbet or Miapuesta application in the Apple App Store in every regulated market.

Casino and games gross revenue fell by 20% to £37.8m (2011: £47.5m). Our industry leading product range led to a 1% increase in the number of bets, but the difficult economic conditions and regulatory restrictions in markets such as Greece and Spain caused a 6% decrease in the average bet size.

Poker gross revenue decreased to £11.3m (2011: £17.7m) in challenging market conditions, exacerbated by the significantly larger liquidity offered by a market dominant competitor. Towards the end of the year we launched a multi-room solution for Poker to give Paradise Poker customers the widest available range of tables, tournaments, features and promotions. Our casino and games and competitive poker product remain an essential part of our offering, creating a ‘one stop shop’ proven to increase customer loyalty.

OUTLOOK

The Group has had a solid start to the new financial year in line with our expectations.

With over 80% of our revenue coming from regulated countries we are confident that the increased advertising opportunities, improved payment processing and stable business platform provided by our regulated market presence will drive profitable growth in the medium-term.

Whilst the economic outlook remains challenging, our robust position gives us confidence for the current financial year.

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 4.

The Directors of Sportingbet Plc are listed in the Sportingbet Annual Report for the year ended 31 July 2012 and a list of current Directors is also maintained on the Sportingbet Plc website: www.sportingbetplc.com. A copy of this announcement is available on the Sportingbet Plc website: www.sportingbetplc.com.

On behalf of the Board,

J Wilkinson
Group Finance Director
3 October 2012

Sportingbet Plc
Audited Consolidated Statement of Comprehensive Income
Year ended 31 July 2012

Continuing operations	Notes	Core £m	Other £m	**Total Year ended 31 July 2012 £m**	Total Year ended 31 July 2011 £m
Amounts wagered	4	2,349.2	-	**2,349.2**	2,053.9
Net gaming revenue	3,4	185.7	-	**185.7**	204.0
Other operating revenue		3.2	7.0	**10.2**	2.3
Total revenue	4	188.9	7.0	**195.9**	206.3
Administrative expenses excluding exceptional items, share option charge and amortisation of acquired intangible assets		(156.7)	-	**(156.7)**	(168.2)
Group operating profit before exceptional items, share option charge and amortisation of acquired intangible assets	4	32.2	7.0	**39.2**	38.1
Gain on Turkey deferred contingent consideration		-	3.7	**3.7**	-
Other administrative expenses:					
Exceptional items	5	(71.6)	-	**(71.6)**	(10.8)
Share option charge	6	(0.9)	-	**(0.9)**	(1.2)
Amortisation of acquired intangible assets		(9.5)	-	**(9.5)**	(1.7)
Total admin expenses	4	(238.7)	-	**(238.7)**	(181.9)
Group operating (loss)/profit	4	(49.8)	10.7	**(39.1)**	24.4
Finance income		2.2	-	**2.2**	0.5
Finance costs		(8.6)	-	**(8.6)**	(1.1)
(Loss)/profit before taxation		(56.2)	10.7	**(45.5)**	23.8
Taxation		0.1	-	**0.1**	(3.1)
(Loss)/profit for the year		(56.1)	10.7	**(45.4)**	20.7
(Loss)/profit attributable to the owners of the parent		(56.1)	10.7	**(45.4)**	20.7
Other comprehensive income:					
- Amounts initially recycled to equity under designated cash flow hedges		(0.8)	-	**(0.8)**	(0.4)
- Amounts recycled to the Statement of Comprehensive Income to match the hedged items		(0.4)	-	**(0.4)**	(1.2)
- Exchange differences on translation of foreign operations		(5.7)	-	**(5.7)**	1.9
Total comprehensive income attributable to the owners of the parent		(63.0)	10.7	**(52.3)**	21.0
Profit per ordinary share	8				
Basic				**(6.8)p**	3.9p
Diluted				**(6.8)p**	3.9p

