



Sportingbet Plc

Preliminary Results for the 12 Months Ended 31 July 2005

Sportingbet Plc (LSE: SBT), a leading online sports betting and gaming group, announces its results for the 12 months ended 31 July 2005. In 2004, the audited results covered a 16 month period from 1 April 2003 to 31 July 2004. Unaudited figures for the 12 months ended 31 July 2004 have been provided for comparative purposes.

Financial Highlights – 12 months ended 31 July 2005

- Turnover of £1,526.2m versus £1,177.6m last year (2004 16 months: £1,422.8m)
- Gross margin of £175.8m versus £93.9m last year (2004 16 months: £108.8m)
- Operating profit, before goodwill and exceptional items, of £60.5m versus £20.8m last year (2004 16 months: £21.7m):
 - Paradise Poker contributed £28.4m to operating profit (2004: Nil)
 - Excluding Paradise Poker, operating profit up 54.3% to £32.1m
- Profit before tax of £40.8m versus £8.3m last year (2004 16 months: £5.4m)
- Basic earnings per share, pre goodwill and exceptional items, of 18.6p versus 9.5p last year (2004 16 months: 10.0p)
- Diluted earnings per share, pre goodwill and exceptional items, of 13.9p versus 6.5p last year (2004 16 months: 6.8p)
- Cash generation from operating activities of £71.7m (2004 16 months: £24.3m)
- Proposed maiden dividend of 1.0p per share (2004: Nil)

Business Highlights – 12 months ended 31 July 2005

- Registered customers up 1.5m (123.1%) to 2.7m (2004: 1.2m)
- Average cost of acquisition of an active real money customer of £137 (2004: £141)
- Number of sports and gaming bets up 50.6% to 399.9m (2004: 265.5m)
- Equivalent of 13 sports and gaming bets per second (2004: 8 bets per second)
- Equivalent of 13 games of poker per second (pro forma 2004: 8 games per second)
- Average daily Paradise Poker rake up 88.8% to \$283,824 (2004: \$150,277)
- Costs reduced by 14.4% to £0.66 per £1 of standard gross profit (2004: £0.77)

Commenting on today's announcement, Peter Dicks, Chairman, said:

"We are delighted with the performance of the business this year. Our strategy of providing customers with a wide range of safe, online gambling opportunities via localised websites under one virtual roof is delivering real shareholder returns. This past year has been made particularly special by the realisation of this vision for Sportingbet.

During the 12 months ended 31 July 2005, through a combination of strong organic growth and acquisition, the scale of our operations has increased materially. We achieved record profits and at the same time launched a number of new products and entered several new markets. Our European business alone is now spread over 26. We have significantly strengthened our management team during the year. With diluted earnings per share increasing 114% over last year to 13.9 pence a share, we are pleased to recommend a maiden dividend of 1.0 pence per share.

The benefits of the increased scale of our business across a multi-product "one-stop-shop" environment have been clearly demonstrated. I am also pleased to report that we have also experienced strong organic growth during the beginning of the new financial year and consequently continue to view the future with confidence."

Commenting on the results, Nigel Payne, Chief Executive, said:

"I am delighted to report a record performance for Sportingbet this year, a period in which the scale of the Group's operations has increased significantly. We now have over 2.7m registered customers, who placed 400m sports and gaming bets in the year, up 51%, and generated an 89% increase in daily poker rake.

We are particularly pleased with the Group's customer dynamics, which have remained in line with previous years despite the increase in the scale of the business. Important indicators such as customer acquisition cost, bet size, bet frequency and attrition, have either remained in line with last year or in some cases improved. The stability of these indicators demonstrates the power of Sportingbet's multi-product, global offering and our ability to drive organic growth cost efficiently, without compromising the quality of customer attained.

At the start of the new financial year this trend has continued. Organic growth is strong and customer acquisition costs are stable. New customer signups, sports bets and poker games are all at record levels."

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FINANCIAL RESULTS

Year Ended 31 July 2005 (versus 16 months to 31 July 2004)

In order to aid comparison to last year, elements of the commentary have been prepared on a 12 months versus 12 months basis as opposed to the 12 months versus 16 months as set out below. These are set out in Appendix 2.

Turnover for the year ended 31 July 2005 was £1,526.2m (16 months to July 2004: £1,422.8m), earning a gross margin of £175.8m (2004: £108.8m) at 11.5% of turnover (2004: 7.6%). Sports betting turnover was £1,422.0m (2004: £1,379.9m), earning a gross margin of £71.6m (2004: £65.9m) at a gross margin percentage of 5.0% (2004: 4.8%). Casino and gaming, poker and fee income contributed a further £45.2m, £49.5m and £9.5m respectively to both turnover and gross margin (2004: £31.5m, £1.2m and £10.2m). Of the total poker income of £49.5m, £42.8m related to Paradise Poker.

The basis by which Sportingbet accounts for customer bonuses has altered in accordance with changes in accounting standards. This has impacted the reported figures for turnover, margin and marketing expenses, which have all been reduced by £12.5m (2004: £9.1m). There is no impact, however, on the overall profit of the Group. The results for the 16 months ended 31 July 2004 have been restated accordingly. Note 3 sets out the impact in more detail. The sports gross margin % as reported was 5.0% (2004: 4.8%). Without the accounting change the equivalent number would have been 5.5% (2004: 5.2%).

