

# Sportingbet Plc

---

## **Unaudited results for the third quarter ended 30 April 2007**

Sportingbet, the online sports betting and gaming group, announces its results for the third quarter ended 30 April 2007.

In order to aid comparison, the financial and operational information for the prior period is stated excluding the US business that was sold/closed in October 2006 resulting in Sportingbet's complete exit from that market. Highlights and commentary on the results for the nine months to 30 April 2007 are included at the end of this announcement.

## **Financial highlights – Third quarter ended 30 April 2007**

- Group operating profit\* up 275% to £3.0m (2006: £0.8m)
- Cash on the balance sheet, net of customer liabilities, of £38.1m
- Diluted earnings per share\* of 0.7p (2006: 0.2p loss)

(\* Stated pre exceptional charges, goodwill amortisation and FRS 20 share option charges)

## **Business highlights – Third quarter ended 30 April 2007**

- Strong performance in core sports betting business
- Pipeline of product enhancements for delivery over coming months
- Considerable achievements in Q3 laying foundations for future growth
  - Customer Services now fully operational in Dublin
  - Paradise to Boss work complete – seamless migration on 24 May
  - Operational and IT work underway ahead of planned move to the Channel Islands

**Andrew McIver, Group Chief Executive, said:**

“Following our exit from the US market in October 2006, our aim in this current financial year is to build a solid foundation for the future and thereby enable us to capitalise efficiently on the opportunities that this high growth market continues to present. During this last quarter, significant “behind-the-scenes” achievements have been completed: all customer service personnel have been relocated to one dedicated service centre and all Poker players are now playing on a single platform. Work continues on the next major Group project, being the relocation of licensable functions to the Channel Islands.

I am particularly pleased that during this period, not only have we achieved all of these important steps on schedule and to plan, but at the same time we have delivered a three fold increase in profitability.”

**For further information please contact:**

**Sportingbet Plc**

Andrew McIver, Group Chief Executive  
Simon Gregory, Director of Business Development

**Tel: 020 7184 1800**

**Smithfield Consultants**

George Hudson

**Tel: 020 7903 0669**

## FINANCIAL RESULTS

In order to aid comparison, the financial and operational information for the prior periods is stated excluding discontinued businesses. Commentary on the results for the nine months to 30 April 2007 is included at the end of this announcement.

### Third quarter ended 30 April 2007 – Continuing operations

Turnover for the third quarter ended 30 April 2007 was £291.1m (2006: £229.4m), earning a gross profit of £31.9m (2006: £29.7m) at 11.0% of turnover (2006: 12.9%). Sports betting turnover in Europe was £156.3m (2006: £131.0m), earning a gross profit of £15.1m (2006: £10.6m).

Turnover and margin for the period are stated after a deduction for customer bonuses of £2.5m (2006: £2.2m). The European and Australian sports gross profit as reported was 9.6% and 2.2% of turnover respectively (2006: 8.0% and 2.9%). Without the bonus deduction the equivalent numbers would have been 10.6% and 2.3% (2006: 8.8% and 3.0%).

Australian sports betting turnover was £120.7m (2006: £81.6m), earning a gross profit of £2.7m (2006: £2.4m), the year on year increase in turnover more than offsetting the weaker margin. On much reduced liquidity, Paradise Poker contributed gross profit of £2.8m (2006: £4.5m) during the period. European poker, provided by Boss, still managed to achieve gross profit of £3.4m (2006: £4.1m) despite the impact of migration work. Casino and gaming contributed gross profit of £7.9m (2006: £8.1m) down slightly year on year ahead of the major upgrade now being rolled out.

Costs (excluding exceptional items, share option charge and goodwill amortisation) in the third quarter were £28.9m (2006: £28.9m).

During the quarter exceptional items of £62.3m (2006: £nil) were charged. These comprised £51.4m relating to the migration of Paradise to Boss, including an impairment charge of £46.2m in relation to goodwill in Paradise Poker. The impairment writes the Paradise goodwill down to nil but it is possible that as part of the detailed year end audit process this nil valuation may be revised upwards. The £51.4m exceptional compares favourably to the £55m estimated in the announcement at the start of this initiative in February. The remaining £10.9m of exceptionals relate to the transfer of operations to Dublin and the Channel Islands and again compare favourably to the £13.5m estimated in the announcement of these initiatives in March. Of the total of £62.3m, £11.3m is likely to be a cash expense.

Operating profit (before exceptional items, share option charge and goodwill amortisation) for the third quarter was £3.0m (2006: £0.8m).

Profit before tax after exceptional charges, share option charge of £2.8m (2006: £1.1m) and goodwill amortisation of £1.4m (2006: £1.4m) and after crediting £0.6m of interest income (2006: £1.0m charge) was a loss of £62.9m (2006: £2.7m loss).

