sportingbet Plc®

Sportingbet Plc
Annual Report 2007 - 2008
Company Number : 3534726

WINNING MOMENTS
ANNUAL REPORT AND ACCOUNTS 2007-2008

sportingbet Plc®

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KEY HIGHLIGHTS

- Net gaming revenue growth of 23% to £147.0m
- Operating profit* more than trebled to £22.7m
- Restructuring completed resulting in improved operating profit margin** of 15.4% (2007 restated: 4.1%)
- Sports betting net gaming revenue growth of 45% driven by increased product range and strong performance in Europe and Australia
- Strategic review of marketing partners completed with Spanish and Bulgarian marketing brought in-house
- Solid start to new financial year: revenue growth in excess of 30% in first two months
- Net cash*** of £28.6m

FINANCIAL HIGHLIGHTS (from continuing operations)

	2008 £m	2007 restated £m	%
Amounts Wagered	**1,364.2**	1,096.4	+24
Net Gaming Revenue	**147.0**	119.4	+23
EBITDA*	**29.2**	11.9	+145
Adjusted Operating Profit*	**22.7**	4.9	+363
Group Operating Loss	**(1.2)**	(33.6)	
Diluted EPS (p)	**(0.9)**	(7.7)	
Adjusted Diluted EPS* (p)	**3.8**	1.1	+245
Net cash***	**28.6**	16.3	+75

*Adjusted to exclude exceptional items, share option charge and amortisation

**Adjusted operating profit as a percentage of net gaming revenue

*** Net of long term debt and customer liabilities

2007 MELBOURNE CUP **EFFICIENT vs MAHLER**

ACCESS

SPORTS FANS CAN BET WHENEVER AND WHEREVER THEY WANT.

To help improve its global reach, Sportingbet opened a new Customer Care Centre in Dublin in April 2007. This centre, along with the call centre in Darwin, is dedicated to providing the highest level of customer service, *in each of the local languages of* its customers, 24 hours a day. Customers can use a range of different channels to get in touch, including email, live chat and telephone.

So, whether a customer is based in Bulgaria or Australia, they can call or email Sportingbet's customer service at any time of the day or night. On average the Customer Care Centre receives around 90,000 contacts a month – 25,000 *calls, 32,000 live chats, and 33,000* emails – placing it well above industry standards.

WHO WON?

KAREN JAMESON
MELBOURNE, AUSTRALIA

KAREN BET ON EFFICIENT AT 12/1 WITH SPORTINGBET AUSTRALIA'S TELEPHONE BETTING SERVICE.

2008 CHAMPIONS LEAGUE FINAL **MAN UTD VS CHELSEA**

TRUST

WITH MORE AND MORE WINNERS EVERY DAY, SPORTS FANS WORLDWIDE TRUST SPORTINGBET TO BE THE WORLD'S BEST SPORTS BETTING SITE.

In May of this year a Sportingbet customer placed €27 on the Super 7's slot machine game on Sportingbet's casino site, and in return won just shy of €1,000,000. Sportingbet takes pride in its customers and celebrates their achievements, putting each month's big winners up on its website. Such transparency and honesty is not limited to just winners, but is evident in all of Sportingbet's financial reporting and corporate governance procedures.

As a company listed on the London Stock Exchange since 2001, and now 10 years old, its customers and stakeholders alike trust Sportingbet for its experience, reputation and honesty.

WHO WON?

STEPHAN KOVACZ
BUDAPEST, HUNGARY

STEPHAN PLACED ONE OF 70,133 BETS TAKEN BY SPORTINGBET ON THE CHAMPIONS LEAGUE FINAL.

2008 WIMBLEDON MENS FINAL **FEDERER VS NADAL**

VALUE

DETERMINED TO OFFER THE MOST COMPETITIVE ODDS IN THE MARKET, SPORTINGBET IS COMMITTED TO ENSURING VALUE FOR ALL ITS CUSTOMERS.