Costs (excluding goodwill amortisation and exceptional items) in the year of £115.3m (2004: £87.1m) represented 65.6% (2004: 80.0%) of gross profit. Costs comprised marketing £40.8m (2004: £25.7m), banking fees £28.3m (2004: £19.6m), information technology £12.5m (2004: £13.9m), employee costs £21.9m (2004: £18.7m), other administration costs £8.8m (2004: £6.9m) and depreciation £3.0m (2004: £2.3m).

With approximately 85% of the Group's revenues and costs denominated in foreign currency, exchange rates, particularly the dollar/sterling rate, can have a significant impact on the reported figures. The average dollar/sterling exchange rate for the year was \$1.86, compared to \$1.76 for the 16 months ended 31 July 2004. The net impact of the adverse exchange rate movements during the year has been to reduce the Group's operating profit from trading activities by £2.6m.

Operating profit (before goodwill and exceptional items) for the year was £60.5m (2004: £21.7m), representing a margin of 34.4% (2004: 20.0%) of gross profit. Of the £60.5m, Paradise Poker contributed £28.4m (2004: Nil).

Profit before tax was £40.8m (2004: £5.4m), after including an exceptional profit of £1.0m (2004: loss of £5.1m), goodwill amortisation of £16.4m (2004: £9.6m), net finance costs of £4.6m (2004: £2.0m) and adding the share of operating profit in associated undertakings of £0.3m (2004: £0.4m). The exceptional profit relates to the successful completion of longstanding litigation in Australia.

Basic earnings per share before exceptional items and amortisation of goodwill was 18.6p (2004: 10.0p). Diluted earnings per share before exceptional items and amortisation of goodwill was 13.9p (2004: 6.8p).

During the year ended 31 July 2005, the Group generated cash from operating activities of £71.7m (2004: £24.3m). As at 31 July 2005 the Group had £67.0m (2004: £20.3m) of cash and liquid resources on its balance sheet, of which £32.0m represented customer deposits. Gross debt amounted to £102.7m (2004: £33.8m). This comprised a bank loan of £63.6m (2004: £17.3m), deferred consideration of £12.6m (£0.9m under the Number One Betting Shop earn out arrangement, £2.3m owed in relation to the joint venture arrangement with World Gaming and £9.4m owing to the vendors of the business and certain assets of ISC Entertainment Inc.) and contingent cash consideration of £26.5m (£23.6m due to the vendors of Paradise Poker and £2.9m due to the vendors of the business of ISC). Since the year end, a further £10.7m of the bank loan has been repaid in accordance with the terms of that loan.

During the 12 months, in order to distribute reserves in a financially efficient manner, the Company obtained Court approval to cancel its share premium and transfer the balance to distributable reserves. The share premium at the date of the Court Order, 8 June 2005, was £213.7m.

REVIEW OF OPERATIONS

Sportingbet Group

For the review of operations the comparatives are all for the 12 months ended 31 July 2004. In the 12 months ended 31 July 2005, Sportingbet has seen a scale change in its business. The number of registered customers has risen by 1,516,122 to 2,747,771 (771,197 new customers from organic growth and 744,925 from the acquisition of Paradise Poker). The increase in customer numbers, augmented through a broader product range, increased market penetration and the roll-out of the Group's "one-stop-shop" technology platforms, has yielded benefits across the Group.

The number of sports and gaming bets placed has risen sharply by 134.4m (50.6%) to 399.9m (2004: 265.5m). Poker activity too has grown sharply, with the average number of games played per day on Paradise Poker throughout the year rising by 66.3% to 1.0m (pro forma 2004: 0.6m).

As well as the scale change in its business, the Board is particularly pleased with the Group's customer dynamics, which, even on a considerably enhanced scale have remained broadly constant with previous years: important indicators such as customer acquisition cost, bet size, bet frequency and attrition, have either remained broadly in line with last year or in some cases improved. The Board believes that the stability of these indicators serves to emphasise the continued importance of volume growth and the resultant deliverability of incremental profits, whilst at the same time demonstrating that organic growth is being achieved cost efficiently and without compromising the quality of customer attained. In line with the increased volume activity, the cost base of the Group has scaled with operating costs per unit falling by 14.4% to £0.66 per £1 of standard gross profit (2004: £0.77).

In the 12 months ended 31 July 2005, margin performance has been good across the Group. The sports margin percentage was 5.5% (2004: 5.3%). Margin from casino, gaming and fee income rose by £19.2m (49.2%) to £58.2m (2004: £39.0m). Margin from Poker was £51.7m. Of this, £44.3m related to Paradise Poker and £7.4m related to Sportingbet's other Poker platforms (2004: £1.2m).

Europe

The Board has been particularly pleased with the performance of the European region this year. The business now operates in 26 markets, serving customers in 21 languages. Sportingbet has established a brand presence in each of its chosen markets and this brand awareness, leveraged off a significantly enhanced product range, has helped the region deliver substantial growth and profitability. For the 12 months ended 31 July 2005 the region's key performance indicators have advanced well ahead of the Board's expectations and at a significantly faster pace than in previous periods.