Basic earnings per share before share option charges and amortisation of goodwill was 0.8p (2006: 0.2p loss). Diluted earnings per share before exceptionals, share option charges and amortisation of goodwill was 0.7p (2006: 0.2p loss).

As at 30 April 2007, the Group had £50.1m of cash and liquid resources on its balance sheet, of which £12.0m related to customer liabilities.

## **REVIEW OF OPERATIONS**

### **Sportingbet Group**

As with previous announcements, quarters one and three provide a brief update on operational developments with a more detailed analysis accompanying the interim and year-end results.

This financial year remains one of operational focus for the Group with the intention of establishing a strong platform for growth for forthcoming years. Accordingly, the Group has continued to drive forward a number of major projects during the quarter to either enhance the customer experience in the future or create further efficiencies within the business.

During the quarter, we have successfully amalgamated all non-Australian customer services personnel in a single dedicated customer services centre in Dublin, Ireland. This unit, now headed by a new highly experienced management team, aims to provide first rate customer service for all Sportingbet products in a seamless manner. This operation went live on 2 April 2007.

In addition, significant work has been undertaken by both Sportingbet and representatives from Boss Media to migrate poker players from the Paradise Poker platform to the Boss Media run IPN Network. This work continues to enhance our working relationship with Boss, the supplier of both our casino and poker products. A smooth and successful migration took place on 24 May 2007, and early signs from the combined effects are encouraging, with initial indications suggesting that we will lose less than the expected 20% of customers. Product enhancements exist for both sets of players; this will be the first time that Boss based players will have direct access to an embedded blackjack and casino product and similarly the first time that European based Paradise Poker players will have direct access to sportsbetting facilities. Now the migration is complete, focus returns to the marketing of the Paradise Poker brand.

Our increased focus on the customer experience is delivering further product enhancements. In the quarter, a new version of the casino has been built and integrated, refreshing the existing product with enhanced features, graphics and new games. In addition, our virtual games offering is also being revamped. These updates, along with the continued rollout of the improved sports product with its superior in-running functionality, will be deployed across the portfolio over the coming months.

As announced on 28 March 2007, as part of Sportingbet's ongoing organisational strategy, the Board continually reviews the most appropriate locations for the various elements of its business. As a result of the considerable uncertainty surrounding the precise operational requirements of the 2005 UK Gambling Act, and with ever limited time remaining to adopt the eventual requirements, it is the Board's intention to transfer certain activities to a more defined regulatory environment. The Group already holds a licence in the Channel Islands, granted by the Alderney Gambling Control Commission, and will be moving its licensable activities from the UK to the Channel Islands prior to 1 September 2007. This process was initiated during the quarter and is now well advanced.

## **Europe**

The number of customers who bet on the region's sports betting websites rose by 11% to 215,348 (2006: 194,636).

The number of sports bets placed by these customers increased by 22% to 12.9m (2006: 10.5m) at a rate of 60 bets per active customer per quarter (2006: 54 bets), and the average sports bet size was £12.26 (2006: £12.48). The sports margin percentage after betting tax was 10.6% (2006: 8.8%).

Given the degree of operational changes being made across the business during the quarter effort was concentrated on existing customers rather than pure recruitment. In aggregate, yield per sports active customer increased by 32% from £58.56 to £77.57 in part as a result of increased margin, but also from the number of bets made per customer; a function of the enhanced betting in-running product which is being rolled out across the portfolio. The cost of acquiring a new active customer increased by 15% to £167 (2006: £145).

The number of customers who bet on the Group's casino websites decreased by 4% to 30,157 (2006: 31,492). The number of bets placed by these customers rose by 5% to 36.9m (2006: 35.2m) at an average bet size of £4.83 (2006: £5.42). The casino margin percentage was 3.36% (2006: 3.21%).

During the quarter the European region generated £3.6m of poker rake (2006: £4.4m), down 18% year on year, on the Boss Media platform. In addition, Paradise Poker generated a further £3.0m of poker rake (2006: £4.7m) from its remaining non-US players on its proprietary owned software platform. Following migration, all Group poker rake will, in future, be reported as a single line item.

## **Australia**

The number of customers who bet with the region's sports betting business increased by 52% to 11,852 (2006: 7,775). The number of sports bets placed by these customers rose by 78% to 2.0m (2006: 1.1m) at a rate of 166 bets per customer per quarter (2006: 142 bets). The average sports bet size was lower at AUS\$153 (2006: AUS\$176), reflecting the increased activity on the more leisure-oriented internet platform.

During the quarter, the proportion of bets taken over the internet rose to 82% (2006: 74%). The margin, after betting taxes, was disappointing during the quarter at 2.3% (2006: 3.0%), partially impacted by additional taxes from the Racing Victoria Limited levy versus the 2006 comparator. The cost of acquiring a new active customer fell to AUS\$481 (2006: AUS\$778).