Sportingbet is a trusted and valued name within the gaming industry. Sportingbet's in-running betting product 'in:play' combined with a world class trading team place Sportingbet at the forefront of its industry, and it aims to offer some of the most competitive odds in the market.

Sportingbet relies on its ability to offer daily, monthly and annual promotions tailored to the specific needs of each customer. Customers know that they can rely on Sportingbet to deliver excellent value on every bet.

WHO WON?

ALISTAIR CLARKE
LONDON, UNITED KINGDOM

ALISTAIR COMPARED THE ODDS ACROSS THE INDUSTRY ON NADAL TO WIN, AND THEN HE BET WITH SPORTINGBET.

2008 EUROLEAGUE FINAL **MACCABI ELITE VS CSKA MOSCOW**

SECURITY

SECURE AND ROBUST PAYMENTS SYSTEMS ARE BUILT INTO ALL SPORTINGBET TRANSACTIONS.

Data protection, anti-money laundering and fraud are high on the agenda for the Sportingbet team. Sportingbet prides itself on using the latest technology and state of the art systems to combat credit card fraud, identity theft and underage play. Sportingbet promises all its customers a private and hassle-free online experience.

With a new and improved registration process, released in May 2008, Sportingbet is able to track every customer's account at all times, ensuring their money is safe and secure whilst complying with the requirements of all our regulatory authorities.

WHO WON?

JAVIER MARTINEZ
MADRID, SPAIN

JAVIER BET ON CSKA MOSCOW SECURE IN THE KNOWLEDGE THAT HIS PERSONAL DETAILS ARE COMPLETELY PROTECTED AT SPORTINGBET.

FRENCH TOP 14 RUGBY UNION **MONTPELLIER VS PERPIGNAN**

DIVERSITY

EVERY DAY UP TO 14,000 BETTING OPPORTUNITIES ARE OFFERED IN 22 LANGUAGES TO CUSTOMERS FROM AROUND THE GLOBE.

Sportingbet strives to keep pace with the ever-changing world of online gaming and an ever-demanding customer. Sportingbet is constantly looking for the next sporting moment or opportunity to increase its customers' interest.

In 2008, Sportingbet covered a huge variety of sports seeking out some of the less well known games, and offering a spread of live in-running betting from the Champions League down to youth matches in Poland, the Czech Republic and Sweden.

In addition, Sportingbet offers multi-table poker tournaments and an ever expanding list of casino and virtual games, making Sportingbet the online gaming retailer of choice.

WHO WON?

KATIE SANDERSON

MONTREAL, CANADA

KATIE PLACED HER BET ON PERPIGNAN FROM HER HOME IN MONTREAL ON SPORTINGBET'S CANADIAN WEBSITE.

> GROUP CHIEF EXECUTIVE'S STATEMENT

Andrew McIver
Group Chief Executive

Sportingbet's operations are focused on Europe and Australia. The European operation is based in the Channel Islands, operating under a licence provided by the Alderney Gambling Control Commission. This is supported by an operational centre in Dublin providing customer service and administrative support, together with an IT function located in London. In addition, the European business includes a licensed Italian operation, based in Rome.

The Group's Australian division is located in Darwin, operating under a licence from the Northern Territory Government.
Both operational divisions are supported by a head office function based in London. In total the Group employs approximately 460 people.

Sports betting remains the core focus of the Group and accounts for approximately 61% of Group net gaming revenue ("NGR") (2007: 52%). The systems and experience of the European sports trading team are amongst the best in the industry and this is demonstrated by a market leading sports margin. As the European online sports betting market continues to grow, the Board believes that the Group's strength in this key operating area will stand it in good stead to capitalise on the enormous potential of this industry. In Australia, Sportingbet is the clear market leading independent bookmaker.

The European and Australian operations have grown significantly in the past year, in terms of new customers, yields from those customers and profitability.
In addition, major steps have been taken in the development of the Group's product offering, through an increased number of betting markets, enhancements to the in-running betting products and, in Australia, significant development of the region's CRM tools.

