Sportingbet.com (UK) PLC

Unaudited preliminary results for the twelve months ended 31 March 2001

Highlights

- Turnover £324.7m (2000: £27.4m).
- Gross margin £14.7m (2000: £0.8m), comprising 5.6% on sports betting (2000: 3.1%) and 1.7% (N/A) on casino.
- Administration expenses £16.7m (2000: £4.1m) at 5.2% of turnover (2000: 14.9%).
- Operating loss before non-trading and exceptional costs £2.1m (2000: £3.3m) before deduction of goodwill amortisation of £1m (2000: £nil) and exceptional costs of £0.5m (2000: £1.8m).
- Good progress in development of the business:
    - Operating presence established in each of the three main time zones
    - Successful flotation on AIM to raise £15.4m net of expenses
    - Customer numbers up by 78,668 to 90,065
    - Customers activity level up 1% to 24% on average
    - Customers drawn from 104 countries
    - Customers active in 24 currencies

Group traded profitably in each of the last two quarters.

Equity shareholders funds of £34.4m (2000: £5.4m), net cash of £12.1m (2000: £6.2m) at 31 March 2001.

Sportingbet.com (UK) PLC chairman, Peter Dicks said:

"I am pleased with the progress that has been made over the last 12 months. Sportingbet has developed from being a relatively small company operating out of Alderney to being a substantial business operating in each of the three main time zones of the world. The Board believes that Sportingbet is the only sports internet betting business with the necessary infrastructure in place to claim to be a genuinely global sports betting operator. Looking forward, we have much to do to capitalise on our strategic positioning in this high growth market but we approach the future with a high degree of confidence."

Chairman's statement

Introduction

The twelve months ended 31 March 2001 represented a year of strong progress for Sportingbet. The Company's key performance indicators have all improved and the Company has generated a large rise in customer numbers, turnover and gross margin. Sportingbet now has customers from 104 countries who bet in 24 currencies and its product is offered and traded in six different languages.

Underpinning this progress has been the strategic acquisitions of two substantial sports betting businesses, Betmaker.com, which serves the American market and the Number One Betting Shop Ltd, which principally serves Australia.

Sportingbet now has an operating presence in each of the main time zones of the world, with a large portfolio of customers in each. The scale of operations has created a more balanced portfolio for risk management which in turn has led to improved margins, notably in the fourth quarter of the financial year.

Financial results

The financial results for the twelve months ended 31 March 2001 show an increase in turnover to £324.7m (2000: £27.4m). Of this, £129.8m (2000: £27.4m) arose through organic growth and £194.9m (£nil) from acquisitions. Gross margin for the twelve months was £14.7m (2000: £0.8m), representing 4.5% of turnover (2000: 3.1%). The sports betting margin improved by 2.5%, from 3.1% to 5.6%, on sports betting turnover of £235.2m (2000: £27.4m).

The cost base of the Company as a percentage of turnover has fallen substantially during the year. Administration costs (excluding exceptional costs and goodwill) of £16.7m (2000: £4.1m) in the twelve months to 31 March 2001 represent 5.2% of turnover as compared with 14.9% last year. During the year, the Company has continued its conservative accounting policy of writing off the vast majority of expenditure on software development, £3.6m, and all of marketing expenditure, £3.5m. The balance of costs comprise wage costs of £5.5 million, payments to marketing partners of £1.5 million and infrastructure costs of £2.6 million. The scalability of the Company's cost model is such that costs as a percentage of turnover are expected to continue to fall significantly in the forthcoming year.

The operating loss for the twelve months ended 31 March 2001 was £2.1m (2000:£3.3m) before non-trading and exceptional costs, comprising £1.0m of goodwill and £0.5m of charges for payments made to Singinvests, the Company's main Asian marketing partner. The costs of raising funds through the issue of a £6.5m three year loan note in August 2000 have been fully amortised in the year in accordance with FRS4 and a charge of £0.4m was incurred.

The financial results for the three months ended 31 March 2001 show a significant increase in turnover to £106.8m which together with the strong growth in the sports gross margin percentage generated an operating profit of £0.9m (2000: loss of £0.7m) for the quarter. This operating profit is stated before charging non-trading and exceptional costs which comprise £0.4m of goodwill on acquisitions and a £0.1m charge in respect of payments made to Singinvests for the provision of services to the Group.

Sportingbet was admitted to the Alternative Investment Market of the London Stock Exchange on 30 January 2001 and £15.4m (net of expenses) of expansion capital was raised at the time of admission. Of these funds, £5.0m was used as initial consideration for the acquisition of the Number One Betting Shop and a further £3.0m has been used since the year end for working capital expansion as a result of the acquisition.