## **Offer Talks**

On 7 March 2007, the Board announced it was in very preliminary talks with bwin Interactive Entertainment AG regarding a potential combination of the two groups. These discussions continue and due to complex legal, regulatory and operational issues, remain protracted. Such discussions may or may not lead to a transaction between the two parties and the Board will provide further updates in due course and when necessary.

## **Regulatory Developments**

Much uncertainty remains regarding regulation across this industry; however, the Board continues to believe that a properly regulated market remains the most appropriate structure for any gambling industry. Internally, Sportingbet continues to implement best practice policies in this regard wherever practical. Group services are provided only from jurisdictions that are licensed and regulated. To facilitate this, the Group is currently licensed in the UK, Alderney, Antigua, Italy and Australia. The Group also undertakes ongoing regulatory reviews and risk assessment processes with regard to this uncertainty.

Externally, considerable confusion exists both within various governments and internationally as to the best way of regulating this industry. There is little sign, however, that the market distortions which now exist across various markets show any signs of being resolved. Diverse government policies ranging from the provision of licenses and proper regulation to blatant protectionism of monopoly provided services are now in place. The Board welcomes the recent European Court of Justice ruling in the so called Placanica case requiring EU governments to justify, for reasons of public interest, the limitation of supply of other EU member services in this sector.

As part of the Group's ongoing risk assessment process, it continues to monitor legal and regulatory developments in jurisdictions where it operates or where customers have been or continue to be offered services. The Group considers the potential impact on its business, and continues to take appropriate advice in this respect. There remains much uncertainty as to what, or where, regulatory actions, if any, may occur and any impact such actions may have on the Group.

For the avoidance of doubt, the Group ceased taking bets from US resident customers resulting in a total exit from the US market prior to the enactment of the UIGEA on 13 October 2007. The Board notes the recent political developments in the US with regard to certain proposed legislative reforms and confirms that it is taking no part in any reported initiatives to overturn, challenge or amend that or related legislation.

## **Trading Outlook**

Margin in May has been below average due to less favourable results across European soccer. However, at this point, the Board remains confident of the outlook for the remainder of the current financial year and beyond.

As stated in the interim announcement, the Board's aim for the current year is to establish a solid platform from which to focus the Group's customer offering. A major cost restructuring was completed soon after the exit from the US, establishment of the customer services centre in Dublin has been finalised and more recently we have successfully migrated all our poker players onto a single integrated platform. Significant work is underway to move certain operational aspects of the business to the Channel Islands during the summer period. The Board remains confident that the full benefit of these initiatives will flow through during future periods.

**Sportingbet Plc**  
**Unaudited Consolidated Profit and Loss Account**  
**Nine months ended 30 April 2007**

	Notes	3 months to 30 April 2007 £m	3 months to 30 April 2006 Restated £m	9 months to 30 April 2007 £m	9 months to 30 April 2006 Restated £m
Turnover	- continuing operations	291.1	232.4	836.3	656.0
	- discontinued operations	-	274.9	228.2	979.4
<b>Turnover</b>	2	<b>291.1</b>	<b>507.3</b>	<b>1,064.5</b>	<b>1,635.4</b>
Cost of sales		(259.2)	(422.9)	(931.8)	(1,403.3)
<b>Gross profit</b>		<b>31.9</b>	<b>84.4</b>	<b>132.7</b>	<b>232.1</b>
Gross profit %		11.0%	16.6%	12.5%	14.2%
Exceptional items	3	(62.3)	-	(314.7)	-
Share option charge		(2.8)	(1.5)	(5.0)	(4.5)
Goodwill amortisation		(1.4)	(5.6)	(7.6)	(16.6)
Other administration expenses		(28.9)	(55.6)	(112.8)	(146.2)
Total administration expenses		(95.4)	(62.7)	(440.1)	(167.3)
<b>Group operating profit before exceptional items, share option charge and goodwill amortisation</b>		<b>3.0</b>	<b>28.8</b>	<b>19.9</b>	<b>85.9</b>
Exceptional items	3	(62.3)	-	(314.7)	-
Share option charge		(2.8)	(1.5)	(5.0)	(4.5)
Goodwill amortisation		(1.4)	(5.6)	(7.6)	(16.6)
Group operating (loss)/profit - continuing operations		(63.5)	(1.5)	(78.0)	(4.2)
- discontinued operations		-	23.2	(229.4)	69.0
<b>Group operating (loss)/profit</b>		<b>(63.5)</b>	<b>21.7</b>	<b>(307.4)</b>	<b>64.8</b>
Finance costs	6	0.6	(0.5)	2.0	(2.3)
<b>(Loss)/profit before taxation</b>		<b>(62.9)</b>	<b>21.2</b>	<b>(305.4)</b>	<b>62.5</b>
Taxation		(0.2)	(0.5)	(0.9)	(1.2)
<b>(Loss)/profit after taxation</b>		<b>(63.1)</b>	<b>20.7</b>	<b>(306.3)</b>	<b>61.3</b>
Minority interest		-	-	0.4	-
<b>(Loss)/profit for the financial period</b>		<b>(63.1)</b>	<b>20.7</b>	<b>(305.9)</b>	<b>61.3</b>
<b>(Loss)/earnings per ordinary share – continuing and discontinued operations</b>	8				
Basic		(14.6)p	4.9p	(71.3)p	15.9p
Diluted		(12.4)p	4.8p	(60.6)p	15.4p
<b>(Loss)/earnings per ordinary share – continuing operations</b>	8				
Basic		(14.6)p	(0.8)p	(18.2)p	(2.2)p
Diluted		(12.4)p	(0.7)p	(15.5)p	(2.1)p

