Sportingbet Plc

Audited results for the year ended 31 July 2011

Sportingbet Plc, a leading online sports betting and gaming group, announces its results for the year ended 31 July 2011.

Key Highlights

- Discussions are continuing with Ladbrokes regarding a possible offer for the entire issued share capital of the Group and also with Gaming VC regarding a possible disposal of the Group's Turkish language website
- Integration of Centrebet proceeding well and in line with expectations
- EBITDA for the year up 11% to £51.4m
- Amounts wagered up 4% year on year to £2,054m with NGR up 1%*
- Amounts wagered online in Australia up 62%
- In:play continues to perform strongly - now 67% of European sports amounts wagered (2010: 61%) at an industry leading margin of 9.7% (2010:9.3%)
- Final dividend of 1.1p making a total of 1.7p (2010:1.6p)
- Solid start to new financial year: NGR up 17% in first two months

Financial Highlights for the year

	2011	2010
	£m	£m
Amounts wagered	**2,053.9**	1,971.3
Total revenue	**206.3**	207.5
EBITDA**	**51.4**	46.5
Adjusted operating profit**	**38.1**	35.4
Group operating profit	**24.4**	7.1
Adjusted diluted EPS (p)**	**6.3**	6.2
Diluted EPS (p)	**3.9**	0.7

* Excluding discontinued territories and at constant currency.
** Adjusted to exclude exceptional items of £10.8m (2010: £24.5m), share option charge and amortisation of other intangible assets

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

''This has been a year of significant progress for the Group both in terms of financial performance and corporate developments. We have delivered a strong set of financial results with EBITDA increasing 11% to £51.4m. The benefits of operating across a broad geographical base were demonstrated with strong growth in our Emerging Markets division, Australia and some of our European territories, offsetting the economic weakness in Greece and Spain.

With the acquisition of Centrebet in Australia and the passing of regulations in two of our largest European markets, Greece and Spain, Sportingbet is now well positioned to maximise the opportunities available to it as the global online gaming market continues to develop and regulate.

Our overall strategy of providing a first class sports betting product offering customers an unprecedented number of betting opportunities at all times of the day, remains unchanged. This is underpinned by our proprietary best-in-class in:play offer, superb trading team and focus on giving customers what they want especially in new growth areas such as mobile.

The Group has had a solid start to the new financial year with NGR in the first two months 17% above the same period last 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 progress for the Group both in terms of financial performance and corporate developments. Agreement with the US Department of Justice in September 2010 was followed in August 2011 by the acquisition of Centrebet in Australia and the passing of regulations in two of our largest markets, Greece and Spain. Sportingbet is now well positioned to maximise the growth opportunities available to it as the global online gaming market continues to develop. We already have market leadership in around 50% of the territories in which we operate.

I am pleased to announce a strong set of financial results for the year with EBITDA increasing 11% to £51.4m. The benefits of operating across a broad geographical base were demonstrated with strong growth in our Emerging Markets division, Australia and some of our European countries, offsetting the weakness in two of our largest markets, Greece and Spain. This limited the overall decrease in revenue to 1% although the comparative period did benefit from the Football World Cup which is estimated to have benefited last year's NGR by £8.5m. The decrease in revenue was more than compensated for at the profit level by tight cost control. In addition to the cost synergies being realised following the Centrebet acquisition, the focus on adjusting the cost base to reflect the economic conditions and the increased cost of newly regulated markets, will continue over the coming periods.

Our overall strategy of providing a first class sports betting product offering customers an unprecedented number of betting opportunities at all times of the day, remains unchanged. Sports betting is our 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 which has enabled us to deliver an outstanding trading performance. This success has been clearly demonstrated by an in:play margin of nearly 10% compared to 5% or less for our competitors. 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.

As the online gaming industry matures, governments across the world are recognising the significant potential contribution from online gaming tax revenues as a means to reduce national budget deficits and the need to bring in regulation to protect the consumer and provide a stable trading environment. We welcome these moves and have been exploring ways of increasing the percentage of our revenue derived from regulated markets.