The number of customers who bet on the region's sports betting websites rose by 54.8% to 245,215 (2004: 158,363). The European region now has more active customers than any other part of the Group. The number of sports bets placed by these customers rose by 85.6% to 20.2m (2004: 10.9m) at a rate of 83 bets per active customer per annum (2004: 69 bets). The average sports bet size was constant within each individual market, though fell marginally overall to £13.3 (2004: £15.3) reflecting the Group's increased penetration into new but lower staking European countries. The overall sports margin percentage after betting tax was 7.9% (2004: 7.8%).

The number of customers who bet on the region's gaming websites rose by 105.4% to 59,596 (2004: 29,019). The number of gaming bets placed by these customers rose by 139% to 93.0m (2004: 39.0m) at an average bet size of £5 (2004: £4). The gaming margin percentage was constant at 3.8% (2004: 3.8%).

Notwithstanding this significant scale change in volume, the cost of acquiring customers continues to be cost effective with a cost per new active customer of £137 (2004: £108), giving a cash payback in under six months. This cost increase includes brand launch costs into new markets.

In order to support the rapid expansion within the European region, the Board has invested heavily in augmenting the operating infrastructure of the region; particularly branding, marketing, information technology and management. This increased investment has left unit cost stable compared with the 12 months ended 31 July 2004, at £0.92 per £1 of standard gross profit (2004: £0.92).

America

The US region has been the core of the Group for several years and it has delivered record performance year after year. The benefit of continued strong organic growth and new product streams have delivered another record year across most performance indicators.

In the 12 months ended 31 July 2005, the number of customers who bet on the region's sports betting websites rose by 31.4% to 188,856 (2004: 143,689). The number of sports bets placed by these customers rose by 33.7% to 25.4m (2004: 19.0m) at a rate of 135 bets per customer per annum (2004: 132 bets). The average sports bet size was relatively constant at \$58 (2004: \$60). The sports margin percentage was within normal operating parameters at 6.1% (2004: 6.5%). The number of customers who bet in the region's gaming websites rose by 39.3% to 111,919 (2004: 80,363). The number of gaming bets placed by these customers rose by 32.7% to 258.2m (2004: 194.6m) at an average bet size of \$11 (2004: \$12). The gaming margin percentage was constant at 1.9% (2004: 1.9%).

The cost of acquiring new active customers has fallen to \$368 per new active customer (2004: \$391), yielding a cash payback period of less than three months. Unit cost has also fallen by 14.0% to £0.60 per £1 of standard gross profit (2004: £0.70).

Australia

The 12 months to 31 July 2005 have been a period of change for the Australian region. During the year the Board has made a concerted effort through its strong local management team to transition the business from being a primarily telephone based betting operation to one in which internet betting is increasingly important. In addition, a thorough business review has been conducted, importing best practice from the other regions.

The Board is particularly pleased with the progress that has been made to date. During the 12 months ended 31 July 2005, the percentage of bets taken over the internet has risen to 60.1% (2004: 43.1%). The increased internet focus, augmented through the introduction of a new suite of sports internet products, a new website, improved risk management tools and increased marketing spend, has improved the business significantly. These actions, together with improved sports results, have increased sports gross margin to 2.3% (2004: 1.7%).

In the 12 months ended 31 July 2005, the number of customers who bet on the region's sports betting website rose by 68.8% to 6,298 (2004: 3,732). The number of sports bets placed by these customers rose by 52.9% to 3.0m (2004: 2.0m) at a rate of 482 bets per customer per annum (2004: 532 bets). The average sports bet size was lower at AUS\$301 (2004: AUS\$408), reflecting the increased activity on the more leisure-oriented internet platform. The cost of acquiring a new active customer fell to AUS\$917 per new active customer (2004: AUS\$966), yielding a cash payback of under nine months. Unit cost also fell by 24.7% to £0.55 per £1 of standard gross profit (2004: £0.73).

Paradise Poker

Sportingbet completed the acquisition of Paradise Poker on 3 November 2004. During the period ended 31 July 2005, all aspects of the integration of Paradise Poker have been completed in the US, including the cross-selling "shared purse" technology, which was introduced at the end of July 2005.

Since acquisition Paradise Poker has performed strongly and has exceeded the Board's expectations across all of its performance indicators. Compared to the pro-forma 12 months ended 31 July 2005 the number of active customers who have contributed to rake at Paradise Poker rose significantly by 88.5% to 212,000 (2004: 112,485). The number of games of poker played per day rose by 65.6% to 988,608 (2004: 596,818) generating an average daily rake of \$283,824, an increase of 88.8% (2004: \$150,277). The cost of acquiring new active customers to Paradise Poker has remained broadly constant at \$139 (2004: \$129), yielding a payback period of less than two months. The increased scale of the business yielded a lower unit cost to £0.38 per £1 of margin (2004: £0.41).

In the 12 months to 31 July 2005, the margin from Sportingbet's other poker websites also grew strongly. Margin from the European region's own poker brands rose by £4.0m (321.0%) to £5.2m (2004: £1.2m), and the margin from the US region's own brands rose to £2.2m (2004: £nil).