**Sportingbet Plc**  
**Unaudited Consolidated Balance Sheet**  
**As at 30 April 2007**

	<b>30 April 2007</b>	30 April 2006	31 July 2006 Restated
	£m	£m	£m
<b>Fixed assets</b>			
Intangible assets – goodwill	55.8	368.3	351.6
Tangible assets	17.1	11.8	16.4
Investment in joint venture	-	8.5	8.0
	<b>72.9</b>	<b>388.6</b>	<b>376.0</b>
<b>Current assets</b>			
Debtors	4.3	24.3	21.9
Cash at bank and in hand	50.1	103.9	97.2
	<b>54.4</b>	<b>128.2</b>	<b>119.1</b>
<b>Creditors: amounts falling due within one year</b>			
Bank loans and overdrafts	-	21.0	10.5
Deferred consideration	-	-	17.9
Other creditors	49.3	75.3	67.9
	<b>49.3</b>	<b>96.3</b>	<b>96.3</b>
<b>Net current assets</b>	<b>5.1</b>	<b>31.9</b>	<b>22.8</b>
<b>Total assets less current liabilities</b>	<b>78.0</b>	<b>420.5</b>	<b>398.8</b>
<b>Provisions for liabilities</b>			
Other provisions	1.0	2.0	1.7
Contingent consideration	2.6	26.6	18.8
	<b>3.6</b>	<b>28.6</b>	<b>20.5</b>
<b>NET ASSETS</b>	<b>74.4</b>	<b>391.9</b>	<b>378.3</b>
<b>Capital and reserves</b>			
Called up share capital	0.4	0.4	0.4
Shares to be issued	22.1	41.3	24.0
Share premium	42.8	38.0	38.0
Share option reserve	12.3	4.5	7.3
Other reserves	0.3	0.3	0.3
Profit and loss account	(2.9)	307.4	308.5
<b>SHAREHOLDERS' FUNDS</b>	<b>75.0</b>	<b>391.9</b>	<b>378.5</b>
<b>Minority interest</b>	<b>(0.6)</b>	<b>-</b>	<b>(0.2)</b>
	<b>74.4</b>	<b>391.9</b>	<b>378.3</b>

**Sportingbet Plc**  
**Unaudited Consolidated Cash Flow Statement**  
**Nine months ended 30 April 2007**

	Notes	<b>3 months to 30 April 2007 £m</b>	3 months to 30 April 2006 £m	<b>9 months to 30 April 2007 £m</b>	9 months to 30 April 2006 £m
EBITDA		<b>(11.4)</b>	28.6	<b>(5.9)</b>	84.8
Net working capital movement		<b>16.3</b>	0.9	<b>17.9</b>	21.8
Net cash inflow from operating activities	4	<b>4.9</b>	29.5	<b>12.0</b>	106.8
Returns on investment and servicing of finance		<b>0.5</b>	0.1	<b>1.2</b>	(0.3)
Taxation		-	-	<b>(1.4)</b>	(0.1)
Capital expenditure		<b>(2.3)</b>	(2.6)	<b>(10.3)</b>	(6.4)
Acquisitions and disposals	4	<b>(2.8)</b>	-	<b>(22.1)</b>	(12.9)
<b>Cash (outflow)/inflow before financing</b>		<b>0.3</b>	27.0	<b>(20.6)</b>	86.9
Management of liquid resources		<b>6.7</b>	3.9	<b>9.6</b>	(4.6)
Financing		<b>0.2</b>	(24.9)	<b>(10.6)</b>	(50.0)
<b>(Decrease)/increase in cash in the period</b>		<b>7.2</b>	6.0	<b>(21.6)</b>	32.3
(Decrease)/increase in cash in the period		<b>7.2</b>	6.0	<b>(21.6)</b>	32.3
Cash (inflow)/outflow from (decrease)/increase in liquid resources		<b>(6.7)</b>	(3.9)	<b>(9.6)</b>	4.6
Cash (inflow)/outflow from (increase)/decrease in debt		<b>(0.1)</b>	20.7	<b>10.8</b>	42.1
<b>Movement in net funds resulting from cash flows in period</b>		<b>0.4</b>	22.8	<b>(20.4)</b>	79.0
Disposals		-	-	<b>(15.9)</b>	-
Other movements		-	(0.2)	<b>(0.3)</b>	(0.7)
<b>Movement in net funds in period</b>		<b>0.4</b>	22.6	<b>(36.6)</b>	78.3
Net funds at start of period		<b>49.7</b>	60.3	<b>86.7</b>	4.6
<b>Net funds at end of period</b>		<b>50.1</b>	82.9	<b>50.1</b>	82.9