In line with this strategy we recently acquired Centrebet International Limited, a business which predominantly operates in the regulated Australian market. This acquisition has raised the percentage of the Group's proforma revenue derived from regulated markets to over 32% for the 2010/11 financial year. Following completion of the acquisition on 31 August 2011, the integration of Centrebet with our existing Australian sportsbook business is progressing well and the enlarged operation has a market leading position with over 30% share in what is a fast growing and dynamic online sports betting market. The acquisition will be earnings accretive (excluding amortisation of intangible assets) in the first full year post acquisition (2012/13).

The percentage of revenue from regulated markets is also expected to increase significantly over the coming year as countries introduce online gaming legislation. Two of our largest markets, Spain and Greece, which account for 27% of the Group's revenue, have passed laws regulating their markets from the beginning of January 2012. In addition, several of the other smaller markets in which we operate are moving quickly in the same direction. The Group is currently paying tax in Spain and intends to pay tax in Greece when the bill is finally passed into law. The Group expects to apply for a licence in both countries.

Based on our experience in the regulated Australian market, while in the short term regulation and the implementation of the associated tax regimes are expected to reduce profitability, there is an opportunity to grow profits in the medium term despite the greater cost base. The opportunities represented by the increased ability to advertise, improved trustworthiness from being licensed and better payment processing efficiency, combined with an existing strong brand presence, provide a platform for medium term profit growth. In Australia it took three years to recover profitability and then high growth rates experienced during this period continued.

The rollout of the Group's mobile phone offering has been very encouraging since its launch last year. Actives now account for 15% of total customers in our largest markets. The roll out has gathered momentum in the last six months with a total of 11 countries now covered. The take up of the mobile product is expected to continue to grow significantly over the next three years as smart phone and tablet penetration, a key driver of uptake, is expected to exceed 50% in the markets we serve.

Following the acquisition of Centrebet which operates in the regulated Australian market and the impending legalisation of online gaming in two of our largest markets, Greece and Spain, the Group has been exploring the disposal of its Turkish language website. If this is achieved the Group's revenue derived from regulated markets will rise to 67% on a 2011 proforma basis. As previously stated, the advantages of operating in regulated markets are significant and the Group is ideally placed to take advantage of the significant market positions it has in these markets to drive future profitability. There can be no certainty at this time over any disposal of the Turkish language website, nor of the timing or value of such a disposal.

As previously announced the Group is in discussions with Ladbrokes Plc which may or may not lead to an offer being made to purchase the entire issued and to be issued share capital of the company. There can be no certainty that any offer will be forthcoming or as to the terms of any such offer.

Finally, I am pleased to announce that the Board has proposed a final dividend of 1.1p (2010: 1.1p). This brings the total dividend for the year to 1.7p (2010:1.6p), an increase of 6% year on year, and reflects the considerable progress the Group has made recently. If approved by shareholders the dividend will be payable on 12 January 2012 to ordinary shareholders registered as of the close of business on 16 December 2011.

Group Chief Executive's Review

FINANCIAL RESULTS: Year ended 31 July 2011

Amounts wagered for the year ended 31 July 2011 grew by 4.2% to £2,053.9m (2010: £1,971.3m), earning net gaming revenue ("NGR") of £204.0m (2010: £207.5m), down 1.7% on the prior year. At constant currency and taking into account our exit from France and Norway in the prior year, NGR was up 1.2% on a like for like basis.

Amounts wagered on sports betting in Europe (incorporating the financial results for the Emerging Markets division) grew by 0.8% to £1,174.6m (2010: £1,165.1m), earning NGR of £109.5m (2010: £111.6m) down 1.9% year on year. On a like for like basis European sports NGR was up 3.9%.

Casino and gaming contributed a further £44.0m, and poker £13.3m, to both amounts wagered and NGR (2010: £44.9m and £17.4m).

Amounts wagered on Australian sports betting grew by 10.5% to £822.0m (2010: £743.9m), earning post betting tax NGR of £37.2m (2010: £33.6m). This growth excludes the Centrebet acquisition which was completed following the year end.

As a percentage of amounts wagered, the European and Australian sports NGR were 9.3% and 4.5% respectively (2010: 9.6% and 4.5%). However, amounts wagered and NGR are stated after a deduction for customer bonuses of £20.3m (2010: £18.8m). Without the bonus deduction the equivalent numbers would have been 10.0% and 4.9% (2010: 10.3% and 4.7%).

Costs (excluding exceptional items, share option charge and amortisation) in the year were £168.2m (2010: £172.1m), accounting for 81.5% of total revenue (2010: 82.9%).