Regulatory Developments

The Board believes that proper regulation of the internet gaming industry is essential: regulation enhances consumer protection and mitigates social responsibility concerns. Sportingbet invests a great deal of time and resource each year attempting to improve the global regulatory environment. As in previous years however, the political will in many parts of the world to navigate through the respective needs of diverse interest groups, such as state or pre-existing operators, lottery monopolies, government treasuries and various protection groups, can result in a time consuming process which fails to reach any form of agreement. The current year, has, like other years before it, been a year in which the regulatory process has largely remained unchanged. Operationally this has presented few practical obstacles to trading whilst creating an effective barrier against some parties (particularly from US based operators) from entering the industry, though from a consumer protection standpoint the position is far from ideal.

In the UK, the Gambling Act 2005 was passed through Parliament in April. The Act introduced much needed statutory controls in relation to the online gambling industry and will enable companies (when fully implemented) to obtain a remote gambling licence. The Act remains unclear in a number of areas, for example, which activities are intended to be included and licensed within the UK under the Act. The Board believes that this lack of clarity, and the consequential inability for parts of the industry to conduct proper business planning, combined with the likely high tax rates in the UK, is unlikely to result in many operators relocating onshore.

Elsewhere in Europe, whilst the pace of expansion of the industry remains high, some governments persist with their monopolistic stance - at times seemingly in conflict with EU policy. The political will at EU level to resolve such treasury-driven inconsistencies is uncertain, though the Board welcomes the recent announcement by Commissioner McCreevy that he is to investigate and potentially challenge the monopoly positions of Sweden and other Member States. The potential within Europe for internal market distortion remains high. From an operator viewpoint, however, the practical impact of such distortions is minimal.

In the US there has been a good deal of activity this year. The Board has worked hard to educate interested parties as to the merits of regulation. There is now a better understanding of the issues amongst politicians in Washington and elsewhere in the US. A number of other events have supplemented this effort. External bodies such as the World Trade Organisation (WTO) have openly expressed concern over the present US Congress position of selectively regulating elements of internet gambling to the detriment of foreign operators. In addition to WTO concerns, the year has seen an expansion of legalised US based internet gambling. Many States now offer internet gambling on horse racing for example. Nevada has introduced wireless gaming, and citizens of Nevada who are customers of Station Casino, are now able to bet on sports from their home using a specific ISP. There has also been an increased interest at State level with regard to internet lotteries, notably in Georgia and Illinois.

Overall, however, in 2005, like all of the years before it, there has not been any change in the clarity of the US position and there is little sign of any consensus in the short term. The US has appealed the initial decision of the WTO in favour of Antigua and Barbuda, and considerable confusion exists as to how the US intends to comply with the findings of that Ruling. The WTO has given the US until early 2006 to propose how it will do so.

Senator Kyl has continued to promote an overtly protectionist bill which sought to prohibit the funding of online gaming transactions, though specifically exempting Internet betting on domestic horseracing and intrastate gambling. An attempt to appropriate space on other proposed legislation to obtain passage for this bill was recently defeated.

In Australia, there has been little in the way of material regulatory developments since the completion in the middle of 2004 of the Government's review of the Interactive Gambling Act 2001.

Dividends

The Directors recommend a maiden dividend of 1.0p per ordinary share for the year, amounting to £3.4m. Subject to approval at the Group AGM, this will be paid on 4 January 2006 to shareholders on the register as at 25 November 2005.

Trading Outlook

During the first ten weeks of the current financial year, trading across the Group has been strong.

The Board is particularly pleased with the performance of its Poker business, and the early benefits of its shared purse technology. Following an intensive and effective marketing campaign at the start of the new financial year, customer signups during the first ten weeks of the quarter have been materially higher than last year, with 37,680 new active accounts opened in the ten week period (2004: 20,366) at an average cost of acquisition of \$132 (2004: \$129). Average daily rake during the ten week period has risen 71% over the same ten week period last year and 22% between July and September 2005.

In the US, customer signups at the start of the busy sports season have been strong (up 96.4% over last year) and have been acquired at an average customer acquisition cost of \$235 (2004: \$265). In Europe, customer signups at the start of the busy sports season have also been strong (up 67.1% over last year) and have been acquired at an average customer acquisition cost of £154 (2004: £94).

Sportingbet will report its results for its first quarter ending 31 October 2005 on 30 November 2005.

Sportingbet Plc
Unaudited Consolidated Profit and Loss Account
Year Ended 31 July 2005

	Notes	12 months to 31 July 2005	16 months to 31 July 2004 Restated £m
		£m	£m
Turnover – continuing operations		1,483.4	1,420.4
– acquisitions		42.8	2.4
Turnover	2	1,526.2	1,422.8
Cost of sales		(1,350.4)	(1,314.0)
Gross profit		175.8	108.8
Gross profit %		11.5%	7.6%
Exceptional items	4	1.0	(5.1)
Goodwill amortisation		(16.4)	(9.6)
Other administration expenses		(115.3)	(87.1)
Total administration expenses		(130.7)	(101.8)
Group operating profit before exceptional items and goodwill amortisation		60.5	21.7
Exceptional items		1.0	(5.1)
Goodwill amortisation		(16.4)	(9.6)
Group operating profit – continuing operations		25.7	6.9
– acquisitions		19.4	0.1
Group operating profit		45.1	7.0
Share of operating profit in associated undertaking		0.3	0.4
Profit before interest		45.4	7.4
Finance costs	5	(4.6)	(2.0)
Profit before taxation		40.8	5.4
Taxation	6	(0.9)	-
Profit after taxation		39.9	5.4
Minority interest		-	(0.1)
Profit for the financial period		39.9	5.3
Dividends	7	(3.4)	-
Retained profit for the financial period		36.5	5.3
Earnings per ordinary share	10		
Basic		13.4p	2.6p
Diluted		10.1p	1.8p
Adjusted earnings per ordinary share (pre exceptionals and goodwill amortisation)	10		
Basic		18.6p	10.0p
Diluted		13.9p	6.8p

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 31 July 2005

	31 July 2005	31 July 2004
	£m	£m
Fixed Assets		
Intangible assets – goodwill	386.5	124.2
Tangible assets	8.8	5.2
Investment in joint venture	9.0	-
Investments in associated companies	-	2.7
	404.3	132.1
Current Assets		
Debtors	22.2	8.3
Cash at bank and in hand	67.0	20.3
	89.2	28.6
Creditors: Amounts falling due within one year		
Bank loans and overdrafts	41.5	17.3
Rescheduled earnout	-	15.7
Deferred consideration	12.6	-
Other creditors	54.5	24.9
	108.6	57.9
Net Current Liabilities	19.4	29.3
Total Assets Less Current Liabilities	384.9	102.8
Creditors: Amounts falling due after more than one year		
Bank loan	20.8	-
Other creditors	-	0.1
	20.8	0.1
Provisions for liabilities and charges		
Other provisions	2.8	0.9
Contingent consideration	26.5	0.8
	29.3	1.7
NET ASSETS	334.8	101.0
Capital and Reserves		
Called up share capital	0.3	0.2
Shares to be issued	73.1	26.7
Share premium	0.6	52.5
Other reserves	0.3	21.3
Profit and loss account	260.5	0.3
SHAREHOLDERS' FUNDS – EQUITY	334.8	101.0

Sportingbet Plc
Unaudited Consolidated Cash Flow Statement
Year Ended 31 July 2005

	Notes	12 months to 31 July 2005	16 months to 31 July 2004
		£m	£m
EBITDA		64.5	18.9
Net working capital movement		7.2	5.4
Net cash inflow from operating activities		<u>71.7</u>	24.3
Returns on investment and servicing of finance		(4.7)	(1.4)
Taxation		(0.1)	-
Capital expenditure		(6.4)	(3.5)
Acquisitions	8	<u>(122.2)</u>	(27.3)
Cash (outflow) before financing		(61.7)	(7.9)
Management of liquid resources		(17.4)	1.3
Financing	8	<u>118.7</u>	(2.2)
Increase/(decrease) in cash in the period		<u>39.6</u>	(8.8)
 Reconciliation of net cashflow to movement in net funds			
Increase/(decrease) in cash in the period		39.6	(8.8)
Cash outflow/(inflow) from increase/(decrease) in liquid resources		17.4	(1.3)
Cash (inflow)/outflow from (increase)/decrease in debt		(56.3)	2.3
Movement in net funds resulting from cash flows in period		<u>0.7</u>	(7.8)
Other movements		1.3	5.9
Movement in net funds in period		<u>2.0</u>	(1.9)
Net funds at start of period		<u>2.6</u>	4.5
Net funds at end of period		<u>4.6</u>	2.6

Sportingbet Plc
Unaudited Notes
Year Ended 31 July 2005

1. Consolidated statement of total recognised gains and losses:

	12 months to 31 July 2005	16 months to 31 July 2004
	£m	£m
Profit for financial period	36.5	5.3
Exchange translation differences on consolidation	10.0	(1.3)
	<hr/>	<hr/>
Total recognised gains and losses for the financial period	46.5	4.0

2. Analysis of turnover:

	12 months to 31 July 2005	16 months to 31 July 2004
	£m	£m
a) Analysis of revenue by activity		
Sports betting	1,422.0	1,379.9
Casino and gaming	45.2	31.5
Poker rake (including Paradise of £42.8m)	49.5	1.2
Fee income	9.5	10.2
	<hr/>	<hr/>
	1,526.2	1,422.8
b) Analysis by geography		
Americas	859.6	804.7
Europe	295.4	216.2
Australia	371.2	401.9
	<hr/>	<hr/>
	1,526.2	1,422.8

3. Impact of accounting changes

The Group has changed its accounting policy for certain customer bonuses. The Group previously accounted for customer bonuses as a marketing expense. Certain customer bonuses have now been netted against turnover. The effect of this has been to reduce turnover, gross profit and marketing costs (included in other administration expenses) by £12.5m (2004: £9.1m). There has been no impact on operating profit.