Sportingbet Plc
Audited Consolidated Balance Sheet
As at 31 July 2012

	Notes	As at 31 July 2012 £m	As at 31 July 2011 £m
Non-current assets			
Goodwill		**101.7**	41.8
Other intangible assets		**111.0**	33.2
Property, plant and equipment		**26.4**	26.2
Deferred tax asset		**1.1**	1.2
		240.2	102.4
Current assets			
Trade and other receivables		**19.8**	16.3
Cash and cash equivalents		**42.4**	180.2
Derivatives		**0.5**	-
		62.7	196.5
Current liabilities			
Trade and other payables		**(106.8)**	(60.4)
Interest bearing loans and borrowings		**(7.1)**	(6.0)
Derivatives		**(1.9)**	(0.2)
		(115.8)	(66.6)
Net current assets		**(53.1)**	129.9
Non-current liabilities			
Interest bearing loans and borrowings		**(69.0)**	(53.8)
		(69.0)	(53.8)
Net assets		**118.1**	178.5
Equity			
Issued share capital		**0.7**	0.7
Share premium		**60.7**	60.0
Retained earnings		**56.7**	117.8
Total equity		**118.1**	178.5

Sportingbet Plc
Audited Consolidated Statement of Changes in Equity
Year ended 31 July 2012

	Issued share capital £m	Share premium account £m	Other reserves £m	Equity portion of convertible bond £m	Profit and loss account £m	Foreign exchange reserve £m	Total £m
As at 1 August 2010	**0.5**	**59.9**	**-**	**-**	**30.8**	**1.5**	**92.7**
Employee share options	-	0.1	-	-	(0.7)	-	(0.6)
Issue of shares	0.2	-	62.3	-	-	-	62.5
Equity portion of convertible bond	-	-	-	10.3	-	-	10.3
Share option charge	-	-	-	-	1.2	-	1.2
Dividends paid	-	-	-	-	(8.6)	-	(8.6)
Transactions with owners	0.2	0.1	62.3	10.3	(8.1)	-	64.8
Profit for the year	-	-	-	-	20.7	-	20.7
Hedge accounting	-	-	-	-	(1.6)	-	(1.6)
Foreign currency exchange	-	-	-	-	-	1.9	1.9
Total comprehensive income for the year	-	-	-	-	19.1	1.9	21.0
As at 1 August 2011	**0.7**	**60.0**	**62.3**	**10.3**	**41.8**	**3.4**	**178.5**
Employee share options	-	0.7	-	-	(0.3)	-	0.4
Equity portion of convertible bond	-	-	-	1.9	-	-	1.9
Share option charge	-	-	-	-	0.9	-	0.9
Dividends paid	-	-	-	-	(11.3)	-	(11.3)
Transactions with owners	-	0.7	-	1.9	(10.7)	-	(8.1)
Loss for the period	-	-	-	-	(45.4)	-	(45.4)
Hedge accounting	-	-	-	-	(1.2)	-	(1.2)
Foreign currency exchange	-	-	-	-	-	(5.7)	(5.7)
Total comprehensive income for the year	-	-	-	-	(46.6)	(5.7)	(52.3)
As at 31 July 2012	**0.7**	**60.7**	**62.3**	**12.2**	**(15.5)**	**(2.3)**	**118.1**

All Group equity is attributable to the owners of the parent.

Sportingbet Plc
Audited Consolidated Statement of Cash Flows
Year ended 31 July 2012