Operating profit (before exceptional items, share option charge and amortisation) for the year increased 8% to £38.1m (2010: £35.4m).

Earnings before interest, tax, depreciation and amortisation (before exceptional items and share option charge) increased 11% to £51.4m (2010: £46.5m).

Operating profit after the exceptional costs of £10.8m (2010: £24.5m), share option charge of £1.2m (2010: £2.0m) and amortisation of other intangible assets of £1.7m (2010: £1.8m) was £24.4m (2010: £7.1m).

Net finance cost was £0.6m (2010: £0.2m).

Corporation tax increased to £3.1m (2010: £3.0m) due to the increased profitability of our Australian business.

Exceptional costs totalled £10.8m (2010: £24.5m). These costs relate mostly to the acquisition of Centrebet International Limited and the possible disposal of the Turkish language website.

Adjusted basic earnings per share (before exceptional items, share option charge and amortisation) was 6.6p (2010: 6.5p). Diluted earnings per share (before exceptional items, share option charge and amortisation) was 6.3p (2010: 6.2p). Basic Group statutory earnings per share was 3.9p (2010: 0.8p).

As at 31 July 2011, the Group had £180.2m (2010: £58.9m) of cash and liquid resources on its balance sheet. After taking into account £123.6m held in respect of the acquisition of Centrebet, £22.7m (2010: £18.2m) of customer liabilities, £4.0m (2010: £4.0m) of bank loans secured on residential properties in the Channel Islands and £3.1m (2010: £2.5m) of finance leases, net cash at the period end stood at £26.8m (2010: £34.2m).

REVIEW OF OPERATIONS

Sportingbet Group

Sportingbet is one of the world's leading online gaming operators 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 600 people.

Betting on sports is at the heart of the Sportingbet business, accounting for 71% (2010: 69%) of Group gross gaming revenue. The growth in sports betting of 4.6% has primarily been driven by bets placed whilst the game is ‘in:play’, which accounts for 67% of European amounts wagered. Our in:play product has been growing strongly at 24% per annum over the last three years and with an in:play margin of 9.7% (2010: 9.3%), we continue to be the industry leader. In addition, in:play traded in 450 out of the 500 distinct football divisions we offered in 2010/11 and we currently trade between 800-900 football matches in:play per week.

Although football is our core product, accounting for 42% of gross gaming revenue, the Group offers betting markets on all major global sports. We have successfully implemented our internally developed football and tennis derivatives programmes and taken our in:play service on these two sports to a higher level of differentiation both on pricing and market types. As an example we have implemented our internally developed football instants market, offering next corner, next free kick and next throw-in on more than 75% of all in:play football matches offered. The breadth of our sports coverage with football, tennis, and basketball through to local sports such as ice hockey and handball, is now firmly established.

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 Group gross gaming revenue whilst poker makes up the remaining 8%. These products are not offered to our Australian customers due to regulatory constraints.

The Group achieved an operating margin of 18.5% (excluding exceptional items, share option charge and amortisation of intangible assets) during the year which was above the prior year’s 17.1% due to savings in payment processing and staff costs.

Europe

The European business (incorporating the financial results for the Emerging Markets Division) performed well in difficult economic conditions. The gross amount wagered (pre bonus adjustment) on sports increased by 0.8% to £1,184.0m (2010: £1,174.9m), generating gross gaming revenue of £118.9m (2010: £121.4m) down 2.1%. Underlying gross gaming revenue at constant currency increased by 1.5%.

Two of our largest markets Greece and Spain were affected by particularly challenging economic conditions and as a result we saw amounts wagered fall by 22% and 2% respectively. This impacted the number of sports actives, which fell by 10%. However, by providing markets to bet on every minute of every day we saw the number of sports bets placed rise by 4.1% to 78.9m (2010: 75.7m) and the number of bets per customer increased to 184 (2010: 159). Although the average bet size decreased marginally to £15.01 (2010: £15.51), yield per sports customer increased from £254 to £277.

Once again the European business produced an industry leading sports margin of 10.0% (2010: 10.3%). In:play betting in our European business accounted for 67% of the value of bets placed during the year and amounts wagered on live betting increased 9.0% year on year generating total NGR of £76.4m and equating to a gross margin of 9.7%.