Set out below are the results as if these customer bonuses had continued to be classified as marketing costs:

	12 months to 31 July 2005	16 months to 31 July 2004
	£m	£m
Turnover	1,538.7	1,431.9
Gross profit	188.3	117.9
Other administration expenses	(127.8)	(96.2)
	<hr/>	<hr/>
Operating profit before exceptional items and goodwill amortisation	60.5	21.7

Sportingbet Plc
Unaudited Notes Continued
Year Ended 31 July 2005

4. Exceptional items

	12 months to 31 July 2005	16 months to 31 July 2004
	£m	£m
Recovery of bad debt	1.0	-
Legal and professional fees	-	(1.8)
Provision against amounts due from payment processors	-	(3.3)
Total exceptional items	1.0	(5.1)

5. Finance Costs:

	12 months to 31 July 2005	16 months to 31 July 2004
	£m	£m
Interest receivable	0.5	0.1
Interest payable	(3.5)	(1.5)
Amortisation of loan agreement fees	(0.7)	-
	(3.7)	(1.4)
Finance charge on discounting of deferred consideration (FRS7)	(0.9)	(0.6)
Total finance costs	(4.6)	(2.0)

6. Taxation:

	12 months to 31 July 2005	16 months to 31 July 2004
	£m	£m
Profit on ordinary activities before taxation	40.8	5.4
Profit assessed at UK corporation tax rate (30%)	(12.2)	(1.6)
Expenses not allowed for tax purposes (primarily goodwill amortisation)	(6.1)	(3.7)
Effect of lower tax rates on overseas earnings net of losses	17.4	5.3
	(0.9)	-
Current tax charge for the period	(0.9)	-

7. Dividends:

	12 months to 31 July 2005	16 months to 31 July 2004
	£m	£m
Ordinary shares		
Dividend proposed of 1.0p (2004 – nil) per share	(3.4)	-

Subject to approval at the Group AGM, this will be paid on 4 January 2006 to shareholders on the register as at 25 November 2005.

Sportingbet Plc
Unaudited Notes Continued
Year Ended 31 July 2005

8. Notes to the cashflow:

	12 months to 31 July 2005	16 months to 31 July 2004
Acquisitions:	£m	£m
Cash consideration paid to vendors of Paradise	(110.7)	-
Cash acquired with acquisition	7.9	-
Cash consideration paid to vendors of Sportsbook	(15.7)	(25.1)
Cash consideration paid to World Gaming	(3.7)	(2.2)
Total acquisitions	(122.2)	(27.3)
	12 months to 31 July 2005	16 months to 31 July 2004
Financing:	£m	£m
Exercise of share options	2.3	0.1
Issue of ordinary share capital	60.0	-
New bank loan	85.0	10.0
Repayment of bank loan	(28.4)	(3.0)
Repayment of loan notes	-	(9.0)
Capital element of finance lease	(0.2)	(0.3)
Total financing	118.7	(2.2)

9. Acquisitions:

Paradise Poker

The assets of Paradise Poker were acquired on 3 November 2004, giving rise to goodwill of £226.7m. The fair value of consideration as at 31 July 2005 comprised:

	£m
Cash	114.9
Shares	81.9
Contingent consideration – cash	22.7
– shares	36.2
Consideration (including £5.1m expenses)	255.7

World Gaming Plc

On 1 October 2004 the Group restructured its relationship with World Gaming Plc from an investment in an associate to a joint venture arrangement, giving rise to goodwill of £8.6m. The new arrangements provide the Group with joint ownership of the software platform for its US facing business and control over the future development of the software. The fair value of consideration, including the original investment in associate, as at 31 July 2005 comprised:

	£m
Cash	6.4
Deferred consideration - cash	2.3
Consideration (including expenses of £0.7m)	8.7

Sportingbet Plc
Unaudited Notes Continued
Year Ended 31 July 2005

ISC Entertainment Inc

On 31 July 2005 the Group acquired the business and certain assets of ISC Entertainment Inc (“ISC”) giving rise to goodwill of £22.8m. ISC was previously a white label partner of the Group and the owner of certain US-facing sports betting and gaming marketing operations including mysportsbook.com. The fair value of consideration as at 31 July 2005 comprised:

	£m
Deferred Consideration	9.7
Shares to be issued	10.2
Contingent consideration – cash	2.9
Total (including expenses of £0.3m)	22.8

10. The basic earnings per share for the financial period is based on the profit on ordinary activities after taxation of £39.9m (2004: £5.3m) and on the weighted average number of shares in issue of 296,693,558 (2004: 201,290,345).

The diluted earnings per share for the financial period is based on the profit on ordinary activities after taxation of £39.9m (2004: £5.3m) 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 396,620,913 (2004: 293,026,616).

Adjusted basic and diluted earnings per ordinary share before goodwill and exceptional costs exclude amortisation of goodwill of £16.4m (2004: £9.6m) and exceptional items of £1.0m profit (2004: £5.1m loss).

11. The financial information set out in this announcement does not constitute the Company’s statutory accounts for the periods ending 31 July 2005 or 31 July 2004. Statutory accounts for 2004 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not contain statements under the Companies Act 1985, s 237(2) or (3).