	Year ended 31 July 2012	Year ended 31 July 2011
	£m	£m
Group (loss)/profit after taxation	**(45.4)**	**20.7**
Depreciation	**3.9**	**5.2**
Software amortisation	**9.9**	**8.1**
Other amortisation	**9.5**	**1.7**
Impairment of property, plant and equipment and software	**18.7**	**-**
Share option charge	**0.9**	**1.2**
Finance cost	**6.4**	**0.6**
Taxation	**(0.1)**	**3.1**
Operating cash flows before movements in working capital	**3.8**	**40.6**
(Decrease) / increase in receivables	**(0.8)**	**(0.9)**
(Increase) / decrease in payables	**3.1**	**(8.7)**
Cash generated by operations	**6.1**	**31.0**
Income tax paid	**(1.5)**	**(2.1)**
Net cash from operating activities	**4.6**	**28.9**
Purchases of property, plant and equipment	**(8.9)**	**(4.1)**
Purchases of software	**(17.0)**	**(20.9)**
Acquisitions	**(108.6)**	**(0.1)**
Interest paid	**(6.4)**	**(0.8)**
Cash used in investing activities	**(140.9)**	**(25.9)**
Loans	**4.0**	**-**
Exercise of share options	**(0.1)**	**(0.7)**
Issue of shares	**0.5**	**61.8**
Finance leases	**(1.4)**	**0.7**
Dividends paid	**(11.3)**	**(8.6)**
Issue of convertible loan notes	**12.9**	**62.0**
Net cash used in financing activities	**4.6**	**115.2**
Net increase in cash and cash equivalents in the period	**(131.7)**	**118.2**
Cash and cash equivalents at beginning of period	**180.2**	**58.9**
Effect of foreign exchange rate changes	**(6.1)**	**3.1**
Cash and cash equivalents at end of period	**42.4**	**180.2**

Sportingbet Plc
Audited Notes to the Financial Information
Year ended 31 July 2012

1. Basis of preparation

The financial information, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and related notes, is derived from the Group financial statements for the year ended 31 July 2012, which have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full accounts within the meaning of section 434 of the Companies Act 2006. This financial information has been agreed with the auditors for release.

The Group Annual Report and Accounts for the year ended 31 July 2012 on which the auditors have given an unmodified report and which does not contain a statement under section 498 of the Companies Act 2006, will be delivered to the Registrar of Companies in due course, and made available to shareholders 20 working days prior to the Annual General Meeting.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information, except for the following:

- IFRS 2 (amendment) - Share-based Payment - Group Cash-Settled Share-based Payment transactions
- Improvements to IFRS 2010

The effect of adopting the above standards and interpretations is not material to Group profit or to Total Equity in the current or prior year. The accounting policies are detailed in the Group's financial statements for the year ended 31 July 2011, which can be found on the Group's website.

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. Net gaming revenue

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

	Year ended 31 July 2012 £m	Year ended 31 July 2011 £m
Gaming revenue	**204.6**	**224.3**
Promotional bonuses	**(18.9)**	**(20.3)**
	185.7	**204.0**

4. 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 presents revenue and profit information and certain asset and liability information regarding the Group's business segments for the periods to 31 July 2012 and 31 July 2011 (for the quarter and the year to date).

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

Year ended 31 July 2012	Europe	Australia	Emerging Markets	PLC	**Core**	**Other**	**Total**
	£m	£m	£m	£m	**£m**	**£m**	**£m**
Net amounts wagered	**770.3**	**1,493.1**	**85.8**	**-**	**2,349.2**	**-**	**2,349.2**
Net revenue	**95.8**	**83.6**	**9.5**	**-**	**188.9**	**7.0**	**195.9**
Depreciation and amortisation of software	(10.8)	(3.0)	-	-	**(13.8)**	**-**	**(13.8)**
Administrative expenses before exceptional items, share option charge and amortisation of acquired intangible assets	(84.8)	(48.8)	(5.3)	(4.0)	**(142.9)**	**-**	**(142.9)**
Group operating profit/(loss) before exceptional items, share option charge and amortisation of acquired intangible assets	**0.2**	**31.8**	**4.2**	**(4.0)**	**32.2**	**7.0**	**39.2**
Gain on Turkey deferred contingent consideration	-	-	-	-	**-**	**3.7**	**3.7**
Other administrative expenses:							
• Exceptional items	(44.9)	(19.5)	-	(7.2)	**(71.6)**	**-**	**(71.6)**
• Share option charge	(0.2)	-	-	(0.7)	**(0.9)**	**-**	**(0.9)**
• Amortisation of acquired intangible assets	(2.0)	(7.5)	-	-	**(9.5)**	**-**	**(9.5)**
Total administrative expenses	(142.7)	(78.8)	(5.3)	(11.9)	**(238.7)**	**-**	**(238.7)**
Operating (loss)/profit	**(46.9)**	**4.8**	**4.2**	**(11.9)**	**(49.8)**	**10.7**	**(39.1)**
Finance income/(cost)	7.1	1.1	-	(14.6)	**(6.4)**	**-**	**(6.4)**
Taxation	(0.3)	0.4	-	-	**0.1**	**-**	**0.1**
(loss)/profit for the period	**(40.1)**	**6.3**	**4.2**	**(26.5)**	**(56.1)**	**10.7**	**(45.4)**
Balance sheet information							
Non-current assets	625.5	394.8	-	(780.1)	**240.2**	**-**	**240.2**
Current assets	29.6	33.2	-	-	**62.7**	**-**	**62.7**
Total liabilities	(101.4)	(83.4)	-	-	**(184.8)**	**-**	**(184.8)**
Expenditure incurred to acquire property, plant and equipment and intangible assets	15.2	10.7	-	-	**25.9**	**-**	**25.9**