The Emerging Markets division again saw strong NGR growth up 56% driven by our Brazilian operation and our regulated South African operation.

The continued increase in smartphone penetration has driven mobile usage to an average of around 15% in our more mature domains, with the take up varying widely from country to country. Those customers using smartphones tend to spend more across both online and mobile channels. Next year will see the introduction of Mobile Casino and Games, which is expected to incrementally increase mobile revenues by the end of the financial year.

Regulation offers new marketing opportunities in the mobile marketing space as Google's Pay Per Click, Apple's App Store and social media sites such as Facebook with their strong mobile following (44% of online users / 350m mobile users) open up their doors to betting and gaming companies where they were previously closed.

Casino and games gross revenue fell by 1.5% to £47.5m (2010: £48.2m). Our industry leading product range led to a 16% increase in the number of bets, but the difficult economic conditions in markets such as Spain and, in particular, Greece caused a 14% decrease in the average bet size.

Poker gross revenue decreased to £17.7m (2010: £21.7m) in challenging market conditions, despite the closure late in our financial year of the US facing businesses of some of our competitors. Our casino and games and competitive poker product remain an essential part of our offering, creating a 'one stop shop' which has proven to increase customer loyalty.

Australia

Gross amounts wagered in Australia increased by 11% from £745.3m to £825.0m resulting in a pre-tax margin of £50.0m (2010: £45.5m). Gambling taxes in Australia amounted to £9.8m in the period (2010: £10.5m). After accounting for these taxes, the post tax margin increased by 15% from £35.0m to £40.2m. After bonuses, NGR increased by 11% from £33.6m to £37.2m.

The sports margin in Australia was well above the long term average in the year at 4.9% (2010: 4.7%) as certain horseracing results favoured the bookmaker.

In line with our strategy of expanding the higher margin internet business, the online operations performed very strongly with the number of actives up 64% and the number of bets up 53%. The internet business now accounts for 77% of the gross margin compared to 52% in the prior year. Not surprisingly, the traditional high roller telephone business was affected by difficult economic conditions causing active telephone customer numbers to decrease by 27% with the amount wagered on the telephone down by 20%.

Our Australian mobile platform was successfully launched last year. The proprietary owned product continued to perform strongly this year with NGR up substantially to over 5% of divisional NGR. As in other countries, the mobile product is increasing the frequency of customer bets and producing a higher margin as it tends to have been used to supplement existing betting opportunities.

In common with other Australian based gaming operators, Sportingbet has made a claim to recover GST from the Australian Tax office relating to overseas wagers. Based on recent court judgements the Group believes that the AUS$9.1m (£5.6m) being claimed will be recovered.

Many of the product fee issues created when the Australian states liberalised their regulations in September 2008 have been satisfactorily resolved to date. However, New South Wales fees remain the subject of a court case which is expected to be resolved in late 2011. As Sportingbet has always paid the required fees, a finding in our favour would result in a repayment of around AUS$13m (£10.4m).

The acquisition of Centrebet was completed on 31 August 2011 following the year end. Although it is relatively early in the integration process the signs are very promising. Our intention remains to keep both brands operating on one platform, thereby targeting maximum revenue upside through diversification whilst also extracting the largest possible cost savings from synergies. The combined business has around one third of the Australian internet gambling market which is regulated, taxed and fast growing. In addition there is the medium term possibility of significantly increasing the profitability of the company if the Australian Government regulate to allow betting in:play, online casino, games and poker.

REGULATORY UPDATE

The Group welcomes the moves towards greater regulation across Europe as it provides greater certainty for the continuity of future income streams, increased consumer protection and also greater certainty for future marketing activities.

Over the last three months we have seen Greece, like Spain publish a new gaming bill which includes provisions for the regulation of online gaming. Whilst the detail behind the bill is yet to be confirmed, it should enable Sportingbet to continue to operate in another regulated market and the Group is confident that it will obtain the relevant licences once there is clarity around the application process. The Group has already started paying tax on its Spanish business at an estimated cost of around £8m per annum and will do so in Greece once the laws are clarified at an estimated cost of approximately £4.5m per annum.

With these two key markets regulating, Sportingbet starts the new financial year with a greater certainty that it will continue to operate successfully within a regulated Europe. We remain committed to creating a Group, where the majority of income is derived from regulated markets.

Whilst there is no certainty what the overall impact of regulation on profitability will be in the short term, we are confident that in the medium term the Group will be able to overcome the immediate increases in operating costs from both tax and through increased marketing activities as we have proven in the Australian market.

OUTLOOK

The Group has had a solid start to the new financial year with NGR in the first two months 17% above the same period last year.

With regulatory change well under way in Europe we are confident that the increased advertising opportunities, improved payment processing and stable business platform this provides will drive profitable growth in the medium term.

The discussions with Gaming VC on the disposal of our Turkish language website are continuing. Similarly, the discussions with Ladbrokes over a possible offer for the Group are also continuing. A further update on these discussions will be provided when appropriate.

Whilst the economic outlook remains challenging, our diversified business model across the different economic cycles of Europe, Australia and South America 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.

Sportingbet Plc
Audited Consolidated Statement of Comprehensive Income
Total year ended 31 July 2011

Continuing operations	Notes	**Total Year ended 31 July 2011 £m**	Total Year ended 31 July 2010 £m
Amounts wagered	3	**2,053.9**	1,971.3
Net gaming revenue	2	**204.0**	207.5
Other operating revenue		**2.3**	-
Total revenue	3	**206.3**	207.5
Administrative expenses excluding exceptional items, share option charge and amortisation of other intangible assets		**(168.2)**	(172.1)
Group operating profit before exceptional items, share option charge and amortisation of other intangible assets	3	**38.1**	35.4
Other administrative expenses:			
Exceptional items	4	**(10.8)**	(24.5)
Share option charge	5	**(1.2)**	(2.0)
Amortisation of other intangible assets		**(1.7)**	(1.8)
Total admin expenses	3	**(181.9)**	(200.4)
Group operating profit	3	**24.4**	7.1
Finance income		**0.5**	0.4
Finance costs		**(1.1)**	(0.6)
Profit before taxation		**23.8**	6.9
Taxation		**(3.1)**	(3.0)
Profit for the year		**20.7**	3.9
Profit attributable to the Owners of the parent		**20.7**	3.9
Other comprehensive income:			
- Amounts initially recycled to equity under designated cash flow hedges		**(0.4)**	0.3
- Amounts recycled to the Statement of Comprehensive Income to match the hedged items		**(1.2)**	0.3
- Exchange differences on translation of foreign operations		**1.9**	1.5
Total comprehensive income attributable to the owners of the parent		**21.0**	6.0
Profit per ordinary share	7		
Basic		**3.9p**	0.8p
Diluted		**3.9p**	0.7p

Sportingbet Plc
Audited Consolidated Balance Sheet
As at 31 July 2011

	Notes	As at 31 July 2011 £m	As at 31 July 2010 £m
Non-current assets			
Goodwill		**41.8**	41.5
Other intangible assets	8	**33.2**	21.8
Property, plant and equipment	8	**26.2**	27.1
Deferred tax asset		**1.2**	2.0
		102.4	92.4
Current assets			
Trade and other receivables		**16.3**	12.6
Cash and cash equivalents		**180.2**	58.9
Derivatives		**-**	1.3
		196.5	72.8
Current liabilities			
Trade and other payables		**(60.4)**	(54.4)
Interest bearing loans and borrowings		**(6.0)**	(5.3)
Derivatives		**(0.2)**	-
		(66.6)	(59.7)
Net current assets		**129.9**	13.1
Non-current liabilities			
Trade and other payables		**-**	(11.6)
Interest bearing loans and borrowings		**(53.8)**	(1.2)
		(53.8)	(12.8)
Net assets		**178.5**	92.7
Equity			
Issued share capital	7	**0.7**	0.5
Share premium		**60.0**	59.9
Retained earnings		**117.8**	32.3
Total equity		**178.5**	92.7

Sportingbet Plc
Audited Consolidated Statement of Changes in Equity
Year ended 31 July 2011

	Issued share capital	Share premium account	Other reserves	Equity portion of convertible bond	Profit and loss account	Foreign Exchange Reserve	Total
	£m	£m	£m	£m	£m	£m	£m
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 year	-	-	-	-	3.9	-	3.9
Dividends paid	-	-	-	-	(7.5)	-	(7.5)
Hedge accounting	-	-	-	-	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**
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)
Profit for the year	-	-	-	-	20.7	-	20.7
Hedge accounting	-	-	-	-	(1.6)	-	(1.6)
Foreign currency exchange	-	-	-	-	-	1.9	1.9
As at 31 July 2011	**0.7**	**60.0**	**62.3**	**10.3**	**41.8**	**3.4**	**178.5**