**Sportingbet Plc**  
**Unaudited Notes**  
**Nine months ended 30 April 2007**

**1. Consolidated statement of total recognised gains and losses:**

	<b>3 months to 30 April 2007 £m</b>	3 months to 30 April 2006 £m	<b>9 months to 30 April 2007 £m</b>	9 months to 30 April 2006 £m
(Loss)/profit for financial period	<b>(63.1)</b>	20.7	<b>(305.9)</b>	61.3
Exchange translation differences on consolidation	<b>(1.1)</b>	(6.1)	<b>(5.5)</b>	(9.4)
Total recognised gains and losses for the financial period	<b>(64.2)</b>	14.6	<b>(311.4)</b>	51.9

**2. Analysis of turnover and operating profit:**

**Turnover:**

	<b>Discontinued Operations £m</b>	<b>Continuing Operations £m</b>	<b>3 months to 30 April 2007 £m</b>	Discontinued Operations £m	Continuing Operations £m	3 months to 30 April 2006 £m
a) Analysis of revenue by activity						
Sports betting	-	<b>277.0</b>	<b>277.0</b>	238.4	215.6	454.0
Casino and gaming	-	<b>7.9</b>	<b>7.9</b>	9.3	8.2	17.5
Poker rake	-	<b>6.2</b>	<b>6.2</b>	24.1	8.6	32.7
Fee income	-	-	-	3.1	-	3.1
	<b>-</b>	<b>291.1</b>	<b>291.1</b>	274.9	232.4	507.3
b) Analysis by geography						
Americas	-	<b>0.8</b>	<b>0.8</b>	274.9	1.2	276.1
Europe	-	<b>169.6</b>	<b>169.6</b>	-	149.7	149.7
Australia	-	<b>120.7</b>	<b>120.7</b>	-	81.5	81.5
	<b>-</b>	<b>291.1</b>	<b>291.1</b>	274.9	232.4	507.3

Post the passing of the UIGEA, Americas comprises Canada and Central and South Americas.

	<b>Discontinued Operations £m</b>	<b>Continuing Operations £m</b>	<b>9 months to 30 April 2007 £m</b>	Discontinued Operations £m	Continuing Operations £m	9 months to 30 April 2006 £m
a) Analysis of revenue by activity						
Sports betting	<b>201.9</b>	<b>791.9</b>	<b>993.8</b>	875.5	613.0	1,488.5
Casino and gaming	<b>6.7</b>	<b>23.3</b>	<b>30.0</b>	29.0	21.1	50.1
Poker rake	<b>17.7</b>	<b>21.1</b>	<b>38.8</b>	66.1	22.0	88.1
Fee income	<b>1.9</b>	-	<b>1.9</b>	8.7	-	8.7
	<b>228.2</b>	<b>836.3</b>	<b>1,064.5</b>	979.3	656.1	1,635.4
b) Analysis by geography						
Americas	<b>228.2</b>	<b>2.7</b>	<b>230.9</b>	978.1	3.1	981.2
Europe	-	<b>506.1</b>	<b>506.1</b>	1.2	383.4	384.6
Australia	-	<b>327.5</b>	<b>327.5</b>	-	269.6	269.6
	<b>228.2</b>	<b>836.3</b>	<b>1,064.5</b>	979.3	656.1	1,635.4

**Sportingbet Plc**  
**Unaudited Notes Continued**  
**Nine months ended 30 April 2007**

**2. Analysis of turnover and operating profit (continued):**

**Operating profit before exceptional items, share option charge and goodwill amortisation:**

	<b>Discontinued Operations</b>	<b>Continuing Operations</b>	<b>3 months to 30 April 2007</b>	<b>Discontinued Operations</b>	<b>Continuing Operations</b>	<b>3 months to 30 April 2006</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Analysis by geography						
Americas	-	0.1	0.1	28.0	0.5	28.5
Europe	-	4.2	4.2	-	2.1	2.1
Australia	-	0.7	0.7	-	0.1	0.1
	-	5.0	5.0	28.0	2.7	30.7
Central costs	-	(2.0)	(2.0)	-	(2.1)	(2.1)
	-	3.0	3.0	28.0	0.8	28.8

	<b>Discontinued Operations</b>	<b>Continuing Operations</b>	<b>9 months to 30 April 2007</b>	<b>Discontinued Operations</b>	<b>Continuing Operations</b>	<b>9 months to 30 April 2006</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Analysis by geography						
Americas	13.5	0.6	14.1	83.0	1.4	84.4
Europe	-	9.0	9.0	-	5.1	5.1
Australia	-	2.7	2.7	-	1.9	1.9
	13.5	12.3	25.8	83.0	8.4	91.4
Central costs	-	(5.9)	(5.9)	-	(5.5)	(5.5)
	13.5	6.4	19.9	83.0	2.9	85.9

**Operating (loss)/profit:**

	<b>Discontinued Operations</b>	<b>Continuing Operations</b>	<b>3 months to 30 April 2007</b>	<b>Discontinued Operations</b>	<b>Continuing Operations</b>	<b>3 months to April 2006</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Analysis by geography						
Americas	-	(12.9)	(12.9)	24.9	0.3	25.2
Europe	-	(46.1)	(46.1)	-	1.2	1.2
Australia	-	0.4	0.4	-	0.1	0.1
	-	(58.6)	(58.6)	24.9	1.6	26.5
Central costs	-	(4.9)	(4.9)	(1.5)	(3.3)	(4.8)
	-	(63.5)	(63.5)	23.4	(1.7)	21.7

**Sportingbet Plc**  
**Unaudited Notes Continued**  
**Nine months ended 30 April 2007**

**2. Analysis of turnover and operating profit (continued):**

**Operating (loss)/profit:**

	Discontinued Operations	Continuing Operations	9 months to 30 April 2007 £m	Discontinued Operations £m	Continuing Operations £m	9 months to 30 April 2006 £m
a) Analysis by geography	£m	£m	£m	£m	£m	£m
Americas	(228.2)	(12.8)	(241.0)	73.8	0.8	74.6
Europe	-	(42.4)	(42.4)	-	2.3	2.3
Australia	-	2.4	2.4	-	1.8	1.8
	<b>(228.2)</b>	<b>(52.8)</b>	<b>(281.0)</b>	<b>73.8</b>	<b>4.9</b>	<b>78.7</b>
Central costs	(1.2)	(25.2)	(26.4)	(4.5)	(9.4)	(13.9)
	<b>(229.4)</b>	<b>(78.0)</b>	<b>(307.4)</b>	<b>69.3</b>	<b>(4.5)</b>	<b>64.8</b>

**3. Exceptional items:**

	Notes	3 months to 30 April 2007 £m	3 months to 30 April 2006 £m	9 months to 30 April 2007 £m	9 months to 30 April 2006 £m
Impairment of goodwill		46.2	-	178.9	-
Loss on disposal of business	5	-	-	106.3	-
Write-off of fixed assets		2.8	-	3.6	-
Reorganisation costs		13.3	-	25.9	-
		<b>62.3</b>	<b>-</b>	<b>314.7</b>	<b>-</b>

As previously announced, on 12 October 2006, Sportingbet sold its US-facing sports betting and casino business to Jazette Enterprises Limited resulting in a loss of £106.3m. As a result, the carrying value of the US-facing business at the end of October of £106.3m has been written off.

Sportingbet retained the Paradise Poker business, but ceased taking deposits from US resident customers. As a result, in October 2006 an impairment charge of £132.7m was made in the profit and loss account and the carrying value of the goodwill was written down from £180.9m to £50.4m. The charge to the profit and loss account included a £2.2m loss on exchange. Following the migration of all remaining Paradise Poker customers to the Boss platform, the residual Paradise Poker goodwill was fully written down from £46.2m to £nil. The impairment will be subject to the detailed year end audit process and may be revised once the impact of the migration has become clear. In addition fixed assets of £3.6m have been written off.

The impact of the passing of the UIGEA and the subsequent decision to close the US-facing part of Paradise Poker and dispose of the remaining US-facing operations has resulted in a number of reorganisation costs (including redundancies and other related costs) amounting to £25.9m.

**Sportingbet Plc**  
**Unaudited Notes Continued**  
**Nine months ended 30 April 2007**

**4. Notes to the cashflow:**

	<b>3 months to 30 April 2007 £m</b>	3 months to 30 April 2006 £m	<b>9 months to 30 April 2007 £m</b>	9 months to 30 April 2006 £m
<b>Acquisitions and disposals</b>				
Cash consideration and other sums paid to vendors	(2.8)	-	(20.4)	(12.9)
Cash disposed of with disposal of operations	-	-	(1.7)	-
	<b>(2.8)</b>	-	<b>(22.1)</b>	(12.9)

	<b>3 months to 30 April 2007 £m</b>	3 months to 30 April 2006 £m	<b>9 months to 30 April 2007 £m</b>	9 months to 30 April 2006 £m
<b>Reconciliation of operating profit to net cashflow from operating activities</b>				
Operating (loss)/profit	(63.5)	21.7	(307.4)	64.8
Amortisation - goodwill	1.4	5.6	7.6	16.6
Depreciation	1.7	1.3	5.1	3.4
Impairment of goodwill	46.2	-	178.9	-
Loss on disposal of business	-	-	106.3	-
Write-off of fixed assets	2.8	-	3.6	-
	<b>(11.4)</b>	28.6	<b>(5.9)</b>	84.8
Share option charge	2.8	1.5	5.0	4.5
Debtors	7.5	(2.1)	8.6	(2.6)
Creditors	6.2	4.6	6.4	19.1
Unrealised translation differences	(0.2)	(3.1)	(2.1)	1.0
	<b>4.9</b>	29.5	<b>12.0</b>	106.8

**Sportingbet Plc**  
**Unaudited Notes Continued**  
**Nine months ended 30 April 2007**

**5. Discontinued operations:**

On 12 October 2006 the group disposed of its US-facing sports and casino operations. The loss on disposal has been calculated as follows:

	<b>£m</b>	<b>£m</b>
<b>Consideration</b>		
Cash proceeds		-
<b>Net assets disposed of:</b>		
Fixed assets	3.6	
Debtors	5.8	
Liquid resources	15.9	
Cash	1.7	
Creditor	(27.0)	
Provisions	(0.5)	
	(0.5)	(0.5)
Profit before goodwill		0.5
Goodwill		106.3
Foreign exchange impact		(0.5)
<b>Loss on disposal</b>		<b>(106.3)</b>

**6. Finance costs:**

	<b>3 months to 30 April 2007 £m</b>	3 months to 30 April 2006 £m	<b>9 months to 30 April 2007 £m</b>	9 months to 30 April 2006 £m
Interest receivable	0.6	0.5	1.4	1.1
Interest payable	-	(0.4)	-	(1.6)
Amortisation of loan agreement fees	-	(0.3)	(0.3)	(0.8)
	0.6	(0.2)	1.1	(1.3)
Finance charge on discounting of contingent consideration (FRS7)	-	(0.3)	0.9	(1.0)
<b>Total finance costs</b>	<b>0.6</b>	<b>(0.5)</b>	<b>2.0</b>	<b>(2.3)</b>

**Sportingbet Plc**  
**Unaudited Notes Continued**  
**Nine months ended 30 April 2007**

**7. Dividends:**

	<b>3 months to 30 April 2007 £m</b>	3 months to 30 April 2006 £m	<b>9 months to 30 April 2007 £m</b>	9 months to 30 April 2006 £m
Ordinary shares				
Interim 2006 dividend paid of 1.0p (2005: Nil) per share	-	(4.2)	-	(4.2)
Final 2005 dividend paid of 1.0p (2005: Nil) per share	-	-	-	(4.2)
	-	(4.2)	-	(8.4)

**8. Earnings per share:**

	<b>3 months to 30 April 2007</b>	3 months to 30 April 2006	<b>9 months to 30 April 2007</b>	9 months to 30 April 2006
<i>For continuing and discontinued operations:</i>				
<b>(Loss)/earnings per ordinary share</b>				
Basic	<b>(14.6)p</b>	4.9p	<b>(71.5)p</b>	15.9p
Diluted	<b>(12.5)p</b>	4.8p	<b>(60.6)p</b>	15.4p

*For continuing operations:*

**Loss per ordinary share**

Basic	<b>(14.6)p</b>	(0.8)p	<b>(18.2)p</b>	(2.2)p
Diluted	<b>(12.5)p</b>	(0.7)p	<b>(15.6)p</b>	(2.1)p

*For continuing and discontinued operations:*

**Adjusted earnings per ordinary share  
(before exceptional items, share option charge  
and goodwill amortisation)**

Basic	<b>0.8p</b>	6.6p	<b>5.0p</b>	21.4p
Diluted	<b>0.7p</b>	6.4p	<b>4.2p</b>	20.7p

*For continuing operations:*

**Adjusted earnings/(loss) per ordinary share  
(before exceptional items, share option charge  
and goodwill amortisation)**

Basic	<b>0.8p</b>	(0.2)p	<b>1.4p</b>	(0.2)p
Diluted	<b>0.7p</b>	(0.2)p	<b>1.2p</b>	(0.2)p

The basic earnings per share for the three months is based on the loss on ordinary activities after taxation of £63.1m (2006: £20.7m profit) and on the weighted average number of shares in issue of 432,609,555 (2006: 421,452,170).