Group Restructuring

The last stages of the Group's post US restructuring and the European business operational move to the Channel Islands were completed during the year. All European management, finance and risk management functions are now conducted in Guernsey.

Exceptional costs were incurred during the year amounting to £12.0m. These related to costs associated with the move of the European operational base to the Channel Islands, redundancy costs relating to the restructuring of the Group's head office function and the set-up and termination costs relating to the cessation of certain Group marketing partner contracts.

A significant amount has been achieved over the past 12 months. The restructuring of the European operation and Group Head Office is now complete and the revised structure has led to a more than three-fold increase in operating profit. These actions, whilst difficult for the business and its employees now leaves us well positioned to capitalise on the strong position we have in many of our markets. In addition, the completion of our marketing partner review has resulted in us bringing in-house a number of these operations, which will further enhance our ability to maximise our growth potential.

During the first two months of the new financial year the Group continued to drive growth out of its main Southern and Eastern European and Australian markets. In Spain, now wholly owned by the Group, NGR is up 20% year on year. In Greece, which continues to be run by the marketing partner, revenues are up 120% year on year. Across Eastern Europe, the main markets of Bulgaria, Poland, Hungary and the Czech Republic continue to perform strongly, exhibiting growth of 68% over last year. Elsewhere, the Group is building on its nascent Latin American business and has a licence pending in South Africa for the launch of a licensed sportsbook in early 2009.

> CHAIRMAN'S STATEMENT

Peter Dicks
Chairman and Non-Executive Director

Sportingbet has made tremendous progress during the past year, consolidating its leading position in the online sports gaming market by entering new territories and offering attractive new products to our customers. Operating profit has more than tripled to £22.7m during the year, only two years after withdrawing from the US market, which is testament to both the business model and the team within Sportingbet. Importantly, other key performance indicators such as amounts wagered, net gaming revenue, growth and yields per customer all showed significant improvements.

Regulation, of course, continues to be a significant issue in the industry but we are cautiously optimistic regarding the recent overall trend of European Governments taking a more practical approach to the industry and away from the protection of domestic monopolies. In the United States, the Group continues to be in talks with the US Department of Justice to seek clarification of the position of the US authorities with respect to the Group's previous activities and whether a mutually acceptable resolution is possible. At this stage there is nothing further to report.

The internet gaming industry has seen another year of outstanding growth and I firmly believe that Sportingbet's business model with its combination of strength of product offering, world leading sportsbook and high quality management team places the Group in an ideal position to capitalise on this growth. As yet we have not seen any effect from the global financial crisis nor from the anticipated economic slowdown expected in various economies. The Group's financial position remains strong and I am pleased to report that an encouraging start has been made to the current financial year.

> BUSINESS REVIEW

EUROPE

The European business continued to demonstrate strong growth throughout the year. In particular, the Group's core sports betting product saw a 6% increase in the number of customers to 464,523 (2007: 436,779). The number of bets placed rose by 14% to 51.5m (2007: 45.3m) at a rate of 111 per active customer per year (2007: 104 bets), with an average bet size of £14.98 (2007: £13.26). As a result of both increased frequency of bets and a marginally higher bet size, plus a stronger margin percentage, yield per customer increased by 36% from £124 to £169.

The improvement in the yield described above was, in part, driven by the strength of the Group's in-running betting product, branded 'in:play', allowing customers to bet throughout the game on a wide variety of outcomes. Consequently in:play grew 71% year on year and now accounts for 45% of sports turnover within Europe, building on the Group's aim of providing its customers with an entertainment based destination rather than a mere transactional website.

In response to increasing customer demand, the Group is working towards offering a round-the-clock in-running betting service on an ever wider variety of events, irrespective of an event's location or time zone.

In addition to the further development of in:play, the Group has invested heavily in its systems and processes to allow it to offer many more betting markets than previously with little additional personnel input. This allowed the Group to focus on liability management in order to maximise the profit from the range of markets being offered and led to the sports margin percentage increasing to 10.1% (2007: 9.0%). As sports betting remains the Group's core product, further investment will continue to be made in this area.