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

Sportingbet Plc
Audited Consolidated Cash Flow Statement
Year ended 31 July 2011

	Year ended 31 July 2011 £m	Year ended 31 July 2010 £m
Group profit after taxation	**20.7**	3.9
Depreciation	**5.2**	5.4
Software amortisation	**8.1**	5.7
Other amortisation	**1.7**	1.8
Share option charge	**1.2**	2.0
Finance cost	**0.6**	0.2
Taxation	**3.1**	3.0
Operating cash flows before movements in working capital	**40.6**	22.0
(Increase) / decrease in receivables	**(0.9)**	0.8
(Decrease) / increase in payables	**(8.7)**	25.0
Cash generated by operations	**31.0**	47.8
Income tax paid	**(2.1)**	(4.0)
Net cash from operating activities	**28.9**	43.8
Purchases of property, plant and equipment	**(4.1)**	(10.4)
Purchases of software	**(20.9)**	(13.3)
Acquisitions	**(0.1)**	(0.6)
Interest paid	**(0.8)**	(0.2)
Cash used in investing activities	**(25.9)**	(24.5)
Exercise of share options	**(0.7)**	(1.0)
Issue of shares	**61.8**	0.2
Finance leases	**0.7**	2.5
Dividends paid	**(8.6)**	(7.5)
Issue of convertible loan notes	**62.0**	-
Net cash used in financing activities	**115.2**	(5.8)
Net increase in cash and cash equivalents in the period	**118.2**	13.5
Cash and cash equivalents at beginning of period	**58.9**	44.3
Effect of foreign exchange rate changes	**3.1**	1.1
Cash and cash equivalents at end of period	**180.2**	58.9

Sportingbet Plc
Audited Notes to the Financial Information
Year ended 31 July 2011

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 2011, 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 2011 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 2010, which can be found on the Group's website.

2. Net gaming revenue

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

	Year ended 31 July 2011 £m	Year ended 31 July 2010 £m
Gaming revenue	**224.3**	226.3
Promotional bonuses	**(20.3)**	(18.8)
	204.0	207.5

3. 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 business segments for the years to 31 July 2011 and 31 July 2010.

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

2011	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	**Total £m**
Amounts wagered	1,125.5	822.0	106.4	-	**2,053.9**
Total 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 other 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 intangible assets	39.0	8.9	3.5	(13.3)	**38.1**
Other administrative expenses:					
• Exceptional items	(1.2)	-	-	(9.6)	**(10.8)**
• Share option charge	(0.5)	(0.2)	-	(0.5)	**(1.2)**
• Amortisation of other intangible assets	(1.7)	-	-	-	**(1.7)**
Total administrative expenses	(123.0)	(28.4)	(7.1)	(23.4)	**(181.9)**
Operating profit/ (loss)	35.6	8.7	3.5	(23.4)	**24.4**
Finance income/ (cost)	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					
Total assets	268.2	30.7	-	-	**298.9**
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**

3. Operating segments (continued)

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

2011	Sports betting £m	Casino gaming £m	Poker rake £m	Other operating revenue £m	**Total £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)**
Total revenue	146.7	44.0	13.3	2.3	**206.3**

2010	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	**Total £m**
Amounts wagered	1,157.8	743.9	69.6	-	**1,971.3**
Total revenue	167.4	33.6	6.5	-	**207.5**
Depreciation and amortisation of software	(9.7)	(1.0)	-	(0.4)	**(11.1)**
Administrative expenses before exceptional items, share option charge and amortisation of other intangible assets	(112.2)	(24.8)	(4.7)	(19.3)	**(161.0)**
Group operating profit/ (loss) before exceptional items, share option charge and amortisation of intangible assets	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)**
• Amortisation of other intangible assets	(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	-	-	-	(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**

3. Operating segments (continued)

2010	Europe	Australia	Emerging Markets	Unallocated central costs	**Total**
	£m	£m	£m	£m	**£m**
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**