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

Sportingbet Plc
Audited Notes to the Financial Information (Continued)
Year ended 31 July 2012

4. Operating segments (continued)

Year ended 31 July 2012	Sports betting	Casino gaming	Poker rake	Other	Core	Other	Total
	£m	£m	£m	£m	**£m**	**£m**	**£m**
Amounts wagered	2,319.0	37.8	11.3	-	**2,368.1**	**-**	**2,368.1**
Promotional bonuses	(11.9)	(3.3)	(3.7)	-	**(18.9)**	**-**	**(18.9)**
Net amounts wagered	2,307.1	34.5	7.6		**2,349.2**	**-**	**2,349.2**
Revenue	155.5	37.8	11.3	3.2	**207.8**	**7.0**	**214.8**
Promotional bonuses	(11.9)	(3.3)	(3.7)	-	**(18.9)**	**-**	**(18.9)**
Net revenue	143.6	34.5	7.6	3.2	**188.9**	**7.0**	**195.9**

Year ended 31 July 2011	Europe	Australia	Emerging Markets	PLC	Total
	£m	£m	£m	£m	**£m**
Net amounts wagered	1,125.5	822.0	106.4	-	**2,053.9**
Net revenue	158.6	37.1	10.6	-	**206.3**
Depreciation and amortisation of software	(11.4)	(1.8)	-	(0.1)	**(13.3)**
Administrative expenses before exceptional items, share option charge and amortisation of acquired intangible assets	(108.2)	(26.4)	(7.1)	(13.2)	**(154.9)**
Group operating profit/(loss) before exceptional items, share option charge and amortisation of acquired intangible assets	39.0	8.9	3.5	(13.3)	**38.1**
Net Turkey revenue	-	-	-	-	**-**
Other administrative expenses:					
• Exceptional items	(1.2)	-	-	(9.6)	**(10.8)**
• Share option charge	(0.5)	(0.2)	-	(0.5)	**(1.2)**
• Amortisation of acquired intangible assets	(1.7)	-	-	-	**(1.7)**
Total administrative expenses	(123.0)	(28.4)	(7.1)	(23.4)	**(181.9)**
Operating profit	35.6	8.7	3.5	(23.4)	**24.4**
Finance income	0.8	0.5	(0.1)	(1.8)	**(0.6)**
Taxation	(0.2)	(2.9)	-	-	**(3.1)**
Profit for the year	36.2	6.3	3.4	(25.2)	**20.7**
Balance sheet information					
Non-current assets	404.7	7.5	-	(309.8)	**102.4**
Current assets	174.5	22.0	-	-	**196.5**
Total liabilities	(114.8)	(5.6)	-	-	**(120.4)**
Expenditure incurred to acquire property, plant and equipment and intangible assets	22.3	2.7	-	-	**25.0**