Appendix 1
**EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS (“IFRS”)**

Basis of Preparation

The Group’s consolidated financial statements have been prepared in accordance with the Companies Act 1985 and United Kingdom Accounting Standards (“UK GAAP”). UK GAAP differs in certain respects from IFRS. The Group anticipates adopting IFRS for its year ending 31 July 2008 with an opening IFRS balance sheet for its transitional year at 1 August 2006. Illustrated below are the material areas where it is expected that IFRS would impact on the Group results had it been adopted for the year ended 31 July 2005. This financial information has been prepared in accordance with IFRS endorsed as at 26 February 2005. As IFRS is subject to ongoing review and endorsement by the European Commission or possible amendment by the International Accounting Standards Board, possible future changes could result in an adjustment to the financial information and disclosure included in this document prior to the issue of financial statements under IFRS.

An explanation of how the transition from UK GAAP to IFRS would affect the Group’s financial position and financial performance is set out in the following tables and notes that accompany the tables:

Appendix 1
Sportingbet Plc
Unaudited Consolidated Profit and Loss Account Under IFRS
Year Ended 31 July 2005

	Notes	UK GAAP 31 July 2005	Effect of IFRS	UK GAAP Adjusted for IFRS 31 July 2005
		£m	£m	£m
Turnover – continuing operations		1,483.4	-	1,483.4
– acquisitions		42.8	-	42.8
Turnover		1,526.2	-	1,526.2
Cost of sales		(1,350.4)	-	(1,350.4)
Gross profit		175.8	-	175.8
Gross profit %		11.5%		11.5%
Exceptional costs		1.0	-	1.0
Goodwill amortisation	1	(16.4)	16.4	-
Other administration expenses	2	(115.3)	(0.6)	(115.9)
Total administration expenses		(130.7)	15.8	(114.9)
Group operating profit before exceptional costs goodwill amortisation		60.5	(0.6)	59.9
Exceptional costs		1.0	-	1.0
Goodwill amortisation	1	(16.4)	16.4	-
Group operating profit – continuing operations		25.7	6.8	32.5
– acquisitions		19.4	9.0	28.4
Group operating profit		45.1	15.8	60.9
Share of operating profit in associate	1	0.3	0.1	0.4
Profit before interest		45.4	15.9	61.3
Finance costs		(4.6)	-	(4.6)
Profit before taxation		40.8	15.9	56.7
Taxation		(0.9)	-	(0.9)
Profit after taxation		39.9	15.9	55.8
Dividends	3	(3.4)	3.4	-
Profit for the financial period		36.5	19.3	55.8

Appendix 1
Sportingbet Plc
Unaudited Consolidated Balance Sheet Under IFRS
As at 31 July 2005

	UK GAAP 31 July 2005 £m	Effect of IFRS £m	UK GAAP adjusted for IFRS 31 July 2005 £m
Fixed Assets			
Intangible fixed – goodwill	386.5	16.0	402.5
Tangible assets	8.8	-	8.8
Investment in joint venture – share of gross and net assets	9.0	0.5	9.5
	404.3	16.5	420.8
Current Assets			
Debtors	22.2	-	22.2
Cash at bank and in hand	67.0	-	67.0
	89.2	-	89.2
Creditors			
Amounts falling due within one year	54.5	(3.4)	51.1
Bank loans and overdrafts	41.5	-	41.5
Deferred consideration	12.6	-	12.6
	108.6	(3.4)	105.2
Net Current Liabilities	19.4	(3.4)	16.0
Total Assets Less Current Liabilities	384.9	19.9	404.8
Creditors			
Amounts falling due after more than one year	-	-	-
Provisions for liabilities and charges	2.8	-	2.8
Contingent consideration	26.5	-	26.5
Bank loan	20.8	-	20.8
NET ASSETS	334.8	19.9	354.7
Capital and Reserves			
Called up share capital	0.3	-	0.3
Shares to be issued	73.1	-	73.1
Share premium	0.6	-	0.6
Share option reserve	-	0.6	0.6
Other reserves	0.3	-	0.3
Profit and loss account	260.5	19.3	279.8
SHAREHOLDERS' FUNDS – EQUITY	334.8	19.9	354.7

Appendix 1
Sportingbet Plc
Notes Under IFRS
Year Ended 31 July 2005

1. The Group has chosen to elect for the first time adoption exemption for IFRS 3 and account for business combinations under IFRS 3 only for those acquisitions which occur after the date of transition (which is anticipated to be 1 August 2006). Goodwill will be recognised at fair value at the date of transition. Under IFRS 3, goodwill acquired in a business combination is not amortised. Instead goodwill is tested annually for impairment. The illustration has been produced on the basis that under IFRS no goodwill amortisation would be charged for the year.

2. The Group has applied the requirements of IFRS 2 Share-based payments.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Under IFRS 2, equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a suitable option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

3. Under IAS 10 dividends are recognised after they have been approved by shareholders.

Appendix 2 FINANCIAL RESULTS COMPARED TO 12 MONTHS 2004

Year Ended 31 July 2005 (compared to 12 months to 31 July 2004)

Turnover for the year ended 31 July 2005 was £1,526.2m (2004: £1,177.6m), earning a gross margin of £175.8m (2004: £93.9m) at 11.5% of turnover (2004: 8.0%). Sports betting turnover was £1,422.0m (2004: £1,139.5m), earning a gross margin of £71.6m (2004: £55.8m) at a gross margin percentage of 5.0% (2004: 4.9%). Casino and gaming, poker and fee income contributed a further £45.2m, £49.5m and £9.5m respectively to both turnover and gross margin (2004: £30.1m, £1.2m and £6.8m). Of the total poker income of £49.5m, £42.8m related to Paradise Poker.