The Company's Balance Sheet showed £34.4m of equity shareholders funds including £12.1m of cash balances at 31 March 2001. The Group had an operating cash outflow of £1.5m in the year (2000: £2.7m). The cash outflow in the year comprised a cash outflow of £3.1 m in the first half of the year and a cash inflow of £1.6m in the second half of the year.

Strategy

The Board remains focused on establishing Sportingbet as the leading retail online global sportsbook. Given that revenue growth is the main determinate of increasing profitability, the Group's business development strategy is focused on revenue generation through the acquisition of new customers and increasing the activity levels of the Group's existing customer base. The Board continues to view the pursuit of suitable acquisition opportunities, marketing and promotional activities and the further development of the Company's product offering to be particularly important in delivering this strategy.

During the year the Company's physical operating presence in Alderney (serving Europe, Middle East and Africa, "EMEA") was augmented through two strategic acquisitions, Betmaker.com (serving America, "AMER") and the Number One Betting Shop (serving Australasia and eventually Asia, "AA"). Both acquisitions have added significant new customers, revenue and margin and have been integrated quickly, with little disruption. The Board believes that despite this significant expansion the Company's market share, in line with all Internet sports betting businesses, remains minimal, with scope for considerable further expansion.

Operating performance

The Company's customer base has grown substantially during the year. Customer numbers have risen by 78,668 from 11,397 at the 31 March 2000 to 90,065 at 31 March 2001. Of these 37,003 arose from organic growth and 41,665 through acquisition. Growth in the fourth quarter has been particularly strong with customer numbers rising 31,463, of which 11,936 arose from organic growth, 1,527 from the acquisition of the database of Firststake plc in February 2001 and 18,000 from the acquisition of the Number One Betting Shop.

The breakdown of customers by region:

GROSS CUSTOMER NUMBERS

Region	1 Mar 00	30 Jun 00	31 Sep 00	31 Dec 00	31 Mar 01
AMER	4,032	31,223	35,637	40,092	44,372
EMEA	6,214	9,012	11,633	13,918	18,388
AA	1,151	2,394	3,323	4,592	27,305
Total	11,397	42,629	50,593	58,602	90,065

The Board is pleased with the activity level of the Company's customer database during the year, where on average activity levels have been 1% higher than in the previous year. Further improvement is however possible and during the forthcoming year an increased proportion of the marketing budget has been set aside to enhance this key operating measure.

Risk Management

The Company has maintained a consistent risk management policy throughout the year, notwithstanding the substantial growth in turnover and customer numbers. This policy is focused on attracting retail customers and not the more risky high spending clientele. The Company's in-house software platform monitors risk management carefully and procedures have been specifically developed with this in mind. The Board believes that this policy has been a significant factor in improving the quality of earnings as the Company's operating base has expanded and continually seek to improve its procedures wherever possible.

Customer spend has shown a steady increase, rising by circa 10% on average during the year. This increase is generally as a result of an increase in the number of bets placed as the Company widens its product offering and not an increase in the size per bet. Average bet size has remained stable. Within the USA, however, whilst overall turnover has increased per head over last year, the Company has seen a reduction in spend per head in its casino and an increase in its sportsbook. The Board believes that the Company's casino spend is now in line with that of pure play online casino businesses.

ANNUAL SPEND PER ACTIVE CUSTOMER

	31 Mar 00	31 Mar 01
AMER	£21,000	£22,000
EMEA	£4,600	£5,100
AA	£23,000	£28,000

Product development

The Company is committed to offering its customers a premium quality product and continues to invest in its software platform. During the year the Company has added bespoke, fit for purpose, Spanish, Japanese, Turkish and Chinese language sites to its product offering. This is in addition to the English and German sites previously offered. Korean, Thai and Italian web sites are in development and will be launched in the near future. Further product enhancements are in progress and the Company expects to be able to offer its EMEA and AA customers an online casino product from the middle of summer of 2001.

New media channels continue to be developed which may in time provide the opportunity for large revenue streams for the Company. These include third generation mobile telephones and interactive television applications. The Company's software platform has been developed to take advantage of such opportunities. However, the penetration of these applications in global markets remains, in the Board's view, at least two years away. The Board nevertheless continues to closely monitor developments in these areas.