4. Operating segments (continued)

Year ended 31 July 2011	Sports betting	Casino gaming	Poker rake	Other	**Total**
	£m	£m	£m	£m	**£m**
Amounts wagered	2,009.0	47.5	17.7	-	**2,074.2**
Promotional bonuses	(12.4)	(3.5)	(4.4)	-	**(20.3)**
Net amounts wagered	1,996.6	44.0	13.3	**-**	**2,053.9**
Revenue	159.1	47.5	17.7	2.3	**226.6**
Promotional bonuses	(12.4)	(3.5)	(4.4)	-	**(20.3)**
Net revenue	146.7	44.0	13.3	2.3	**206.3**

5. Exceptional items

		Year ended 31 July 2012	Year ended 31 July 2011
		£m	£m
Property, plant & equipment and software impairments	(a)	**18.7**	-
Spanish tax settlement	(b)	**14.7**	-
Cost arising on exit from Turkey	(c)	**18.1**	4.4
Costs arising on acquisition and integration of Centrebet	(d)	**16.8**	6.4
Other	(c)	**3.3**	-
		71.6	10.8

(a) Following the disposal of the Turkish language website and acquisition of Centrebet, an impairment charge was recognised on assets no longer in use. This charge did not have a cash impact.

(b) The Spanish tax authority contacted all major online gaming operators and made clear that, in its opinion, any online operator that has ever accepted revenues from Spanish customers has an obligation to pay Spanish taxes under two laws, one dating from 1966 and the other from 1977. This charge represents the settlement to the tax authorities in respect of those obligations.

(c) The group incurred various transaction, professional and bad debt costs upon exit from Turkey

(d) During the year, the Group completed the acquisition of Centrebet. Over the course of the year, the company incurred costs in integrating the business with the existing Sportingbet business .

6. Share option charge

	Year ended 31 July 2012 £m	Year ended 31 July 2011 £m
Share option charge	**0.9**	1.2
	0.9	1.2

7. Dividends paid

A final year end dividend of 1.1p per share making a total of £1.7 for the year (2011: 1.7p)

8. Earnings per share

	Year ended 31 July 2012	Year ended 31 July 2011
Profit per ordinary share		
Basic	**(6.8)p**	**3.9p**
Diluted	**(6.8)p**	**3.9p**
Adjusted earnings per ordinary share (before exceptional items, share option charge and amortisation)		
Basic	**5.5p**	**6.6p**
Diluted	**5.3p**	**6.3p**

The calculation of basic earnings per share is based on the profit 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.

	Year ended 31 July 2012 £m	Year ended 31 July 2011 £m
Basic earnings	**(45.4)**	20.7
Exceptional items	**71.6**	10.8
Share option charge	**0.9**	1.2
Amortisation	**9.5**	1.7
Adjusted earnings	**36.6**	34.4

8. Earnings per share (continued)

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

	Year ended 31 July 2012 No.	Year ended 31 July 2011 No.
Weighted average number of shares in issue	**664,872,028**	524,559,273
Employee share schemes	**23,102,765**	16,360,174
Convertible loan notes	**134,718,833**	18,373,559
Fully diluted number of weighted average number of shares in issue	**822,693,627**	559,293,006

As at 31 July 2012 the Group had the following shares in issue and potentially dilutive shares:

	31 July 2012 No.	31 July 2011 No.
Number of shares in issue	**667,095,640**	660,543,128
Employee share schemes	**23,102,765**	16,360,174
Convertible loan notes	**160,381,866**	128,968,253
Fully diluted number of shares in issue	**850,580,271**	805,871,555

9. Related parties

Transactions with Non-Executive directors

Nigel Payne (Non-Executive Director) provided financial consultancy services to the Group amounting to £61,293 (2011: £45,000) via Merlin Financial Advisors LLP.

Sean O'Connor (Non-Executive Director) provided marketing consultancy services to the Group amounting to £24,990 (2011: £60,240) via The Sean O'Connor Consultancy Limited.