Sports gross margin % as reported was 5.0% (2004: 4.9%), without the accounting change the equivalent number would have been 5.5% (2004: 5.3%).

Costs (excluding goodwill amortisation and exceptional costs) in the year of £115.3m (2004: £73.1m) represented 65.6% (2004: 77.8%) of gross profit. Costs comprised marketing of £40.9m (2004: £23.2m), banking fees £28.3m (2004: £16.4m), information technology £12.4m (2004: £11.4m), employee costs £21.9m (2004: £15.1m), other administration costs £8.8m (2004: £5.1m) and depreciation £3.0m (2004: £1.9m).

Operating profit (before goodwill and exceptional costs) for the year was £60.5m (2004: £20.8m), representing a margin of 34.4% (2004: 22.2%) of gross profit. Of the £60.5m, the Paradise Poker business contributed £28.4m.

With approximately 85% of the Group's revenues and costs denominated in foreign currency, exchange rates, particularly the dollar/sterling rate, can have a significant impact on the reported figures. The average dollar/sterling exchange rate for the year was \$1.86, a 5% decline over the average for the 12 months ended 31 July 2004. The net impact of the adverse exchange rate movements during the year has been to reduce the Group's operating profit from trading activities by £2.0m.

Profit before tax was £40.8m (2004: £8.3m), after including an exceptional profit of £1.0m (2004: loss of £4.4m), goodwill amortisation of £16.4m (2004: £7.3m), net finance costs of £4.6m (2004: £1.3m) and adding the share of operating profit in associate of £0.3m (2004: £0.5m). Exceptional items relate to the successful completion of the longstanding litigation in Australia.

Basic earnings per share before exceptional costs and amortisation of goodwill was 18.6p (2004: 9.5p). Diluted earnings per share before exceptional costs and amortisation of goodwill was 13.9p (2004: 6.5p).

Appendix 2
Sportingbet Plc
Unaudited Consolidated Profit and Loss Account
Year Ended 31 July 2005

	Notes	12 months to 31 July 2005 £m	12 months to 31 July 2004 £m
Turnover – continuing operations		1,483.4	1,175.2
– acquisitions		42.8	2.4
Turnover	2	<u>1,526.2</u>	1,177.6
Cost of sales		<u>(1,350.4)</u>	(1,083.7)
Gross profit		175.8	93.9
Gross profit %		11.5%	8.0%
Exceptional costs		1.0	(4.4)
Goodwill amortisation		(16.4)	(7.3)
Other administration expenses		(115.3)	(73.1)
Total administration expenses		(130.7)	(84.8)
Group operating profit before exceptional costs and goodwill amortisation		60.5	20.8
Exceptional costs		1.0	(4.4)
Goodwill amortisation		(16.4)	(7.3)
Group operating profit – continuing operations		25.7	9.0
– acquisitions		19.4	0.1
Group operating profit		<u>45.1</u>	9.1
Share of operating profit in associate		0.3	0.5
Profit before interest		<u>45.4</u>	9.6
Finance costs	3	(4.6)	(1.3)
Profit before taxation		<u>40.8</u>	8.3
Taxation		(0.9)	(0.1)
Profit after taxation		<u>39.9</u>	8.2
Minority interest		-	(0.1)
Profit for the financial period		<u>39.9</u>	8.1
Dividends		(3.4)	-
Retained profit for the financial period		<u>36.5</u>	8.1
Earnings per ordinary share			
Basic		13.4p	3.9p
Diluted		<u>10.1p</u>	2.6p
Adjusted earnings per ordinary share (pre exceptionals and goodwill amortisation)			
Basic		18.6p	9.5p
Diluted		<u>13.9p</u>	6.5p

Appendix 2
Sportingbet Plc
Notes
Year Ended 31 July 2005

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

	12 months to 31 July 2005	12 months to 31 July 2004
	£m	£m
Profit for financial period	36.5	8.1
Exchange translation differences on consolidation	10.0	(1.3)
	<hr/>	<hr/>
Total recognised gains for the financial period	46.5	6.8

2. **Analysis of turnover:**

	12 months to 31 July 2005	12 months to 31 July 2004
	£m	£m
Analysis of revenue by activity		
a) Sports betting	1,422.0	1,139.5
Casino and gaming	45.2	30.1
Poker rake (including Paradise of £42.8m)	49.5	1.2
Fee income	9.5	6.8
	<hr/>	<hr/>
	1,526.2	1,177.6
Analysis by geography		
b) Americas	859.6	672.2
Europe	295.4	173.4
Australia	371.2	332.0
	<hr/>	<hr/>
	1,526.2	1,177.6

3. **Finance Costs:**

	12 months to 31 July 2005	12 months to 31 July 2004
	£m	£m
Interest receivable	0.5	0.1
Interest payable	(3.5)	(1.4)
Amortisation of loan arrangement fees	(0.7)	-
	<hr/>	<hr/>
	(3.7)	(1.3)
Finance charge on discounting of deferred consideration	(0.9)	-
	<hr/>	<hr/>
Total finance costs	(4.6)	(1.3)