Marketing initiatives

The Company has actively pursued marketing partnerships during the year as it sees this as one of the main ways to penetrate local markets. The marketing partnership with Singinvests, which went live in the summer of 2000, has performed well and has met expectations. The Company's activities in Asia were further strengthened in April 2001 with the signing of an exclusive five year contract with Ozmosa Ltd, a substantial network of sales agents in South East Asia. This opportunity will go live in early summer 2001, although revenue is not expected to flow to any degree until the start of the European Soccer Season in late August 2001. This new agreement complements the Company's agreement with Singinvests.

Marketing agreements with J-Craft (Japan) and Superbahis (Turkey) were also launched this year. These are attractive markets and the gross margin percentage from sports betting in these regions has to date been higher than most of the Company's other markets as a consequence of limited competition.
The growth in the number of customers from Turkey has met the Company's expectation and has grown strongly in recent months. The number of customers from Japan is however presently behind expectation as a result of the country's unique culture taking longer to embrace the Internet as a means of sports betting. Although it will probably take longer to realise than originally anticipated, the significant growth potential of the Japanese market, particularly in light of the 2002 World Cup, remains highly attractive to the Company.

Regulatory developments

The Directors believe that operating from a well respected regulatory environment is key to attracting an international customer base. Strong emphasis is therefore placed in ensuring that the Company conducts its affairs appropriately in those jurisdictions within which the Company operates. More importantly, the attitude of Governments and regulators in all of the principal areas where the Group has customers is closely followed.

It is clear that there is a debate with regard to Internet sports betting being conducted in many jurisdictions, particularly in the U.K., U.S. and Australia. In the U.S., the recent move to allow intra-state online casino gaming in Nevada may indicate a shift in the mood of U.S. legislators towards regulation, though any firm decision is still some way off. In Australia, recent discussion has involved proposals designed to limit the ability of Australian businesses from taking Internet bets whilst at the same time specifically allowing non-Australian Groups such as Sportingbet to continue to take such bets.

In the UK, we await the review, in the summer of 2001, of the Gambling Review Body into betting, although at this stage the Board does not believe the review will have material implications for Sportingbet. In the recent budget the Government implicitly acknowledged the threat to traditional bricks and mortar sports betting providers not to mention the threat to betting tax receipts by the explosive growth of new off-shore providers.

Whilst the Board welcomes the UK Government's recognition of the significance of this industry and the importance of high quality regulation of the industry, the Board currently believes that the Group's business is such that shareholders' interests are best served by the business continuing to operate from the well regulated and tax free environment of Alderney.

Management

The Board recognises the scale of change that the Company has undergone during the twelve months to 31 March 2001. The operating and financial dynamics of the business are materially different to those in place at the beginning of the year. In such circumstances, and mindful of the expected continued strong growth of the Company, the Board has placed considerable emphasis in ensuring that an appropriate quality management infrastructure is in place, not only in the central functions based in London, but also local management who operate the time zone regional businesses in Alderney, Australia and Costa Rica.

As a result of this focus, the management strength of the Group has been substantially improved during the year and the Board is confident that the quality of personnel in place is befitting of the needs of the Company. In this regard, Colin Walker, formerly Managing Director of Sportingbet.com (Alderney) has been invited to join the Board as Group Operations Director with effect from 6th June 2001. Before moving to Sportingbet in January 2000, Mr. Walker spent seven years at Ladbrokes Racing, first as marketing director and then as divisional managing director of the telephone betting division.

Outlook

During the first quarter to date of the new financial year the Company's key performance indicators have continued to progress and the Company's financial performance is in line with management expectation. The integration of the Number One Betting Shop is proceeding well and the Board is particularly pleased with this business, its management team and the growth opportunities it presents.

Financial performance in the first quarter to date is materially better than last year. Shareholders should however be aware that the first quarter of the year is seasonally the quietest quarter for sports betting in all of the Company's main betting markets. The volume of major sports betting opportunities is lower than other quarters, and the margin earned on sports that are played is lower than in the busier seasons.

The Company continues to progress well in meeting its stated objectives. As the Company's profile increases around the world, the Company is being referred to by shareholders and in the media as "Sportingbet" and not " Sportingbet.com". The Board believes that the Company's name should be amended to recognise this and will accordingly be proposing a change of name to Sportingbet plc at its Annual General Meeting later in the year.

Over the last twelve months the Group has put in place much of the infrastructure necessary to exploit the global sports betting opportunity. The challenge going forward is to acquire and retain active, profitable, retail customers at sensible prices. This will enable Sportingbet to leverage its highly scaleable business model and secure the long term potential of the business. The Board remains confident that the Company has the business model to succeed in this aim and looks forward to achieving further solid progress during the forthcoming year.