10. Acquisitions

(a) Acquisition of Centrebet International Limited

On 31 August 2011, the Group completed the acquisition of 100% if the equity instruments of Australian based business, Centrebet International Limited for £118.6m (Aus $183.6m) taking control of the business on this date. The fair value of consideration as at 31 July 2012 comprised the following:

The fair value of net assets acquired and the acquired intangible assets are as follows:

	£m
Fair value of consideration transferred	118.6
Recognised amounts of identifiable net assets:	
Non-current assets	
Other intangible assets	82.0
Property, plant and equipment	2.4
	84.4
Current assets	
Trade and other receivables	7.7
Cash	18.7
	26.4
Current liabilities	
Trade and other payables	(33.2)
Interest bearing loans and borrowings	(6.4)
DT liability	(4.2)
	(43.8)
Net current assets	(17.4)
Identifiable net assets	**67.0**
Goodwill on acquisition	**51.6**

Consideration transferred
The acquisition of Centrebet was settled in cash amounting to £118.6m. Acquisition-related costs amounting to £16.7m are not included as part of consideration transferred and have been recognised as an expense in the profit or loss as part of exceptional items.

Identifiable net assets
The fair value of the trade and other receivables acquired as part of the business combination amounted to £7.7m, comprised of gross contractual amounts of £8.4m less provision for impaired receivables. As at the acquisition date, the Group expects the total £7.7m to be collected.

Goodwill
Goodwill of £51.6m is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Centrebet's workforce and expected cost synergies.

Contingent liabilities
The fair value of trade and other payables includes £9.3m in respect of a potential regulatory challenge of previous tax charges relating to certain of Centrebet's activities prior to acquisition. After taking independent advice the Group intends to defend the position taken by the previous owners that the most probable outcome will be that no additional tax is payable. Whilst the potential liability of £9.3m could become due in the next 12 months, management believe that it is likely that this contingent liability will be resolved over the next 2-3 years.

Contribution to Group results
Centrebet recorded total revenue of £34.5m and incurred a loss of £4.7m for the 11 months to 31 July 2012, primarily due to integration costs. Before integration costs, Centrebet contributed £13.1m of profit. If Centrebet had been acquired on 1 August 2011, Group revenue for the year would have increased by £3.1m and Group loss for the year would have increased by £2.3m.

(b) Acquisition of Danbook Limted and Scandic Bookmakers Limited

On 31 January 2012, the Group completed the acquisition of 100% of the equity instruments of Danbook Limited for £3.3m and Scandic Bookmakers Limited for £5.7m. The fair value of consideration as at 31 July 2012 comprised the following:

The fair value of net assets acquired and the acquired intangible assets are as follows:

	Danbook	**Scandic**
	£m	£m
Fair value of consideration transferred		
Amount settled in cash	1.8	5.3
Amount settled in shares	0.2	0.3
Fair value of deferred consideration	1.3	-
	3.3	5.7
Recognised amounts of identifuable net assets:		
Non-current assets		
Other intangible assets	0.4	0.8
	0.1	0.0
Current assets		
Trade and other receivables	-	0.2
Cash	0.7	1.4
	0.7	1.5
Current liabilities		
Trade and other payables	(0.1)	(1.5)
	(0.1)	(1.5)
Net current assets	0.6	-
Identifiable net assets	**1.0**	**0.8**
Goodwill on acquisition	**2.3**	**4.9**

Consideration transferred
The acquisition of Danbook was settled in cash and shares amounting to £2.0m. The purchase agreement included an additional cash consideration of £1.3m, payable once the IT integration has been completed. The acquisition of Scandic was settled in cash and shares amounting to £5.7m. Acquisition costs relating to both acquisitions amounted to £0.8m. This was not included as part of consideration transferred and have been recognised as an expense in the profit or loss, as part of exceptional items.

Identifiable net assets
The fair value of the trade and other receivables acquired as part of the total business combination of Danbook and Scandic amounted to £0.2m. As at the acquisition date, the Group expects the total £0.2m to be collected.

Goodwill
Total Goodwill of £7.2m is primarily related to growth expectations, expected future profitability.

Contribution to Group results
Danbook and Scandic contributed profits of £0.2m each, providing a combined total profit of £0.4m for the 6 months to 31 July 2012. If Danbook and Scandic had been acquired on 1 August 2011, Group revenue for the year would have increased by £0.9m and loss before taxation would have increased by £0.2m.