The diluted earnings per share for the three months is based on the loss on ordinary activities after taxation of £63.1m (2006: £20.7m profit) and the weighted average number of shares in issue adjusted to assume the exercise of options over shares and the effect of dilutive earn-out shares to be issued, of 507,536,344 (2006: 433,825,233).

Adjusted basic and diluted earnings per ordinary share before goodwill and share option charges exclude exceptional charges of £62.3m (2006: £nil), amortisation of goodwill of £1.4m (2006: £5.6m) and share option charges of £2.8m (2006: £1.5m).

**Sportingbet Plc**  
**Unaudited Notes Continued**  
**Nine months ended 30 April 2007**

The basic earnings per share for the nine months is based on the loss on ordinary activities after taxation of £305.9m (2006: £61.4m profit) and on the weighted average number of shares in issue of 428,571,684 (2006: 385,470,495).

The diluted earnings per share for the nine months is based on the loss on ordinary activities after taxation of £305.9m (2006: £61.4m profit) and the weighted average number of shares in issue adjusted to assume the exercise of options over shares, and the effect of dilutive earn-out shares to be issued, of 504,456,542 (2006: 397,675,797).

Adjusted basic and diluted earnings per ordinary share before goodwill and share option charges exclude exceptional charges of £314.7m (2006: £nil), amortisation of goodwill of £7.6m (2006: £16.6m) and share option charges of £5.0m (2006: £4.5m).

As at 30 April 2007 there were 432,853,094 shares in issue. In addition to these shares there are 35,294,118 shares in relation to consideration owing to the Group's Turkish marketing partner (to be issued in the period to 31 December 2008), 1,934,593 shares in relation to consideration owing to our Italian joint venture partners (to be issued in December 2007) and 41,345,183 outstanding share options and awards of which 38,656,147 are accounted for as dilutive for the nine months to 30 April 2007 (37,698,078 for the three months to 30 April 2007).

**9. Impact of accounting changes:**

During the period the Group adopted FRS 20 "Share-based Payment", and has restated its comparatives accordingly. Under FRS 20 the cumulative share option charge as at 1 August 2006 is £0.6m (previously £Nil) and the share option charge for the year ended 31 July 2006 is £6.7m (previously £6.4m).

**10.** These results have been prepared on the basis of the accounting policies set out in the Group's 2006 statutory accounts, except as stated in Note 9. These results do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.

**Sportingbet Plc**  
**Unaudited Notes Continued**  
**Nine months ended 30 April 2007**

**Highlights – Nine months ended 30 April 2007**

- Group operating profit\* of £19.9m (2006: £85.9m)
- Loss before tax of £305.4m (2006: profit of 62.5m), including exceptional charges of £314.7m
- Cash generated from operating activities of £12.0m (2006: £106.8m)
- Diluted earnings per share\* of 4.2p (2006: 20.7p)

(\* Stated pre exceptional items, goodwill amortisation and FRS 20 share option charges)

**FINANCIAL RESULTS**

**Nine months ended 30 April 2007**

Turnover for the nine months ended 30 April 2007 was £1,064.5m (2006: £1,635.4m), earning a gross profit of £132.7m (2006: £232.1m) at 12.5% of turnover (2006: 14.2%). Sports betting turnover was £993.8m (2006: £1,488.5m), earning a gross profit of £61.9m (2006: £85.2m) at a gross profit percentage of 6.2% (2006: 5.7%). Casino and gaming, poker and fee income contributed a further £30.0m, £38.9m and £1.9m respectively to both turnover and gross margin (2006: £50.2m, £88.0m and £8.7m).

Turnover and margin for the period are stated after a deduction for customer bonuses of £8.3m (2006: £16.1m). The sports gross margin as reported was 6.2% (2006: 5.7%), however without the bonus deduction, the equivalent number would have been 6.7% (2006: 6.2%).

Costs (excluding exceptional items, share option charge and goodwill amortisation) in the nine month period were £112.8m (2006: £146.2m).

Operating profit (before exceptional items, share option charge and goodwill amortisation) for the nine months was £19.9m (2006: £85.9m). Loss before tax was £305.4m (2006: £62.5m profit), after expensing exceptional items of £314.7m (2006: £nil), share option charges of £5.0m (2006: £4.5m), goodwill amortisation of £7.6m (2006: £16.6m) and net finance income of £2.0m (2006: £2.3m charge).

Basic earnings per share before share option charges and amortisation of goodwill, was 5.0p (2006: 21.4p). Diluted earnings per share, before share option charges and amortisation of goodwill, was 4.2p (2006: 20.7p).

During the nine months ended 30 April 2007, the Group generated cash from operating activities of £12.0m (2006: £106.8m).