2010	Sports betting	Casino gaming	Poker rake	Other operating revenue	**Total**
	£m	£m	£m	£m	**£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**
Revenue	156.4	48.2	21.7	-	**226.3**
Promotional bonuses	(11.2)	(3.3)	(4.3)	-	**(18.8)**
Total revenue	145.2	44.9	17.4	-	**207.5**

4. Exceptional items

	Year ended 31 July 2011 £m	Year ended 31 July 2010 £m
Department of Justice settlement (a)	**-**	22.8
Centrebet acquisition costs (b)	**6.4**	-
Costs associated with the possible disposal of the Turkish language website (c)	**4.4**	-
Move to the main market (d)	**-**	1.7
	10.8	24.5

(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 the fees incurred in relation to the acquisition of Centrebet International Limited ("Centrebet"), which completed after the balance sheet date (Note 9).

(c) Legal and professional fees relating to the strategic review of the Turkish language website.

(d) 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").

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5. Share option charge

	Year ended 31 July 2011 £m	Year ended 31 July 2010 £m
Share option charge	1.2	1.1
Social security costs on share options	-	0.9
	1.2	2.0

6. Dividends paid

Dividends of 1.1p and 0.6p per share were paid on 11 January 2011 and 31 March 2011 to ordinary shareholders registered on 17 December 2010 and 11 March 2011 respectively.

7. Earnings per share

	Year ended 31 July 2011	Year ended 31 July 2010
Profit per ordinary share		
Basic	**3.9p**	0.8p
Diluted	**3.9p**	0.7p
Adjusted earnings per ordinary share (before exceptional items, share option charge and amortisation)		
Basic	**6.6p**	6.5p
Diluted	**6.3p**	6.2p

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 2011	Year ended 31 July 2010
	£m	£m
Basic earnings	**20.7**	3.9
Exceptional items	**10.8**	24.5
Share option charge	**1.2**	2.0
Amortisation	**1.7**	1.8
Adjusted earnings	**34.4**	32.2

After taking into account the dilutive effects of convertible bonds, the diluted earnings are £21.7m (2010: £3.9m) and the adjusted diluted earnings are £35.4m (2010: £32.2m)

7. Earnings per share (continued)

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

	2011 No.	2010 No.
Weighted average number of shares in issue	**524,559,273**	496,107,615
Employee share schemes	**16,360,174**	19,181,226
Convertible loan notes	**18,373,559**	
Fully diluted number of weighted average number of shares in issue	**559,293,006**	515,288,841

As at 31 July 2011 the Group had the following shares in issue and potentially dilutive shares:

	2011 No.	2010 No.
Number of shares in issue	**660,543,128**	502,038,144
Employee share schemes	**16,360,174**	19,181,226
Convertible loan notes	**128,968,253**	
Fully diluted number of shares in issue	**805,871,555**	521,219,370

8. Property, plant and equipment and other intangible assets

Additions to property, plant and equipment and software were £4.1m and £20.9m respectively for the year (2010: £10.4m and £13.3m), relating largely to software development and IT projects. Significant capital expenditure to note over the last year includes £11.4m in developing Europe trading software.

9. Post balance sheet events

On 26 May 2011, the Group announced a recommended proposal to acquire the entire issued and to be issued share capital of Centrebet International Limited ("Centrebet") effected by way of two schemes of arrangement under Australian law (the "Schemes").

Following the approval of the Schemes by Centrebet Shareholders and Performance Rightholders on 17 August 2011 and by the Federal Court of Australia on 22 August 2011, the Schemes were implemented on 31 August 2011 and Centrebet became a wholly-owned subsidiary of Sbet Australia Pty Limited.

In addition, Centrebet Ordinary Shares were suspended from quotation on the Australian Securities Exchange on 23 August 2011 and an application to remove Centrebet from the official list of the Australian Securities Exchange was made on 31 August 2011.

The total fair value of the purchase consideration was £118m, comprising of 154,761,904 new Sportingbet ordinary shares at 42 pence raising gross proceeds of £65.0m and an issue of £65.0m of 7% fixed rate convertible bonds due 2016, which raised a further £65.0m, gross of issue costs.

The initial accounting for the business combination has not been finalised hence an estimate of the financial effect of the transaction cannot yet be made.

10. 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.

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 Group's regulatory history, and any impact as such action may have on the Group. However, the Board does not consider it likely 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 A$13m to the state of New South Wales this financial year, which may be recoverable if legal action is successful.