The Group continues to focus on yields from its existing customer base as well as seeking to attract new high value customers.

To support this, the Group has invested in its customer proposition by enhancing service levels for existing customers through its dedicated service centre in Dublin, including one-to-one support for more high value customers. The Group's marketing has also been reviewed, with attention on efficiency and the recruitment of profitable players.

The European business generates its revenues from a broad geographical base. Southern Europe continued to be the key geographical stronghold of the Group with Spain and Greece growing at a combined 22%, representing 17% and 14% of Group net gaming revenue ('NGR') respectively. Turkey grew strongly in the first half of the year before the Group switched its investment to other areas to reduce its dependence on this region. As a result, Turkey accounted for 17% of the Group's NGR in the year.

Since February 2008 this region has accounted for 8% of Group NGR and has continued at this rate through the first two months of the new financial year.

Historic investment in emerging Eastern European markets is now beginning to demonstrate real returns in these high growth markets. Poland, Hungary, the Czech Republic and Bulgaria are key markets in this region, and grew in aggregate by 79% year on year to generate 13% of Group NGR. In addition, investment in the Latin American market has successfully established Sportingbet in the region.

Europe's casino offering, which accounted for 24% of the Group's NGR, performed well through the year. The number of casino bets placed rose by 23% to 175.4m (2007: 142.6m) at an average bet size of £4.73 (2007: £5.06). The casino margin percentage was 3.4% (2007: 3.2%). The slight improvement in the margin reflects the change in product mix within the portfolio over the last year, towards higher margin slot machine play, over and above table games such as blackjack and roulette. This follows our increased investment in the Group's slot type product offering.

During the year the European region generated poker rake of £23.7m (2007: £29.0m), pre bonus deductions, down 18.3% year on year. Poker now accounts for just 15% of the Group's NGR, down from 23% in the prior year. Poker remains difficult as the environment has become increasingly competitive with large US-focused poker companies using significant cash flow and their high liquidity to capture the European market.

MARKETING PARTNER REVIEW

Over the last two years, the Board has reviewed its arrangements with its European marketing partners. These marketing partnerships were established a number of years ago and provide a variety of locally focused support including marketing, customer services and in some circumstances, payment processing, in return for a share of the gaming revenue generated from those regions. Whilst all of these contracts are similar in their operation, they each have different contractual obligations for both Sportingbet and the marketing partner. These relationships flourished during the early part of their tenure providing Sportingbet with strong market positions in Spain, Turkey, Greece and Bulgaria.

As these markets have matured the benefits from some of the arrangements have diminished and the Group concluded that some should be brought in-house whilst others expanded.

Last year, the Group purchased the business and assets of its Turkish marketing partner, as well as terminating the contract with its much smaller Scandinavia based partner.

This year, the Board has continued this strategic initiative, resulting in the purchase of its Bulgarian marketing partner in March 2008. In addition, the contract with its Hungarian marketing partner was not renewed, resulting in the operation of this domain being brought in-house in April 2008.

In July 2008, Sportingbet brought in-house the operation and management of miapuesta.com, the Group's Spanish domain. The contract termination payment and the cost of setting up the in-house operation, has resulted in an exceptional charge of £4.7m during the period. This move provides the Group with operational and strategic control over its largest market.

Finally, in October 2008 the Group signed a significant extension to the contracts with its Greek marketing partner.

This partnership has to date established Greece as Sportingbet's second largest market. This new agreement provides the partner with the ability to market the Sportingbet brand, and its own secondary brand vistabet.com, across Greece as well as the new markets of Romania, Croatia, Slovenia and certain other Balkan regions. In light of the highly successful historic performance of the Greek domains, this extension commits a key supplier for the medium term whilst increasing the geographical footprint of the Group.

The restructuring of these marketing arrangements has an impact on the structure of the Group's Income Statement. Commissions paid to the partners are classified as a marketing expense. Once these businesses are brought in-house, this commission will cease to be paid; however these savings will be largely offset by the Group's own marketing in these regions, an increase in the level of reported bonuses and additional staff costs.

AUSTRALIA

Sportingbet Australia had an excellent year with NGR up 55% making the business the fourth largest territory in the Group, accounting for 13% of total NGR. The growth was driven by a 34% increase in the number of customers from 23,094 to 31,032. The increase in NGR was particularly pleasing as there was an unprecedented outbreak of equine influenza in August 2007 which curtailed horse racing, the Group's main product in Australia, in both Queensland and New South Wales, for much of the first half of the year. Despite the interruption, the business grew by significant volumes to stand clearly as Australia's number one independent bookmaker.

The NGR percentage for the region, after betting taxes and product fees, was 3.7% (2007: 2.9%), amounting to gross gaming revenue of £23.5m (2007: £15.8m).

The relatively low margin compared to the rest of the Group is due to a combination of the betting market in general in Australia and the large proportion of the Group's business which derives from the telephone rather than the internet. Typically, internet customers are more frequent bettors and generate a higher margin, but have a much lower average stake size.

Sportingbet's Australian business operates under a Northern Territories licence, which only permits sports betting.

Recent developments in the States of Victoria and New South Wales have removed restrictions preventing bookmakers licensed out-of-state from advertising within these States. As Australia's largest independent bookmaker these developments are welcomed and will further assist the promotion of the business.

The Australian betting industry has recently been subject to additional charges introduced by State based horse racing boards, in particular, in 2006 Racing Victoria Limited introduced a product charge for the approval to publish race cards or races held within the State of Victoria. A similar turnover based fee was introduced by the State of New South Wales on 1 September 2008. Whilst an additional cost to the business, these fees have been fully factored into the Group's profit expectations.

BOARD OF DIRECTORS

The final element of the Group's restructuring was a review of its head office function. Peter Dicks returned to the Board as Chairman and Non-Executive Director, having previously held the position from January 2000 to September 2006. In addition, Jim Wilkinson joined the Board as Group Finance Director having previously held the same position at Johnson Service Group plc and Informa Group Plc. As part of this review it was concluded that the role of Chief Operating Officer was no longer required and as a result Dave Hobday, Chief Operating Officer, left the Group in May 2008.

TRADING OUTLOOK

The Group will continue to concentrate on developing its sports offering and the imminent introduction of live streaming of sport to the Group's customer base aims to drive further in-running betting volumes. We will continue to increase the breadth of markets offered, in line with the demands of our geographically diverse customer base whilst cross selling additional revenue streams to our customers. Our strong balance sheet stands us in good stead during these times of financial uncertainty.

Whilst there is no evidence of having been impacted by the recent turmoil in the financial sector, the Group will continue to monitor customer performance statistics closely. However, the new financial year has started well with NGR growth in excess of 30% in the first two months. As such the Board remains cautiously optimistic of the outcome for the current financial year.

>BOARD OF DIRECTORS

Andrew McIver
Group Chief Executive

Andrew McIver, aged 45, formerly Group Finance Director, took over as Group Chief Executive in October 2006. Andrew qualified as a Chartered Accountant with Arthur Andersen. Following two years in the Corporate Finance department at Dresdner Kleinwort Wasserstein, he held senior finance positions at Signet Group Plc, Ladbrokes Group Plc and British Telecom's Internet division. He was Director of Finance with House of Fraser Plc for four years before joining Sportingbet in December 2001.

Jim Wilkinson
Group Finance Director

Jim Wilkinson, aged 42, joined Sportingbet Plc as Group Finance Director in February 2008, prior to which he held the same position at Johnson Services Group plc between 2004 and 2007. As a Chartered Accountant, Jim qualified with Touche Ross before moving to Informa Group Plc in 1994 to hold a series of management positions, most significantly, Group Finance Director from 1998 - 2004.

Peter Dicks
Chairman & Non-Executive Director

Peter Dicks, aged 65, joined the Board of Sportingbet as Chairman in January 2000. He resigned in September 2006 as a result of actions taken by the State of Louisiana with regard to online gaming activities in the United States. He re-joined the Board as Chairman and Non-Executive Director in February 2008. Peter started his career as a stockbroker and was co-founder of Abingworth Plc in 1973. Peter is a director of a number of quoted and unquoted companies including Graphite Enterprise Trust, Polar Capital Technology Trust, Private Equity Investor, Mears Group and Standard MicroSystems a U.S. NASDAQ quoted Company.
Peter is also a Director of Daniel Stewart & Company.

Member of the Audit Committee

Member of the Remuneration Committee (Chairman)

Member of the Nomination Committee

Sean O'Connor
Senior Independent Non-Executive Director

Sean O'Connor, aged 59, joined Sportingbet as a Non-Executive Director in 2000. He is the Chairman of Cape PLC, Premium Appliance Brands and Springboard Urban and was acting Chairman of Sportingbet PLC from September 2006 - February 2008. He was previously Chairman of the Stoves Group PLC and of MediaKey Plc and is currently a Director of several public and private companies including the Graphite Enterprise Trust plc, Escape Studios and Crow TV.

Member of the Audit Committee

Member of the Nomination Committee (Chairman)

Member of the Remuneration Committee

Member of the Social Responsibility Committee

Brian Harris
Non-Executive Director

Brian Harris, aged 62, joined Sportingbet as a Non-Executive Director in January 2003.
The founder and senior partner of a London law firm with an international clientele, he has acted for foreign governments, multi-national corporations, national airlines, and prominent individuals and companies involved in international sports. He is actively involved in sporting charity work for the disabled.

Member of the Nomination Committee

Member of the Remuneration Committee

Member of the Social Responsibility Committee (Chairman)

Nigel Payne
Non-Executive Director

Nigel Payne, aged 48, is a Non-Executive Director.
He joined Sportingbet Plc in May 2000 as Group Finance Director. Nigel was Group Chief Executive between 2001 and 2006.
Prior to joining Sportingbet, Nigel was the Group Finance Director of Polestar Magazines, Europe's largest magazine printer, and has held directorships at Scottish & Newcastle and Brann Direct Marketing. Nigel is also a Director of Mucky Pups Childcare Limited, Bettor Logic Limited, Golfbidder Limited and Redweb Security (UK) Limited. Nigel qualified as a Chartered Accountant in 1984.

Member of the Audit Committee (Chairman)

Member of the Nomination Committee

> FINANCIAL REVIEW

This is the first year under which Sportingbet has adopted International Financial Reporting Standards ("IFRSs") as the basis to report its financial results, as opposed to UK GAAP. As a result of the implementation of IFRS, terminology used in the presentation of the financial results has changed. Precise definitions of the new terms used are included in Note 1 on Accounting Policies. A reconciliation between the results under IFRS and UK GAAP is set out in Note 27.

Trading summary

Amounts wagered (previously disclosed as turnover) for the year ended 31 July 2008 were £1,364.2m (2007: £1,096.4m), earning net gaming revenue "NGR" (previously disclosed as gross profit) of £147.0m (2007: £119.4m).

Amounts wagered on sports betting in Europe grew by 27.5% to £764.9m (2007: £599.8m), earning NGR of £71.1m (2007: £49.7m). Casino and gaming contributed a further £36.8m, and poker £20.0m, to both amounts wagered and NGR (2007: £29.4m and £27.9m). Amounts wagered on Australian sports betting grew by 23.5% to £542.5m (2007: £439.3m), earning NGR of £19.1m (2007: £12.4m).