Peter Dicks
Chairman

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Sportingbet.com (UK) plc
Unaudited Consolidated Profit and Loss Account
Twelve months ended the 31 March 2001

	Year Ended 31st March 2001 £	Year Ended 31st March 2000 £
TURNOVER - Continuing organic business	129,811,351	27,420,456
- Acquisition	194,860,014	-
	324,671,365	27,420,456
Cost of sales	(309,992,609)	(26,578,936)
GROSS PROFIT	14,678,756	841,520
Administration expenses	(18,289,867)	(5,893,049)
Group Operating Loss before exceptional		
Items and goodwill amortisation	(2,075,411)	(3,261,529)
Exceptional costs	(500,002)	(1,790,000)
Goodwill amortisation	(1,035,698)	-
GROUP OPERATING LOSS	(3,611,111)	(5,051,529)
Interest receivable	239,246	46,798
Finance Costs - Interest payable	(424,945)	(2,285)
- Amortisation of loan issue costs	(401,198)	-
	(826,143)	(2,285)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(4,198,008)	(5,007,016)
Taxation	(2,254)	-
LOSS FOR THE FINANCIAL PERIOD	(4,200,262)	(5,007,016)
LOSS PER ORDINARY SHARE	(3.6p)	(4.9p)

	Twelve months to 31st March 2001	Twelve months to 31st March 2000
1 Analysis of revenue by activity		
Sports Betting	235,310,133	27,420,456
Casino Betting	89,361,232	-
	324,671,365	27,420,456
2 Analysis of revenue by region		
AMER	213,223,656	11,943,665
EMEA	42,124,113	13,745,579
AA	69,323,596	1,731,212
	324,671,365	27,420,456

Sportingbet.com (UK) plc
Unaudited Consolidated Balance Sheet
at 31 March 2001

	Year Ended 31st March 2001 £	Year Ended 31st March 2000 £
FIXED ASSETS		
Goodwill	33,996,814	-
Tangible assets	2,590,607	742,100
	36,587,421	742,100
CURRENT ASSETS		
Debtors	7,004,900	513,300
Cash at bank and in hand	12,083,348	6,167,445
CREDITORS:		
Amounts falling due within one year	11,807,190	1,871,450
NET CURRENT ASSETS	7,281,058	4,809,295
TOTAL ASSETS LESS CURRENT LIABILITIES	43,868,479	5,551,395
CREDITORS:		
Amounts falling due after more than one year	2,896,552	-
Convertible loan note	6,530,000	-
Provision for liabilities and charges	35,000	105,000
NET ASSETS	34,406,927	5,446,395
CAPITAL AND RESERVES		
Called up share capital	136,244	111,304
Shares to be issued	8,371,551	1,000,000
Share premium	35,847,581	10,083,278
Other reserves	257,756	257,756
Profit and loss account	(10,206,205)	(6,005,943)
EQUITY SHAREHOLDERS' FUNDS	34,406,927	5,446,395

Sportingbet.com (UK) plc
Unaudited Cash Flow statement
Twelve months to the 31 March 2001

	Year Ended 31st March 2001 £	Year Ended 31st March 2000 £
Cash outflow from operating activities	(1,535,685)	(2,698,086)
Returns on investment and servicing of finance	(586,897)	44,513
Investment in subsidiaries	(12,067,928)	0
Capital expenditure	(1,183,132)	(428,082)
CASH OUT FLOW BEFORE FINANCING	(15,373,642)	(3,081,655)
Financing	21,289,545	9,320,281
INCREASE IN CASH IN THE YEAR	5,915,903	6,238,626
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS		
Increase in cash in the year	5,915,903	6,238,626
Cash (inflow) / outflow from (increase) / decrease in debt	(6,530,000)	208,209
MOVEMENT IN NET FUNDS IN YEAR	(614,097)	6,446,835
Net funds at start of year	6,167,445	(279,390)
NET FUNDS AT END OF YEAR	5,553,348	6,167,445

Notes

The calculation of loss per share is based on the loss after tax of £4.2 million (2000: loss after tax £5.0 m) and on 115,141,746 (31 March 2000:103,757,933) ordinary shares, being the weighted average number of ordinary shares in issue.

There have been no changes to the accounting policies of the Group as set out in 31 March 2000 financial statements.

The financial information in this statement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the year ended 31 March 2000 have been extracted from the accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified.