

sportingbet Plc[®]

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Annual Report and Accounts

2008 - 2009

Independent Auditor's Report to the Members of Sportingbet Plc

We have audited the Financial Statements of Sportingbet Plc for the year ended 31 July 2009 which comprise the consolidated Income Statement, the consolidated Balance Sheet, the consolidated Cash flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

We have reported separately on the Parent Company Financial Statements of Sportingbet Plc for the year ended 31 July 2009.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities set out on page 27, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's affairs as at 31 July 2009 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - regulatory uncertainty

In forming our opinion on the Financial Statements, which is not qualified, we have considered the accuracy of, and draw attention to, the disclosures made in Note 24(a) regarding the implications of, and uncertainties arising from, regulatory developments concerning on-line gambling and related activities in the United States, Turkey and parts of Europe. There is uncertainty as to the impact such regulatory developments may have on the Group. Note 24(a) includes a statement that the Board does not consider it probable that a material liability or impairment in the carrying value of assets will arise as a result of any potential action.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Etherington

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

7 October 2009

Consolidated Income Statement

For the year ended 31 July 2009

	Notes	Year ended	
		31 July 2009 £m	31 July 2008 £m Restated
Amounts wagered	4	1,577.2	1,347.8
Net gaming revenue	3, 4	163.6	144.3
Administrative expenses excluding exceptional items, share option charge and amortisation of other intangible assets		(132.5)	(119.6)
Group operating profit before exceptional items, share option charge and amortisation of other intangible assets		31.1	24.7
Other administrative expenses:			
Exceptional items	5	(4.2)	(12.0)
Share option charge	7	(3.1)	(8.0)
Amortisation of other intangible assets	13	(1.9)	(3.9)
Total administrative expenses		(141.7)	(143.5)
Group operating profit		21.9	0.8
Finance income	9	0.7	0.8
Finance costs	9	(0.3)	(0.4)
Profit before taxation	6	22.3	1.2
Taxation	10	(0.5)	(3.5)
Profit/(loss) for the year		21.8	(2.3)
Loss for the year from discontinued operations	2	(9.4)	(2.0)
Group profit/(loss) for the year		12.4	(4.3)
Profit/(loss) attributable to the equity holders of the parent		12.4	(4.3)
Profit/(loss) per ordinary share – continuing operations			
Basic	11	4.6p	(0.5)p
Diluted	11	4.2p	(0.5)p
Profit/(loss) per ordinary share			
Basic	11	2.6p	(0.9)p
Diluted	11	2.4p	(0.9)p

Comparative figures have been restated to reclassify discontinued operations as described in Note 2.

The Notes on pages 41 to 69 form part of these financial statements.

Consolidated Balance Sheet

As at 31 July 2009

	Notes	As at	
		31 July 2009 £m	31 July 2008 £m
Non-current assets			
Goodwill	12	41.2	53.0
Other intangible assets	13	15.9	15.2
Property, plant and equipment	14	21.9	21.1
Non-current receivables		-	0.5
Deferred tax asset	10	1.4	0.7
		80.4	90.5
Current assets			
Trade and other receivables	15	13.4	7.5
Cash and cash equivalents	16	44.3	49.4
Derivatives	19	0.7	-
		58.4	56.9
Current liabilities			
Trade and other payables	17	(41.0)	(52.8)
Interest bearing loans and borrowings	17	(4.0)	(5.6)
Contingent consideration	17	(0.5)	(4.5)
		(45.5)	(62.9)
Net current assets/(liabilities)		12.9	(6.0)
Non-current liabilities			
Long-term provisions	18	(0.1)	(0.1)
		(0.1)	(0.1)
Net assets		93.2	84.4
Equity			
Issued share capital	20	0.5	0.5
Shares to be issued	21	-	9.0
Share premium	21	59.4	56.3
Retained earnings	21	33.3	20.1
Foreign exchange reserve	21	-	(1.5)
Total equity		93.2	84.4

The Notes on pages 41 to 69 form part of these Financial Statements. These Financial

Statements were approved by the Board and authorised for issue on 7 October 2009.

A McIver
Director

Consolidated Cash Flow Statement

For the year ended 31 July 2009

	Notes	Year ended	
		31 July 2009 £m	31 July 2008 £m
Group profit/(loss) after taxation		12.4	(4.3)
Depreciation		4.7	3.7
Software amortisation		4.0	2.8
Other amortisation		1.9	3.9
Loss on disposal	2	7.9	-
Share option charge		3.1	8.0
Finance income		(0.4)	(0.4)
Taxation		0.5	3.5
Operating cash flows before movements in working capital		34.1	17.2
Increase in receivables		(4.8)	(0.7)
(Decrease)/increase in payables		(9.7)	17.9
Cash generated by operations		19.6	34.4
Income tax paid		(2.6)	(1.4)
Net cash from operating activities		17.0	33.0
Purchases of property, plant and equipment	14	(6.1)	(12.2)
Purchases of software	13	(6.6)	(2.8)
Acquisition of subsidiary		(4.5)	(4.6)
Interest received		0.3	0.4
Net cash from discontinued operations	2	(1.2)	-
Cash used in investing activities		(18.1)	(19.2)
Exercise of share options		(0.1)	-
New bank loans raised		-	0.3
Purchase of own shares		(3.0)	-
Repayment of borrowings		(1.6)	-
Net cash from financing activities		(4.7)	0.3
Net (decrease)/increase in cash and cash equivalents in the year		(5.8)	14.1
Cash and cash equivalents at beginning of year		49.4	34.5
Effect of foreign exchange rate changes		0.7	0.8
Cash and cash equivalents at end of year	16	44.3	49.4

The Notes on pages 41 to 69 form part of these Financial Statements.

Consolidated Statement of Recognised Income and Expense

For the year ended 31 July 2009

	2009 £m	2008 £m
Amounts initially recycled to equity under designated cash flow hedges	1.2	-
Amounts recycled to the income statement to match the hedged items	(0.5)	-
Exchange differences on translation of foreign operations	1.5	1.1
Net income recognised directly in equity	2.2	1.1
Profit/(loss) for financial year	12.4	(4.3)
Total recognised income and expense for the year	14.6	(3.2)
Attributable to:		
Equity holders of the parent	14.6	(3.2)
	14.6	(3.2)

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

The financial information provided is for the Group's financial year ended 31 July 2009.

The financial information has been prepared in accordance with applicable International Financial Reporting Standards (IFRSs) as adopted by the EU.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information.

Standards in issue not yet effective

The IASB and IFRIC have issued the following Standards and Interpretations which are effective for periods starting after the date of these Financial Statements and are yet to be adopted by the Group.

International Accounting Standards (IAS/IFRS)

- IAS 1 Presentation of Financial Statements (revised 2007) - 1 January 2009
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items - 1 July 2009
- IFRS 3 Business Combinations (revised 2008) - 1 July 2009
- Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures About Financial Instruments - 1 January 2009
- IFRS 8 Operating Segments - 1 January 2009
- Improvements to IFRSs 2008
- Improvements to IFRSs 2009

International Financial Reporting Interpretations Committee (IFRIC)

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation - 1 October 2008

The Group does not anticipate that the adoption of these Standards and Interpretations will have a material effect on its financial statements on initial adoption. IFRS 8 may require changes in the scope and presentation of segmental disclosures, IAS 1 revisions will require a change in the format and presentation of reporting and IFRS 3 revisions would have an impact on the accounting of any future business combinations.

Basis of consolidation – subsidiaries

The Group Financial Statements for the year consolidate the Financial Statements of Sportingbet Plc and the entities it controls (its subsidiaries).

Subsidiaries are consolidated from their date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights or by way of contractual agreement. Accounting policies are consistently applied across the Group. All inter-company balances and transactions are eliminated.

Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the Income Statement in the period of acquisition.

Contingent and deferred consideration arising as a result of acquisitions is stated at a measure of fair value at the date of acquisition. Contingent consideration is based on management's best estimate of the likely outcome. The fair value of contingent share consideration is measured based on the market price of shares at acquisition. Subsequent remeasurement of contingent consideration is adjusted against Goodwill.

Amounts wagered

Amounts wagered represents amounts staked in respect of bets placed on sporting events in the year, net win in respect of casino and gaming, and rake in respect of poker games that have concluded in the year. Amounts wagered are stated net of certain promotional bonuses.

Net gaming revenue

Net gaming revenue is measured at the fair value of consideration received or receivable, and comprises the following:

- Sports betting: Gains and losses in respect of bets placed on sporting events in the year, stated after betting taxes and certain promotional bonuses. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed.
- Casino and gaming: Net win in respect of bets placed on casino games that have concluded in the year, stated net of certain promotional bonuses.
- Poker: Net win in respect of rake for poker games that have concluded in the year, stated net of certain promotional bonuses.
- Where the Group refers to gaming revenue, this represents net gaming revenue before the deduction of promotional bonuses.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill allocated to each cash generating unit is not amortised and is reviewed for impairment at least annually. Where impairment arises on a cash generating unit, it is allocated initially against Goodwill and thereafter pro rata amongst other assets. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed. Goodwill arising on earlier acquisitions was being amortised over its estimated useful life of 20 years. In accordance with the transitional provisions of IFRS 1 First time adoption of IFRS, the unamortised balance of goodwill at 31 July 2006 was frozen and reviewed for impairment, and will be reviewed for impairment at least annually.

Notes to the Financial Statements

1. Accounting policies (continued)

Computer software

Where, in the opinion of the Directors, the Group's expenditure in relation to development of internet activities results in future economic benefits, these costs are capitalised and amortised over the useful economic life of the asset.

Development costs are capitalised only when it is probable that future economic benefit will result from the project and the following criteria are met:

- The technical feasibility of the product has been ascertained.
- Adequate technical, financial and other resources are available to complete and sell or use the intangible asset.
- The Group can demonstrate how the intangible asset will generate future economic benefits and the ability to use or sell the intangible asset can be demonstrated.
- It is the intention of management to complete the intangible asset and use it or sell it.
- The development costs can be measured reliably.

Amortisation is provided on computer software at a rate calculated to write each asset down to its estimated residual value, using the straight line method, over its expected useful life, as follows:

Computer Software	33% on cost
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Methods of amortisation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Other intangible assets

Identifiable intangible assets acquired as part of business combinations, that meet the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date and amortised over their useful economic life as follows:

Superbahis URL	33% on cost
Belmond International Limited - marketing contract	20% on cost

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment except for freehold land at rates calculated to write each asset down to its estimated residual value, using the straight line method, over its expected useful life, as follows:

Fixtures, fittings and equipment	25% on cost
Leasehold improvements	10% on cost
Motor vehicles	25% on cost
Computer equipment	33% on cost

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Leasehold improvements are included within fixtures, fittings and equipment in the property, plant and equipment note.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated financial instrument.

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'Other administrative expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Other administrative expenses' in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand deposits with banks. It also includes cash reserves and short term cash in transit held by payment service providers.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Interest bearing loans and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are not interest-bearing and are stated initially at their fair value and thereafter at their amortised cost using the effective interest rate method. The fair value of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying values recognised in the Balance Sheet to be a reasonable approximation of their fair value.

Equity instruments

Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The Group uses derivative financial instruments to reduce exposure to foreign exchange rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value, calculated using either discounted cashflow techniques or by reference to market prices supplied by banks. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the variability of cash flows (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments not eligible for hedge accounting are recognised in the Balance Sheet at fair value calculated using either discounted cash flow techniques or by reference to market prices supplied by banks. Changes in their fair value are recognised in the Income Statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss. However, when the hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

Notes to the Financial Statements

1. Accounting policies (continued)

Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an Annual General Meeting.

Functional and presentational currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated Financial Statements are presented in sterling (£) which is the parent's functional and presentational currency.

Foreign currency translation

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the closing spot rate. Any differences are taken to the Income Statement.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the Income Statement at an average rate are taken to reserves.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or of other assets and liabilities in a transaction (other than in a business combination) that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in accordance with laws which have been enacted or substantially enacted at the Balance Sheet date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Employee benefits

Pension costs

For defined contribution arrangements the amount charged to the Income Statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

Share based employee remuneration

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period, with the corresponding credit to the profit and loss reserve. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Income Statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Income Statement is charged with the fair value of goods and services received.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All the other leases are classified as operating leases.

The Group as lessee

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

1. Accounting policies (continued)

The Group as lessor

Rental income from the Group's land and buildings, accounted for within property, plant and equipment, is recognised on a straight line basis over the lease term.

Exceptional items

Exceptional items are those that in management's judgement need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are detailed in this note, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and select a suitable discount rate in order to calculate present value. Note 12 provides information on the assumptions used in these Financial Statements.

Sports betting open positions

In accordance with the Group's accounting policy, management monitors open betting positions on a monthly basis to ensure any significant changes in fair value are recognised in revenue. Note 19 sets out managements measurement basis.

Share based payments

Management applies valuation techniques to calculate the fair value of share option charges. Note 22 provides information on the choice of valuation technique and the assumptions used in these Financial Statements.

Intangible assets

For acquisitions that occurred on or after 1 August 2006, management has recognised separately identifiable intangible assets on the Balance Sheet. These intangible assets have been valued based on expected future cash flow projections from existing customers. The calculations of the value and estimated future economic life of the assets involve, by the nature of the assets, significant judgement.

Customer liabilities

Customer liabilities represent cash held by the Group on behalf of customers. These are stated net of an allowance for uncollected dormant balances. Management apply judgement calculating the allowance by reference to player terms and conditions in assessing the likelihood of balances being reclaimed.

Hedge accounting

In management's judgement the Group satisfies the necessary criteria to enable hedge accounting to be applied to certain derivative instruments. Note 19 provides further information.

Notes to the Financial Statements

2. Discontinued operations

Sale of Italian operations

On 21 July 2009, the Group's licensed Italian operation, Sportingbet Italia S.p.A., was sold to the local management team for a nominal consideration.

Sportingbet Italia S.p.A. was acquired by the Group in May 2006, in anticipation of expected further liberalisation of Italian online gaming regulation. This did not materialise and consequently Sportingbet Italia S.p.A. has been loss making since acquisition.

Whilst these losses have been reduced to the minimum considered achievable, the Board has concluded that significant financial and managerial investment would be required to generate a profitable business in Italy and such investment would be better placed elsewhere in the Group's portfolio.

Income statement of discontinued operations

	Year ended	
	31 July 2009 £m	31 July 2008 £m
Amounts wagered	14.1	16.4
Net gaming revenue	2.1	2.7
Administrative expenses	(3.6)	(4.7)
Operating loss	(1.5)	(2.0)
Loss before taxation	(1.5)	(2.0)
Taxation	-	-
Loss for the year	(1.5)	(2.0)
Loss on disposal	(7.9)	-
Loss for the period from discontinued operations	(9.4)	(2.0)

2. Discontinued operations (continued)

Cash Flow statement of discontinued operations

	Year ended	
	31 July 2009 £m	31 July 2008 £m
Loss after taxation	(1.5)	(2.0)
Depreciation	0.2	0.2
Operating cash flows before movement in working capital	(1.3)	(1.8)
(Increase)/decrease in receivables	0.4	(0.1)
Increase/(decrease) in payables	(0.3)	2.0
Cash generated by operations	0.1	1.9
Net cash from operating activities	(1.2)	0.1
Purchases of property, plant and equipment	-	(0.3)
Cash used in investing activities	-	(0.3)
Net cash used in financing activities	-	-
Net increases/(decreases) in cash and cash equivalents in the year	(1.2)	(0.2)
Cash and cash equivalents at beginning of period	1.2	1.4
Cash and cash equivalents at end of period	-	1.2

Notes to the Financial Statements

3. Net gaming revenue

	2009 £m	2008 £m
Gaming revenue	181.7	157.8
Promotional bonuses	(18.1)	(13.5)
Net gaming revenue	163.6	144.3

4. Segment information

For management purposes, the Group is currently organised into three geographical regions – Europe, Australia and Emerging Markets. These operating divisions are the basis on which the Group reports its primary segment information.

The following table presents revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 July 2009 and 31 July 2008.

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

	2009					
	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	Continuing operations Total £m	Discontinued operations Total £m
Amounts wagered	938.7	610.5	28.0	-	1,577.2	14.1
Net gaming revenue	139.4	20.8	3.4	-	163.6	2.1
Depreciation	(7.5)	(0.6)	-	(0.4)	(8.5)	(0.2)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(95.4)	(14.6)	(3.3)	(10.7)	(124.0)	(3.4)
Group operating profit before exceptional items, share option charge and other amortisation	36.5	5.6	0.1	(11.1)	31.1	(1.5)
Other administrative expenses:						
Exceptional items	(4.2)	-	-	-	(4.2)	-
Share option charge	(1.5)	(0.6)	-	(1.0)	(3.1)	-
Other amortisation	(1.9)	-	-	-	(1.9)	-
Total administrative expenses	(110.5)	(15.8)	(3.3)	(12.1)	(141.7)	(3.6)
Operating profit/(loss)	28.9	5.0	0.1	(12.1)	21.9	(1.5)
Balance Sheet information						
Total assets	114.8	24.0	-	-	138.8	-
Total liabilities	(36.5)	(9.0)	-	-	(45.5)	-
Expenditure incurred to acquire property, plant and equipment and intangible assets	11.7	1.0	-	-	12.7	-

For segmental information by activity, revenue is attributed to three principal areas of activity:

sports betting, casino gaming and poker.
Segment assets and capital expenditure cannot

be allocated to principal areas of activity.

4. Segment information (continued)

	Sports betting £m	Casino gaming £m	Poker rake £m	Total £m
Amounts wagered	1,517.1	41.3	18.8	1,577.2
Net gaming revenue	103.5	41.3	18.8	163.6

	2008					
	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	Continuing operations Total £m	Discontinued operations Total £m
Amounts wagered	795.2	542.5	10.1	-	1,347.8	16.4
Net gaming revenue	123.5	19.1	1.7	-	144.3	2.7
Depreciation	(5.2)	(0.6)	-	(0.5)	(6.3)	(0.2)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(85.9)	(11.2)	(2.7)	(13.5)	(113.3)	(4.5)
Group operating profit before exceptional items, share option charge and other amortisation	32.4	7.3	(1.0)	(14.0)	24.7	(2.0)
Other administrative expenses:						
Exceptional items	(12.0)	-	-	-	(12.0)	-
Share option charge	(5.8)	(1.3)	-	(0.9)	(8.0)	-
Other amortisation	(3.9)	-	-	-	(3.9)	-
Total administrative expenses	(112.7)	(13.2)	(2.7)	(14.9)	(143.5)	(4.7)
Operating profit/(loss)	10.7	6.0	(1.0)	(14.9)	0.8	(2.0)
Balance Sheet information						
Total assets	133.9	13.5	-	-	147.4	-
Total liabilities	(53.7)	(9.3)	-	-	(63.0)	-
Expenditure incurred to acquire property, plant and equipment and intangible assets	13.7	1.0	-	-	14.7	0.3

	Sports betting £m	Casino gaming £m	Poker rake £m	Total £m
Amounts wagered	1,291.0	36.8	20.0	1,347.8
Net gaming revenue	87.5	36.8	20.0	144.3

Notes to the Financial Statements

5. Exceptional items

	Notes	2009 £m	2008 £m
Reorganisation costs relating to UIGEA	(a)	-	3.3
Transfer of licensable activities to the Channel Islands	(b)	-	4.0
Transfer of EMEA and poker customer services operation to Dublin	(c)	-	0.3
Paradise – Boss migration	(d)	-	(0.3)
Transfer of Spanish customer services operation to Dublin	(e)	-	4.7
Provision against monies due from payment processing provider	(f)	4.2	-
		4.2	12.0

(a) 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 resulted in a number of reorganisation costs (including redundancies and other related costs amounting to £nil (2008: £3.1m) and retention and loyalty payments to retained employees of £nil (2008: £0.2m)).

(b) The costs relating to the transfer of the licensable activities to Alderney and Guernsey include redundancy, recruitment, training, temporary accommodation and other related costs.

(c) The costs to create the dedicated EMEA and poker customer services and fraud centre in Dublin comprise redundancy, recruitment, training, temporary accommodation and other related costs.

(d) Paradise – Boss migration costs relating to the migration of Paradise Poker players to the Boss Media platform include redundancy, one-off migration marketing and other related costs.

(e) The costs to transfer the Spanish language customer services centre to Dublin include recruitment, training, temporary accommodation costs, one-off marketing, the termination payment to the former Spanish partner and other related costs.

(f) Provision against monies due from one of the Group's European payment processing providers, where the amount owed by the third party is in dispute and its recoverability is not sufficiently clear.

6. Profit before taxation

Group operating profit before exceptional items, share option charge and amortisation has been arrived at after charging/(crediting):

	2009 £m	2008 £m
Net foreign exchange losses	(1.0)	0.1
Depreciation of property, plant and equipment	4.7	3.7
Amortisation of software	4.0	2.8
Auditors' remuneration:		
Audit services	0.1	0.1
Audit of subsidiaries pursuant to legislation	0.6	0.4
Tax services	0.3	0.2
Rental income	-	(0.2)

7. Share option charge

	2009 £m	2008 £m
Share option charge	3.1	7.6
Social security costs on share options	-	0.4
	3.1	8.0

8. Staff costs

	2009 No.	2008 No.
The average monthly number of employees (including Executive Directors) was:		
Europe	419	340
Australia	87	74
	506	414

	2009 £m	2008 £m
Employee costs (including Executive Directors) were as follows:		
Wages and salaries	29.9	33.5
Social security costs	2.8	2.2
Pensions costs	1.3	1.2
	34.0	36.9

Notes to the Financial Statements

8. Staff costs (continued)

The following table sets out Directors' remuneration. There are no key management personnel other than the Group's Directors.

	2009 £m	2008 £m
Directors' remuneration		
Salary and fees	1.2	1.4
Bonuses	0.6	0.9
Compensation for loss of office	-	1.2
Share based payments	0.9	1.7
Total emoluments	2.7	5.2
Pension contributions	0.1	0.2
	2.8	5.4

Further non-statutory disclosures on the remuneration of each individual Director are given in the Remuneration Report on pages 28 to 32.

9. Net interest receivable/(payable)

	2009 £m	2008 £m
Bank loans and overdrafts	(0.3)	(0.4)
	(0.3)	(0.4)
Interest receivable	0.7	0.8
	0.4	0.4

10. Taxation

The tax charge for the year is higher than the standard UK rate of corporation tax as explained below:

	2009 £m	2008 £m
Note 10(a) Analysis of charge in the period		
Current tax:		
UK corporation tax on losses of the period	-	1.2
Overseas taxation	2.4	2.7
Adjustments to overseas taxation in respect of previous periods	(1.2)	0.3
Total current tax (note 10(b))	1.2	4.2
Deferred tax:		
Current year movement to deferred tax	(0.7)	(0.7)
Total deferred tax (note 10(c))	(0.7)	(0.7)
Tax on profit on ordinary activities	0.5	3.5
Note 10(b) Factors affecting the tax charge for the period		
Profit on ordinary activities before tax	22.3	(0.8)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 28% (2008: 28%)	6.2	(0.2)
Effects of:		
Expenses not deductible for tax purposes	1.3	4.4
Effect of lower tax rates on overseas earnings	(6.9)	(3.5)
Tax losses arising in year	0.9	2.6
Other timing differences	0.9	0.6
Adjustments to tax charge in respect of previous periods	(1.2)	0.3
Current tax charge for the period (note 10(a))	1.2	4.2
Note 10(c) Provision for deferred tax (deferred tax asset)		
Other timing differences	(0.7)	(0.7)
Provision for deferred tax at 28% (2008: 28%)	(0.7)	(0.7)
As at the beginning of the year	(0.7)	-
Current year movement	(0.7)	(0.7)
As at the end of the year (deferred tax asset)	(1.4)	(0.7)

UK deferred tax assets in respect of accelerated capital allowances £0.9m and tax losses £6.7m have not been recognised on the basis that it is not probable that there will be sufficient taxable profit in future years against which the assets can be recovered.

Notes to the Financial Statements

11. Earnings per share

	Continuing 2009	Discontinued 2009	2009 Total	Continuing 2008	Discontinued 2008	2008 Total
Profit/(Loss) per ordinary share						
Basic	4.6p	(2.0)p	2.6p	(0.5)p	(0.4)p	(0.9)p
Diluted	4.2p	(1.8)p	2.4p	(0.5)p	(0.4)p	(0.9)p
Adjusted earnings per ordinary share (before exceptional items, share option charge and amortisation)						
Basic	6.5p	(0.3)p	6.2p	4.8p	(0.5)p	4.3p
Diluted	6.0p	(0.3)p	5.7p	4.2p	(0.4)p	3.8p

The calculation of basic earnings per share is based on the profit/(loss) on ordinary activities after taxation attributable to shareholders of Sportingbet Plc and the weighted average number of shares in issue during the year.

Due to the size of non-cash items the Group has adjusted its earnings per ordinary share to exclude exceptional items, share option charge and amortisation.

	Continuing 2009 £m	Discontinued 2009 £m	Total 2009 £m	Continuing 2008 £m	Discontinued 2008 £m	Total 2008 £m
Basic earnings	21.8	(9.4)	12.4	(2.3)	(2.0)	(4.3)
Exceptional items	4.2	-	4.2	12.0	-	12.0
Share option charge	3.1	-	3.1	8.0	-	8.0
Amortisation	1.9	-	1.9	3.9	-	3.9
Adjusted earnings	31.0	(9.4)	21.6	21.6	(2.0)	19.6

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

	2009 No.	2008 No.
Weighted average number of shares in issue	477,099,664	454,244,357
Employee share schemes	39,630,748	38,686,358
Contingent consideration	-	19,187,386
Fully diluted number of weighted average number of shares in issue	516,730,412	512,118,101

11. Earnings per share (continued)

As at 31 July 2009 the Group had the following shares in issue and potentially dilutive shares:

	2009 No.	2008 No.
Number of shares in issue	483,987,106	472,011,023
Employee share schemes	39,630,748	38,686,358
Contingent consideration	-	19,187,386
Fully diluted number of shares in issue	523,617,854	529,884,767

12. Goodwill

	£m
Cost	
As at 1 August 2007	246.0
Additions	4.7
Exchange adjustments	0.2
Other movements	3.7
As at 1 August 2008	254.6
Additions	-
Disposals	(6.4)
Exchange movements	0.1
Other movements	(5.5)
As at 31 July 2009	242.8
Impairment losses	
As at 1 August 2007	201.6
As at 1 August 2008	201.6
As at 31 July 2009	201.6
Net book value	
As at 31 July 2009	41.2
As at 31 July 2008	53.0

Notes to the Financial Statements

12. Goodwill (continued)

Subsequent to the annual impairment test for 2009, the carrying amount of goodwill is allocated to the following cash generating units:

	2009 £m	2008 £m
Europe	17.8	23.2
Australia	23.4	23.4
Italy	-	6.4
	41.2	53.0

The recoverable amounts for the cash generating units above are determined based on internal discounted cash flow evaluation. The cash flow evaluation is based on actual operating results and five year forecasts at the growth rates stated in the key assumptions.

Discount rates for the goodwill impairment review are based on company specific pre-tax weighted average cost of capital percentages and range from 10% to 15%. The future cash flows are modelled based on budgeted projections and cash flows beyond the budget period are extrapolated using a growth rate of 1%. The growth rate applied is based on past experience. Future cash flows are projected assuming no changes to the current regulatory environment.

Disposals relate to the sale of Sportingbet Italia S.p.A. as described in Note 2.

The other movements arose as a result of changes in the underlying value of the amount payable to satisfy the contingent consideration.

The Group has reclassified Italy as a separate cash generating unit this year as a result of increasing separability of the cash flows from this business during the year.

13. Other intangible assets

	Software £m	Other £m	Total £m
Cost			
As at 1 August 2007	14.0	5.2	19.2
Additions	2.8	8.7	11.5
As at 1 August 2008	16.8	13.9	30.7
Additions	6.6	-	6.6
As at 31 July 2009	23.4	13.9	37.3
Amortisation and impairment losses			
As at 1 August 2007	7.1	1.8	8.9
Charge for the year	2.8	3.9	6.7
Exchange adjustments	(0.1)	-	(0.1)
As at 1 August 2008	9.8	5.7	15.5
Charge for the year	4.0	1.9	5.9
As at 31 July 2009	13.8	7.6	21.4
Net book value			
As at 31 July 2009	9.6	6.3	15.9
As at 31 July 2008	7.0	8.2	15.2

The £13.9m of Other Intangible costs includes £5.2m capitalisation of the Superbahis URL and contract, and £8.7m relating to the Belmond International Limited marketing contract.

Amortisation of Software is charged to administrative expenses in the Consolidated Income Statement. Other amortisation and impairment losses are charged to other amortisation within other administrative expenses.

Notes to the Financial Statements

14. Property, plant and equipment

	Fixtures, fittings and equipment £m	Motor vehicles £m	Computer equipment £m	Freehold land and buildings £m	Total £m
Cost					
As at 1 August 2007	4.0	0.1	12.1	8.0	24.2
Additions	2.6	-	8.0	1.6	12.2
Exchange movements	-	-	(0.2)	-	(0.2)
As at 1 August 2008	6.6	0.1	19.9	9.6	36.2
Additions	0.4	-	2.6	3.1	6.1
Disposals	(0.2)	-	(7.3)	-	(7.5)
Exchange movements	(0.7)	-	0.1	-	(0.6)
As at 31 July 2009	6.0	0.1	15.4	12.7	34.2
Depreciation					
As at 1 August 2007	2.7	0.1	8.6	-	11.4
Charge for the year	0.9	-	2.6	0.2	3.7
Exchange adjustments	-	-	0.1	(0.1)	-
As at 1 August 2008	3.6	0.1	11.3	0.1	15.1
Charge for the year	0.6	-	3.5	0.6	4.7
Disposals	(0.4)	-	(6.3)	-	(6.7)
Exchange adjustments	(0.8)	-	-	-	(0.8)
As at 31 July 2009	3.0	0.1	8.5	0.7	12.3
Net book value					
As at 31 July 2009	3.0	-	6.9	12.0	21.9
As at 31 July 2008	3.0	-	8.6	9.5	21.1

15. Trade and other receivables

	2009 £m	2008 £m
Trade receivables	6.1	5.9
Provision for impairment of trade receivables	(2.4)	(1.9)
Trade receivables, net	3.7	4.0
Other receivables	6.2	2.1
Prepayments and accrued income	3.5	1.4
	13.4	7.5

Trade receivables that are less than 30 days past due are not considered impaired. As of 31 July 2009, trade receivables of £3.7m (2008: £3.9m)

were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	2009 £m	2008 £m
Up to 2 months past due	3.0	3.4
2 to 6 months past due	0.1	0.4
Over 6 months past due	0.6	0.1
	3.7	3.9

The carrying amounts of the Group's trade receivables are denominated entirely in Australian dollars.

Movements on the Group provision for impairment of trade receivables are as follows:

	2009 £m	2008 £m
As at 1 August	1.9	0.5
Provision for receivables impairment	1.2	2.0
Receivables written off during the year as uncollectable	(0.7)	(0.6)
As at 31 July	2.4	1.9

The creation and release of provisions for impaired receivables have been included in "Other administrative expenses" in the Income Statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Trade receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure, however the Group does not identify specific concentration of credit risk with regards to trade receivables, as the amount recognised consists of a large number of receivables from various customers.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

Notes to the Financial Statements

16. Cash and cash equivalents

	2009 £m	2008 £m
Cash	30.1	33.6
Short term cash deposits	14.1	13.6
Restricted cash	0.1	2.2
	44.3	49.4

Restricted cash includes £nil (2008: £1.2m) held with Barclays in connection with the share capital reduction exercise in 2005 and £0.1m (2008: £1.0m) held in designated accounts which have certain restrictions.

Short term cash deposits consists of balances held by payment service providers. The effective rates on bank balances and short term deposits was £nil (2008: £nil).

17. Trade and other payables

	2009 £m	2008 £m
Bank loans	4.0	5.6
Trade payables	5.3	8.9
Other payables	5.5	1.6
Customer liabilities	14.8	13.4
Tax and social security	1.7	4.0
Accruals and deferred income	12.0	23.1
Contingent consideration	0.5	4.5
Open bets	1.7	1.8
	45.5	62.9

Contingent consideration of £0.5m (2008: £4.5m) is owed in respect of the acquisition of the business and assets of Maslin Properties Limited.

Although repayable on demand, the Group has a bank loan of £4.0m which is available up to 2012. The Directors do not anticipate early

repayment. The loan is secured by a floating charge over the assets of the Group, and bears an interest rate of 1.5% above LIBOR.

The open bets at the year end are within the scope of IAS 39 as derivative contracts. These bets are held at fair value with significant gains and losses recognised in revenue. Management's

assessments of the exposure to significant changes in fair value of open bets is assessed as negligible due to the short term exposures to such liabilities and the minimal movement on average betting odds between the date of bet placing and the period end.

18. Provisions

	Chargeback provision
As at 1 August 2007	0.3
Amounts incurred and charged against the provision	(0.2)
As at 1 August 2008	0.1
Amounts incurred and charged against the provision	-
As at 31 July 2009	0.1
Included in current liabilities	-
Included in non-current liabilities	0.1
	0.1

The chargeback provision provides for future chargebacks on customer deposits made within

the year, and is expected to unwind in the next financial year.

19. Financial instruments

The Group uses financial instruments, comprising cash and cash equivalents, short term borrowings and trade receivables, which arise directly from its operations.

Short term receivables

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

Derivative instruments

The Group takes out forward currency contracts in Euro and Australian dollars. Hedge accounting is applied to certain derivative instruments as set out below.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank facilities. Bank borrowings are made using variable interest rates. The interest rate risk on the Group's £4.0m bank loan is not considered to be significant.

Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Sufficient cash reserves are held to maintain short-term flexibility, together with short-term borrowings.

The following table details the contractual maturity analysis of the Group's financial liabilities:

	31 July 2009			
	1 year or less fm	2-5 years fm	5 years and over fm	Total fm
Financial liabilities				
Trade payables	11.7	-	-	11.7
Customer liabilities	14.8	-	-	14.8
Bank loans	0.1	4.2	-	4.3
Sports betting open positions	1.7	-	-	1.7
Total	28.3	4.2	-	32.5

Notes to the Financial Statements

19. Financial instruments (continued)

Customer liabilities represent cash held by the group on behalf of customers net of an allowance for uncollected balances. In the event that the level of balances reclaimed exceeds management's expectation, the gross cash outflow could be higher.

The maturity analysis in respect of sports betting open positions reflects the fair value of the liability position at the balance sheet date. In the event that the outcome of bets adversely affected the business, the gross cash outflow could be higher.

	31 July 2008			
	1 year or less £m	2-5 years £m	5 years and over £m	Total £m
Financial liabilities				
Trade payables	14.5	-	-	14.5
Customer liabilities	13.4	-	-	13.4
Bank loans	0.2	5.9	-	6.1
Sports betting open positions	1.8	-	-	1.8
Total	29.9	5.9	-	35.8

Credit risk

As explained in the financial review, the Group recharges its credit risk, arising from credit facilities allowed to certain customers in the Australian region, by making appropriate credit checks before bets are placed and setting credit limits based on this information.

Currency risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates; a significant proportion of its income is derived from foreign currencies whilst the majority of its costs are in Sterling.

During the year, the Group moved to a proactive position and began to hedge foreign currency sales with forward contracts for up to one year, purchasing currencies to cover 80% of its exposure one quarter ahead, 70% two quarters ahead, 60% three quarters ahead and 50% four quarters ahead. This policy is approved by the Board and the Board receives updates on a regular basis in respect of the hedging position.

The Group's derivative transactions comprise currency forward contracts. During the year the Group entered into a number of forward contracts with terms of between 1 and 12 months.

The Group applies hedge accounting to its forward contracts which provide a cash flow hedge against spot rate foreign currency volatility over highly probable forecast Euro sales.

Amounts initially recycled to equity under designated cash flow hedges totalled £1.2m (2008: £nil) of which £0.5m (2008: nil) has been recycled to the income statement on the completion of designated hedge relationships.

The tables below show the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency:

19. Financial instruments (continued)

Functional currency of operation	Net foreign currency monetary assets				
	Euro £m	US dollars £m	Czech Koruna £m	Other currencies £m	Total £m
2009					
Sterling	3.9	0.9	2.6	3.1	10.5
	3.9	0.9	2.6	3.1	10.5
2008					
Sterling	16.5	1.5	0.6	3.5	22.1
	16.5	1.5	0.6	3.5	22.1

Fair values

The fair values of the Group's financial instruments are considered to be equal to the book value. As these financial instruments are not publicly traded, the fair values presented are determined by calculating present values of the cash flows anticipated until maturity of these financial assets.

	Assets at fair value through the Income Statement		Loans and receivables	
	2009 £m	2008 £m	2009 £m	2008 £m
Financial assets as per balance sheet				
Trade and other receivables	-	-	9.9	6.1
Cash and cash equivalents	-	-	44.3	49.4
Derivatives	0.7	-	-	-
	0.7	-	54.2	55.5

	Liabilities at fair value through the Income Statement		Financial liabilities at amortised cost	
	2009 £m	2008 £m	2009 £m	2008 £m
Financial liabilities as per balance sheet				
Trade and other payables	1.7	1.8	37.6	47.0
Interest bearing loans and borrowings	-	-	4.0	5.6
	1.7	1.8	41.6	52.6

Notes to the Financial Statements

19. Financial instruments (continued)

Foreign currency sensitivity

Sportingbet Plc is exposed to market risk through its use of financial instruments and specifically to currency risk.

Exposures to currency exchange rates arise from the Group's retranslation of its foreign subsidiaries as well as the Group's overseas sales and purchases, which are primarily denominated in Euros and Turkish Lira.

The following table illustrates the sensitivity of the net result for the year and equity with regard to the Group's financial assets and financial liabilities and the Euro/Sterling exchange rate and Turkish Lira/Sterling rate. It assumes a +/- 0.5% movement in the Sterling/Euro exchange rate for the year ended 31 July 2009 (2008: 1.3%) and a +/- 0.4% movement for the Sterling/Turkish Lira exchange rate (2008: 0.7%).

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

If Sterling had strengthened against the Euro and Turkish Lira by 0.5% (2008: 1.3%) and 0.4% (2008: 0.7%) respectively then this would have had the following impact:

	2009			2008		
	Euro £m	Turkish Lira £m	Total £m	Euro £m	Turkish Lira £m	Total £m
Net profit	(0.2)	(0.1)	(0.3)	(0.4)	(0.3)	(0.7)
Equity	(0.1)	(0.1)	(0.3)	(0.4)	(0.3)	(0.7)

If Sterling had weakened against the Euro and Turkish Lira by 0.5% (2008: 1.3%) and 0.4% (2008: 0.7%) respectively then this would have had the following impact:

	2009			2008		
	Euro £m	Turkish Lira £m	Total £m	Euro £m	Turkish Lira £m	Total £m
Net profit	0.2	0.1	0.3	0.4	0.3	0.7
Equity	0.1	0.1	0.3	0.4	0.3	0.7

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Capital management

In common with many internet companies that have few physical assets, the Group has no policy as to the level of equity capital and reserves other than to address statutory requirements. As at 31 July 2009, the Group had £4.0m of bank loans which are secured on the Group's land and buildings. Details of the Group's dividend policy are disclosed on page 44 of this Annual Report.

20. Share capital

	2009 £000	2008 £000
Authorised:		
1,000m (2008: 1,000m) ordinary shares of 0.1p each	1,000	1,000
Allotted, issued and fully paid:		
As at 31 July 2008: 472,011,023 shares of 0.1p each	472	433
Issues in respect of acquisitions: 7,422,679 shares	7	25
Other share issues in respect of exercised share options: 4,714,005 shares	5	12
Other share issues: nil shares	-	2
As at 31 July 2009: 483,987,106 shares of 0.1p each	484	472

Shares issued in respect of acquisitions represent 7,422,679 shares in respect of the acquisition of the business and assets of Belmond International Limited during the year ended 31 July 2008.

Notes to the Financial Statements

20. Share capital (continued)

At 31 July 2009 the following share options were outstanding in respect of ordinary shares:

Date of grant	Ordinary shares of 0.1p	Period of option	Exercise price (p)
September 2002	100,000	September 2005 – September 2009	83
December 2003	1,155,000	December 2006 – December 2010	39.5
January 2004	1,570,625	January 2007 – January 2011	49
February 2004	100,000	February 2007 – January 2011	39.5
May 2004	50,000	May 2007 – May 2011	94
October 2004	100,000	October 2007 – October 2011	97.5
November 2004	160,000	November 2007 – November 2014	131
August 2005	26,250	July 2007 – July 2008	-
May 2006	66,667	November 2007 – November 2009	-
November 2006	9,296,041	November 2007 – November 2009	-
March 2007	461,904	November 2007 – November 2009	-
June 2007	84,325	November 2008 – November 2009	-
November 2007	4,249,569	November 2008 – November 2009	-
December 2007	1,422,354	December 2008 – December 2009	-
March 2008	2,562,251	November 2008 – November 2009	-
June 2008	2,519,157	November 2009 – November 2011	-
January 2009	15,706,605	November 2010 – November 2012	-

At 31 July 2009 there were 39,630,748 options or awards over ordinary shares outstanding, 7,152,724 of which relate to Directors, details of which can be found in the Remuneration Report on pages 28 to 32.

Of the share options detailed above 35,700 relate to the HMRC Approved Scheme, 1,880,625 relate to the Executive Scheme, 1,319,300 relate to the Unapproved Scheme, 26,250 relate to the 2005 plan, 19,173,247 relate to the 2006 Share Plan, 15,706,605 relate to the 2009 restricted share plan, 66,667 relate to conditional awards and 1,422,354 to discretionary awards to Executive Directors.

21. Equity

	Issued share capital £m	Share premium account £m	Shares to be issued £m	Own shares £m	Profit and loss account £m	Foreign exchange reserve £m	Total £m
As at August 2007	0.4	42.9	14.6	-	16.8	(2.6)	72.1
Acquisitions	0.1	13.4	(5.6)	-	-	-	7.9
Share option charge	-	-	-	-	7.6	-	7.6
Loss for the year	-	-	-	-	(4.3)	-	(4.3)
Foreign currency exchange	-	-	-	-	-	1.1	1.1
As at 1 August 2008	0.5	56.3	9.0	-	20.1	(1.5)	84.4
Acquisitions	-	3.1	(9.0)	-	-	-	(5.9)
Share option charge	-	-	-	-	3.1	-	3.1
Profit for the year	-	-	-	-	12.4	-	12.4
Purchase of own shares	-	-	-	(3.0)	-	-	(3.0)
Issue of own shares in lieu of options	-	-	-	3.0	(3.0)	-	-
Hedging reserve	-	-	-	-	0.7	-	0.7
Foreign currency exchange	-	-	-	-	-	1.5	1.5
As at 31 July 2009	0.5	59.4	-	-	33.3	-	93.2

The movement in Group equity of £8.8m (2008: £12.3m) is wholly represented by the movements shown in equity reserves and share capital in Notes 21 and 20.

The movement in shares to be issued of £9.0m represents settlement of consideration in relation to historic acquisitions.

Notes to the Financial Statements

22. Share based payments

The Company operates six equity-settled share-based remuneration schemes for employees across the Group, as listed in Note 20. All employees are eligible to participate in these

schemes, the vesting conditions being that the individual still remains in employment at the date of the release of the option and in respect of the 2005 and 2006 share plans satisfies

certain performance criteria. The terms of these schemes are discussed in more detail in the Remuneration Report on pages 28 to 32.

	2009		2008	
	Weighted average exercise price (p)	No.	Weighted average exercise price (p)	No.
Outstanding at the beginning of the year	2.7	38,686,357	3.7	40,271,306
Granted during the year	-	17,416,122	-	15,996,714
Forfeited during the year	-	(66,667)	-	-
Exercised during the year	-	(13,789,763)	0.4	(11,909,203)
Lapsed during the year	1.4	(2,615,301)	7.1	(5,672,460)
Outstanding at the end of the year	2.5	39,630,748	2.7	38,686,357
Exercisable at the end of the year	52.6	3,235,625	52.5	3,310,625

The exercise price of options outstanding at the end of the year ranged between 0p and 131p (2008: 0p and 131p) and their weighted average contractual life was 596 days (2008: 455 days).

Of the total number of options outstanding at the end of the year, 3,235,625 (2008: 3,310,625) had vested and were exercisable.

The weighted average share price (at the date of exercise) of options exercised during the year was 27.9p (2008: 44.2p).

The weighted average fair value of each option granted during the year was 33.35p (2008: 44.27p).

The following information is relevant in the determination of the fair value of options granted during the year under the equity- and cash-settled share-based remuneration schemes operated by Sportingbet Plc.

	2009	2008
Equity-settled		
Options pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	35.17p	44.27p
Exercise price (pence)	nil	nil
Weighted average contractual life (days)	1,208	555
Equity-settled		
Expected volatility	50%	50%
Expected dividend growth rate	2%	2%
Risk-free interest rate	5%	5%

The volatility assumption, measured at the standard deviation of expected share price

returns, is based on a statistical analysis of daily share prices over the last three years.

	2009 £m	2008 £m
The share-based remuneration expense comprises:		
Equity-settled schemes	3.1	8.0

23. Commitments under operating leases

	2009 £m	2008 £m
Minimum lease payments under operating leases recognised as an expense for the year		
Land and buildings	1.7	1.9

At 31 July 2009, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 £m	2008 £m
Land and buildings		
Within 1 year	1.6	1.5
Within 2-5 years inclusive	1.7	3.2
In more than 5 years	0.6	1.1
	3.9	5.8

Operating lease payments represent rentals payable by the Group for office property costs.

24. Contingent liabilities

(a) From time to time the Group is subject to legal claims and actions. The Group takes legal advice as to the likelihood of success of the claims and actions and no provision or disclosure is made where the Directors feel, based on that advice, that action is unlikely to result in a material loss or a sufficiently reliable estimate of the potential obligation cannot be made.

As part of the ongoing operational risk assessment process adopted by the Group, there is continued monitoring of the legal and regulatory developments and their potential impact on the business. Appropriate advice continues to be taken in respect of these developments.

As noted within the Regulatory Developments section (pages 33 to 35) there have been certain adverse regulatory developments within Turkey and parts of Europe. In addition, the Group as a whole has been impacted by the enactment of the Unlawful Internet Gambling Enforcement Act in the US, in October 2006. Although the Group has ceased taking bets from US resident customers potentially there remains a residual risk associated with the Group's historic US transactions.

There is uncertainty as to what actions, if any, may occur from the above noted events, and any impact such action may have on the Group. However, the Board does not consider it probable that a material liability or a material impairment in the carrying value of assets will arise as a result of any potential action.

(b) The Group has entered into arbitration following a claim by its former marketing partner for the Spanish market. The Group disputes the claim and has sought specific legal advice. It is considered that it would be prejudicial to the arbitration process to provide a best estimate of any potential liability.

25. Related parties

The Group makes contributions into an Employee Benefit Trust ("EBT") as part of a cash based long term incentive plan for certain

key employees. A number of Directors are beneficiaries of the EBT into which contributions of £0.6m were made in 2009 (2008: £1.2m).

Parent Company Independent Auditor's Report

To the shareholders of Sportingbet Plc

We have audited the Parent Company Financial Statements of Sportingbet Plc for the year ended 31 July 2009, which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). We have reported separately on the Group Financial Statements of Sportingbet Plc for the year ended 31 July 2009.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of Financial Statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the Parent Company Financial Statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - regulatory uncertainty

In forming our opinion on the Financial Statements, which is not qualified, we have considered the accuracy of, and draw attention to, the disclosures made in Note 24(a) of the Group Financial Statements regarding the implications of, and uncertainties arising from, regulatory developments concerning online gambling and related activities in the United States, Turkey and parts of Europe. There is uncertainty as to the impact such regulatory developments may have on the Company. Note 24(a) of the Group Financial Statements includes a statement that the Board does not consider it probable that a material liability or impairment in the carrying value of assets will arise as a result of any potential action.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Parent Company Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Etherington

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

7 October 2009

Parent Company Balance Sheet

As at 31 July 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investments	4	46.3	51.3
		46.3	51.3
Current assets			
Debtors	5	25.6	42.2
Cash at bank and in hand	6	1.2	1.2
		26.8	43.4
Creditors – amounts falling due within one year	7	(6.3)	(12.5)
Net current assets		20.5	30.9
Net assets		66.8	82.2
Shareholders' funds			
Issued share capital	8	0.5	0.5
Shares to be issued	9	-	7.5
Share premium	9	58.3	54.9
Retained earnings	9	8.0	19.3
Equity shareholders' funds		66.8	82.2

The Notes on pages 72 to 77 form part of these Financial Statements. These Financial Statements were approved by the Board and authorised for issue on 7th October 2009.

A Mclver
Director

Notes to the Parent Company Financial Statements

1. Parent company accounting policies

The Financial Statements for the Company have been prepared in accordance with UK law and applicable UK GAAP accounting standards.

The principal accounting policies are summarised below. They have all been applied consistently throughout the financial year and the preceding year.

The following principal accounting policies have been applied:

Exemptions

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss for the Company alone. The Company is also exempt from the requirement to prepare a cash flow statement as its cash flows are consolidated in the Group Financial Statements of Sportingbet Plc.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Leased assets

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share based employee remuneration

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period.

Where share options are granted to employees of subsidiary undertakings, the fair value of the options is added to the cost of investment in these subsidiary undertakings over the vesting period.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Further descriptions of the Group's share-based payment plans are given in note 22 of the Group Financial Statements.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

2. Loss after tax

Company loss after tax for the year amounted to £11.3m. Audit fees for the Company were borne by other members of the group and are disclosed in the notes to the consolidated Financial Statements.

3. Staff costs

	2009 £m	2008 £m
Employee costs including Directors were as follows:		
Wages and salaries	2.6	3.7
Social security costs	0.3	0.2
Pensions costs	0.2	0.3
	3.1	4.2

During the year 6 employees were employed by the Company (2008: 5).

There were 2 (2008: 2) Directors in the Company's defined contribution pension scheme. Further non statutory disclosures on

the remuneration of each individual Director are given in the Remuneration Report Financial Statements.

4. Investments

	Shares in subsidiary undertakings £m
Investment in subsidiary undertakings	
As at 1 August 2008	51.3
Disposals	(7.2)
Options issued to employees of subsidiary undertakings	2.2
As at 31 July 2009	46.3

During the year the Company disposed of its investment in Sportingbet Italia S.p.A and dissolved Sportingbet Germany Limited.

Notes to the Parent Company Financial Statements

4. Investments (continued)

The following principal subsidiaries were wholly owned at 31 July 2009.

	Activity	Country of incorporation or registration
Interactive Sports (CI) Limited	Online betting	Alderney
Interactive Sports Limited	Online betting	England
Sportingbet Australia Pty Limited	Online and telephone betting	Australia
Internet Opportunity Entertainment Limited	Online betting	Antigua & Barbuda
Platinum Management Advisors S.A.	Administrative services	Costa Rica
Sporting Odds Limited	Online betting	England
MLB Limited	Contract Call Centre	Ireland
Anfield Limited	Investment holding company	B.V.I.
SB (Properties) Guernsey Limited	Investment property holding company	Guernsey
Sportingbet (Management Services) Limited	Administrative services	England
Sportingbet (IT Services) Limited	Software development and IT related services	England
Sportingbet (Product Services) Limited	Market research, project management and web design services	England

For all undertakings listed previously, the country of incorporation is the same as the country of operation.

5. Debtors

	2009 £m	2008 £m
Other debtors	0.3	0.3
Prepayments and accrued income	1.1	0.1
Owed by subsidiary undertakings	24.2	41.8
	25.6	42.2

The Company has agreed to provide its subsidiary undertakings with such financial support as is necessary to enable the subsidiaries to continue to trade and meet their obligations to third party creditors as and when they fall due.

6. Cash at bank and in hand

	2009 £m	2008 £m
Cash	1.2	-
Restricted cash	-	1.2
	1.2	1.2

Restricted cash represents £nil (2008: £1.2m) held with Barclays in connection with the share capital reduction exercise in 2005.

7. Creditors - amounts falling due within one year

	2009 £m	2008 £m
Bank loans	4.0	5.6
Accruals and deferred income	1.9	2.4
Contingent consideration	-	4.5
Due to subsidiary undertakings	0.4	-
	6.3	12.5

8. Share capital

	2009 £000	2008 £000
Authorised:		
1,000m (2008: 1,000m) ordinary shares of 0.1p each	1,000	1,000
Allotted, issued and fully paid:		
As at 31 July 2008: 472,011,023 shares of 0.1p each	472	433
Issues in respect of acquisitions: 7,422,679 shares	7	25
Issues in respect of exercised share options: 4,714,005 shares	5	12
Other share issues: nil shares	-	2
As at 31 July 2009: 483,987,106 shares of 0.1p each	484	472

Shares issued in respect of acquisitions represent 7,422,679 shares in respect of the acquisition of the business and assets of

Belmond International Limited during the year ended 31 July 2008.

Notes to the Parent Company Financial Statements

8. Share capital (continued)

At 31 July 2009 the following share options were outstanding in respect of ordinary shares:

Date of grant	Ordinary shares of 0.1p	Period of option	Exercise price (p)
September 2002	100,000	September 2005 – September 2009	83
December 2003	1,155,000	December 2006 – December 2010	39.5
January 2004	1,570,625	January 2007 – January 2011	49
February 2004	100,000	February 2007 – January 2011	39.5
May 2004	50,000	May 2007 – May 2011	94
October 2004	100,000	October 2007 – October 2011	97.5
November 2004	160,000	November 2007 – November 2014	131
August 2005	26,250	July 2007 – July 2008	-
May 2006	66,667	November 2007 – November 2009	-
November 2006	9,296,041	November 2007 – November 2009	-
March 2007	461,904	November 2007 – November 2009	-
June 2007	84,325	November 2008 – November 2009	-
November 2007	4,249,569	November 2008 – November 2009	-
December 2007	1,422,354	December 2008 – December 2009	-
March 2008	2,652,251	November 2008 – November 2009	-
June 2008	2,519,157	November 2009 – November 2011	-
January 2009	15,706,605	November 2010 – November 2012	-

At 31 July 2009 there were 39,630,748 options or awards over ordinary shares outstanding, 7,152,724 of which relate to Directors, details of which can be found in the Remuneration Report on pages 28 to 32.

Of the share options detailed above 35,700 relate to the HMRC Approved Scheme, 1,880,625 relate to the Executive Scheme, 1,319,300 relate to the Unapproved Scheme, 26,250 relate to the 2005 plan, 19,173,247 relate to the 2006 Share Plan, 15,706,605 relate to the 2009 restricted share plan, 66,667 relate to conditional awards and 1,422,354 to discretionary awards to Executive Directors.

9. Reserves

	Share premium account £m	Shares to be issued £m	Profit and loss account £m
As at 1 August 2008	54.9	7.5	19.3
Acquisitions	3.4	(7.5)	-
Share option charge	-	-	3.1
Other movements	-	-	(0.1)
Issue of own shares in lieu of options	-	-	(3.0)
Loss for the year	-	-	(11.3)
As at 31 July 2009	58.3	-	8.0

The movement in Company shareholders' funds of £15.4m (2008: £6.9m) is wholly represented by the movements shown in reserves and share capital in Notes 9 and 8.

The movement in shares to be issued of £7.5m represents settlement of consideration in relation to historic acquisitions.

Other movements comprise of rounding differences.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sportingbet Plc (the 'Company') will be held at 4th Floor, 45 Moorfields, London EC2Y 9AE on 18 December 2009 at 10.30 a.m. for the following purposes:

Ordinary business

To consider, and if thought fit, pass the following ordinary resolutions:

Resolution 1

To receive and adopt the accounts, the Directors' report, and the auditor's report on the Financial Statements for the year ended 31 July 2009.

Resolution 2

To receive and approve the Directors' Remuneration Report for the year ended 31 July 2009.

Resolution 3

To declare a final dividend for the year ended 31 July 2009 of 1 pence (£0.01) per ordinary share.

Resolution 4

To re-appoint Grant Thornton (UK) LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next General Meeting at which accounts are laid before the Company.

Resolution 5

To authorise the Directors to set the auditor's remuneration.

Resolution 6

To re-elect Brian Harris as a Director of the Company.

Resolution 7

To re-elect Sean O'Connor as a Director of the Company.

Special business

To consider and, if thought fit, pass the following resolutions, of which resolutions 8 and 10 will be proposed as ordinary resolutions and resolutions 9 and 11 will be proposed as special resolutions:

Resolution 8

That, in accordance with section 551 of the Companies Act 2006 ("2006 Act"), the Directors be and they are hereby generally and unconditionally authorised in substitution for all existing authorities conferred on Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act:

- to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £161,375; and
- to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the 2006 Act) up to an additional aggregate nominal amount of £161,375 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever, provided that the authorities in 8(i) and 8(ii) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the annual general meeting, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities or equity securities as the case may be to be allotted after such expiry and the directors may allot relevant securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.

Resolution 9

That, in accordance with section 570 of the 2006 Act, the Directors be and they are hereby empowered, to allot equity securities (as defined in section 560 of the 2006 Act) for cash pursuant to the authority conferred by resolution number 8 or by way of a sale of treasury shares as if section 561 (1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

- the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority granted conferred by paragraph 8(ii), by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
- the allotment (otherwise than pursuant to paragraph 9(i) above) of equity securities up to an aggregate nominal amount of £24,206,223, and shall expire upon the expiry of the general authority conferred by resolution number 8 above, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

Resolution 10

That the Company and any wholly owned subsidiary of the Company be and is hereby authorised to:

- make political donations to political parties and/or independent election candidates not exceeding £100,000 in total;
- make political donations to political organisations other than political parties not exceeding £100,000 in total; and
- incur political expenditure not exceeding £100,000 in total, during the period beginning on the date of the passing of this resolution 10 and ending on the earlier of the conclusion of the next Annual General Meeting of the Company and 31 December 2010.

For the purposes of this resolution 10 the terms 'political donation', 'political parties', 'political organisation' and 'political expenditure' have the meanings given to them by Sections 363 to 365 of the 2006 Act.

Resolution 11

That, pursuant to section 701 of the 2006 Act and article 7(C) of the Company's articles of association, the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the 2006 Act) of ordinary shares of 0.1p each in the capital of the Company ('Ordinary Shares') on such terms and in such manner as the Directors may from time to time determine provided that:

- the maximum number of Ordinary Shares hereby authorised to be purchased is 48,412,446 (representing approximately 10 per cent of the Company's issued ordinary share capital at the date of this notice of meeting);
- the minimum price, exclusive of any expenses, which may be paid for each Ordinary Share is 0.1p;
- the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotation for an Ordinary Share of the Company for the five business days immediately preceding the day on which such share is contracted to be purchased;

- unless previously renewed, revoked or varied, the authority hereby conferred shall expire at the close of the next Annual General Meeting of the Company or 31 December 2010, whichever is the earlier; and
- under this authority the Company may make a contract to purchase ordinary shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired.

7 October 2009

By Order of the Board

D Talisman LLB ACIS
Company Secretary
Registered Office:
4th Floor
45 Moorfields
London
EC2Y 9AE

Notes to the Notice of Meeting

Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders on the register of members of the Company as at 6.00 p.m. on 16 December 2009 or, if the meeting is adjourned, on the register of members of the Company 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend or vote at the above Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register after 6.00 p.m. on 16 December 2009 or, if the meeting is adjourned, on the register of members of the Company 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Proxies

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('Euroclear') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

A member of the Company eligible to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attaching to different shares held by the member. A proxy need not be a member of the Company.

A form of proxy accompanies this document for your use. To be valid, forms of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the offices of the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. A form of proxy must be returned in one of the following methods:

- electronically through the Company's Registrars' website www.capitashareportal.com
- in hard copy form by post, by courier or by hand to the Company's Registrars:
Capita Registrars
Proxy Department
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU; or
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out above.

Deposit of a form of proxy will not prevent a member from attending and voting in person should he so wish.

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Documents on display

A register of Directors' interests in the share capital and debentures of the Company, copies of service agreements under which Directors of the Company are employed and the current articles of association are available for inspection at the Company's registered office during normal business hours from the date of this meeting notice and will also be available for inspection at the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Electronic Addresses

You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

Notes to the Notice of Meeting

Explanatory notes to the resolutions

Ordinary business

The following notes explain some of the items of ordinary business.

Resolution 1

The Directors must lay the annual accounts and the respective reports of the Directors and auditors before shareholders at an Annual General Meeting.

Resolution 2

This Resolution is to approve the Directors' Remuneration Report for the year ended 31 July 2009. You can find the report in the Remuneration Report in the Annual Report and Accounts for the year ended 31 July 2009.

Resolution 3

A final dividend of 1 pence (£0.01) per ordinary share for the year ended 31 July 2009 is recommended for payment by the Directors. If you approve the recommended final dividend, this will be paid on 8 January 2010 to all ordinary shareholders who were on the register of members at the close of business on 11 December 2009.

Resolutions 4 and 5

At each General Meeting at which accounts are laid before the members, the Company is required to appoint auditors to stand until the next such meeting and Resolution 5 authorises the directors to set their remuneration.

Grant Thornton (UK) LLP have indicated their wish to continue as the Company's auditors.

Resolutions 6 and 7

Under the Company's Articles of Association, each Director must stand for re-election every three years. You are therefore asked to re-elect Brian Harris and Sean O'Connor as Directors of the Company.

Special business

In addition to the ordinary business of the Company, this year there will be the following items of special business at the Annual General Meeting.

Power to issue ordinary shares (resolution 8)

By resolution 8, your Directors are seeking authority to allot share capital under section 551 of the 2006 Act of up to a maximum amount of £161,375 representing approximately one third of the issued share capital of the Company as at 6 October 2009 (so as to include issues of shares in the capital of the Company up to 6 October 2009 being the latest practicable date before publication of this notice), being in accordance with the guidelines issued by the Investment Protection Committees of the Association of British Insurers and the National Association of Pension Funds.

In addition, the Association of British Insurers (ABI) has said that it will now consider as routine a resolution to authorise the allotment of a further one-third of share capital for use in connection with a rights issue. Your Board considers it appropriate to seek this additional allotment authority at this year's Annual General Meeting in order to take advantage of the flexibility it offers. However, the Board has no present intention of exercising either authority.

Disapplication of Statutory Pre-emption Rights (resolution 9)

Resolution 9 will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis:

- In connection with a rights issue or other pro-rata offer to existing shareholders.
- (Otherwise than in connection with a rights issue) up to a maximum nominal value of £24,206,223, representing approximately 5 per cent of the issued ordinary share capital of the Company as at 6 October 2009 (the latest practicable date before publication of this letter).

Political donations and expenditure (resolution 10)

The Company has a policy that it does not make political donations to, or incur political expenditure on behalf of, political parties or political organisations. However, the 2006 Act contains restrictions on companies making 'political donations' to 'political parties or other political organisations' or incurring 'political expenditure' and it defines these terms very widely. The effect is that some activities of the Company that form part of the normal relationship between the Company and bodies concerned with policy review, law reform and other business matters affecting the Company may be restricted by the provisions of the 2006 Act. Such activities, which are in shareholders' interests for the Company to conduct, are not designed to support, or implement support, for a particular political party or political organisation. The Company believes that the authority proposed under this resolution 10 is necessary to ensure that it does not commit any technical or inadvertent breach of the restrictions that could arise from the uncertainty generated by the wide definitions contained within the 2006 Act when carrying out activities in the furtherance of its legitimate business interests.

Resolution 11

The 2006 Act permits a company to purchase its own shares provided that the purchase has been authorised by the Company in a general meeting. Whilst the Directors have no present intention of making such purchases, it is common practice for listed companies to seek such authority and the Directors consider that it is prudent for them to do so.

Resolution 11, if passed, will give the Company authority to purchase its own shares in the market up to a limit of 10 per cent of its issued ordinary share capital. The maximum and minimum prices are stated in the resolution. Your Directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or retained as treasury shares. AIM companies, with authorisation from shareholders, are able to purchase their own share and to hold shares repurchased as treasury shares with a view to possible re-sale at a future date rather than having to cancel them. The Company will consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares and would solely be used to satisfy the release of awards or the exercise of options under the Company's share schemes. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10 per cent anti-dilution limit set by the Association of British Insurers. Your Directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally. The total number of options and warrants to subscribe for ordinary shares outstanding at 6 October 2009, the latest practicable date prior to publication of this document, was 39,630,748 which represented 8.19% of the issued share capital at that time and which will represent 9.06% of the issued share capital if the full authority to buy back shares is used.

Shareholders' Information

Registrars

All enquiries relating to shares or shareholdings should be addressed to:

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Shareholder Helpline No: 0871 664 0300 - calls cost 10p per min plus network extras, lines are open 8.30am-5.30pm Mon-Fri

Facsimile 01484 600 911

www.sportingbetplc.com

The Company's website provides, amongst other things, the latest news and details of the Company's activities, share price information and links to the websites of our brands. The investor relations section of www.sportingbetplc.com contains up-to-date information including the Company's latest results, the Company's financial calendar and archived webcasts.

www.sportingbet-shares.com

Shareholders who prefer to receive communications about the Company by email are encouraged to register their details at the Company's shareholder portal – www.sportingbet-shares.com. You will need your investor code (found on your share certificate or on correspondence from Capita Registrars) to complete this process at the first time of registering. Capita Registrars will send you a username and activation code by post and, upon receipt; you will then be able to access the Company's shareholder portal. The shareholder portal provides shareholders of the Company with the ability to choose from the following services:

- **Annual Report and Accounts, AGM and EGM notices and webcasts**

Shareholders can choose to have these emailed to a specified email address rather than

- **Web proxy voting**

Shareholders can vote at AGMs or EGMs through www.sportingbet-shares.com or alternatively, via www.capitaregistrars.com by clicking on the quick-log-in-link and entering Sportingbet as the company name. You will need your investor code for this service;

- **Announcements made to the Alternative Investment Market**

UK based shareholders can choose to receive certain RNS announcements by email;

- **Direct dividend payments**

Dividends can be paid automatically into your bank or building society account. There are two primary benefits of this service.

- a) There is no chance of your dividend cheque going missing in the post; and
- b) The dividend payment is received more quickly because the cash sum is paid directly into the account on the payment date without the need to pay in the cheque and wait for it to clear.

As an alternative, shareholders can download a dividend mandate and complete and post to Capita Registrars;

- **Change of address**

Shareholders can change their address directly online at www.sportingbet-shares.com or by notifying Capita Registrars in writing at the above address;

- **Your shareholding**

Shareholders can value their shareholding and view previous transactions in the Company's shares; and

- **Share dealing**

A share dealing service is available to the Company's shareholders to buy or sell the Company's shares at Capita Share Dealing Services via www.sportingbetplc.com or www.sportingbet-shares.com.

Telephone dealing is also available via Capita Registrars on 0871 664 0445 calls cost 10p per min plus network extras

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell the Company's shares. Shareholders of the Company who are in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Non-shareholders can register to receive notifications of the Company's Annual Report and Accounts, and webcasts at www.sportingbetplc.com.

Lost share certificate

If your share certificate is lost or stolen, you should immediately contact Capita Registrars Shareholder Helpline No: 0871 664 0300 - calls cost 10p per min plus network extras who will advise on the process for arranging a replacement.

Duplicate shareholder accounts

If, as a shareholder, you receive more than one copy of a communication from the Company you may have your shares registered in at least two accounts. This happens when the registration details of separate transactions differ slightly. If you wish to consolidate such multiple accounts, please call Capita Registrars Shareholder Helpline No: 0871 664 0300 - calls cost 10p per min plus network extras.

ShareGift

ShareGift, is a charity share donation scheme. It is a free service for shareholders wishing to give shares to charitable causes. It may be useful for those who wish to dispose of a small parcel of shares which would cost more to sell than they are worth. There are no capital gains tax implications (i.e. no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information can be found at www.sharegift.org.

Financial Summary

	Year ended 31 July 2005 UK GAAP ¹ £m	Year ended 31 July 2006 UK GAAP ¹ £m	Year ended 31 July 2007 IFRS £m	Year ended 31 July 2008 IFRS £m	Year ended 31 July 2009 IFRS £m
Amounts wagered	1,526.2	2,060.9	1,060.9	1,347.8	1,577.2
Net gaming revenue	175.8	303.3	117.2	144.3	163.6
Operating profit/(loss) before exceptional items, share option charge and amortisation	60.5	103.4	7.8	24.7	31.1
Exceptional items	1.3	-	(26.8)	(12.0)	(4.2)
Share option charge	-	(6.7)	(9.9)	(8.0)	(3.1)
Amortisation	(16.4)	(22.1)	(1.8)	(3.9)	(1.9)
Group operating profit/(loss)	45.4	74.6	(30.7)	(0.8)	21.9
Net finance income	(4.6)	(3.0)	1.0	0.4	0.4
Profit/(loss) before taxation	40.8	71.6	(29.7)	1.2	22.3
Taxation	-	-	(1.2)	(3.5)	(0.5)
Profit/(loss) for the period	40.8	71.6	(30.9)	(2.3)	21.8
Loss for the period from discontinued operations	-	-	(281.3)	(2.0)	(9.4)
Group profit/(loss) for the period	40.8	71.6	(312.2)	(4.3)	12.4
Earnings per share					
Basic	13.4p	17.7p	(73.2)p	(0.5)p	4.6p
Basic adjusted	18.6p	24.9p	4.4p	4.8p	6.5p
Diluted adjusted	13.9p	23.8p	4.0p	4.2p	6.0p

¹ The periods ended 31 July 2005 and 2006 are stated under UK GAAP, as it is not practical to restate amounts for period prior to the date of transition to IFRS.

The principal differences between UK GAAP and IFRS are discussed in Note 27 of the 2008 Annual Report and Accounts.

Financial calendar

Ex-dividend date for 2009 dividend:
9 December 2009.

Record date for 2009 dividend:
11 December 2009.

Annual General Meeting: 18 December 2009.
4th Floor, 45 Moorfields, London EC2Y 9AE.

Final dividend payment date for the financial
year ended 31 July 2009:
8 January 2010.

Corporate Directory

Secretary

D Talisman LLB ACIS

Registered Office

4th Floor
45 Moorfields
London EC2Y 9AE

Company Number

3534726

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street, Euston Square
London NW1 2EP

Corporate Advisors & Joint Stockbrokers

Daniel Stewart and Company Plc
Becket House
36 Old Jewry
London EC2R 8DD

Joint Stockbrokers

Oriel Securities Limited
125 Wood Street
London
EC2V 7AN

Solicitors

Nabarro
Lacon House
84 Theobold's Road
London WC1X 8RW

Principal Bankers

Barclays Bank Plc
Floor 27
1 Churchill Place
London E14 5HP

Press Office

Maitland
Orion House
5 Upper St. Martin's Lane
London
WC2H 9EA