As a percentage of amounts wagered, the European and Australian sports NGR were 9.3% and 3.5% respectively (2007: 8.3% and 2.8%). However, amounts wagered and NGR are stated after a deduction for customer bonuses of £13.5m (2007: £7.9m). Without the bonus deduction the equivalent numbers would have been 10.1% and 3.7% (2007: 9.0% and 2.9%). The increase in customer bonuses from £7.9m to £13.5m during the year reflects the bringing in-house of certain marketing partners together with an increased focus on customer retention and driving customer yields.

Costs (excluding exceptional items, share option charge and amortisation) in the year were £124.3m (2007 restated: £114.5m), accounting for 84.6% of NGR (2007 restated: 95.9%).

Operating profit (before exceptional items, share option charge and amortisation) for the year is marginally better than expected at £22.7m (2007 restated: £4.9m). The Group benefited from the inclusion in the year of Euro 2008, which contributed £20.2m of additional amounts wagered, generating £2.0m of NGR. Historically these tournaments tend to deliver a lower than average margin for bookmakers. Euro 2008, however delivered approximately £1.0m more of NGR than our original expectations.

Earnings before interest, tax, depreciation and amortisation (excluding exceptional items and share option charge) was up 145.4% to £29.2m (2007 restated: £11.9m).

Operating loss after charging exceptional items of £12.0m (2007: £26.8m), share option charge of £8.0m (2007: £9.9m) and amortisation of other intangible assets of £3.9m (2007: £1.8m), was £1.2m (2007 restated: 33.6m).

Finance income

Finance income comprised interest receivable of £0.8m (2007: £1.2m) and interest payable on bank loans of £0.4m (2007: £0.2m).

Earnings per share

Basic earnings per share before exceptional items, share option charge and amortisation was 4.3p (2007 restated: 1.2p). Diluted earnings per share before exceptional items, share option charge and amortisation was 3.8p (2007 restated: 1.1p).

Cash Flow

During the year ended 31 July 2008, the Group generated cash from operating activities of £33.0m (2007 restated: £0.1m). As at 31 July 2008, the Group had £49.4m (2007 restated: £34.5m) of cash and liquid resources on its balance sheet, of which £15.2m (2007: £12.9m) related to customer liabilities.

Gross financial liabilities amounted to £10.1m (2007: £5.4m) which comprised £5.6m (2007: £5.3m) bank loans secured on residential properties in the Channel Islands, £4.5m (2007: £nil) contingent consideration following the acquisition of the business and assets of Belmond International Limited and £nil (2007: £0.1m) contingent consideration relating to the acquisition of Sportingbet Italia S.p.A.

Treasury management

The Group's treasury function provides a centralised service for the provision of finance and the management and control of liquidity, foreign exchange and interest rates. The function operates as a cost centre and manages the Group's treasury exposure to reduce risk in accordance with policies approved by the Board.

It is not the policy of the Group to trade in or enter into speculative transactions. Authorities, procedures and reporting responsibilities are documented and regularly reviewed.

Due to the international nature of its core activities, the Group's reported profits, net assets and cash flows are all affected by foreign exchange rate movements.

Operations are financed by a mixture of retained profits, bank borrowings and long-term loans. In addition, various financial instruments, such as trade receivables and trade payables, arise directly from the Group's operations.

Certain customers in the Australian region are allowed to place bets on credit. The Group's policy in respect of credit risk is to require appropriate credit checks are made on potential customers before bets are placed and credit limits set accordingly.

> CORPORATE SOCIAL RESPONSIBILITY

Overview

Since its formation in 1998 Sportingbet has always sought to exhibit responsible and ethical practices. In its start up period, the Company was conscious of consumer scepticism over the trustworthiness of internet bookmaking, with many operators being unknown and unseen. As the Company grew its business, it increasingly confirmed its position as a straight-dealing and dependable leader in this new marketplace.

The Company's culture was formalised in 2000 in a series of written statements entitled Customer Charter and Code of Conduct. Since then these statements have been available for viewing on the Sportingbet website and continue to illustrate the Company's social responsibility to its customers, to its shareholders and to the governments of markets in which it operates.

The Company's objective is to provide a 'protected entertainment environment' in which its customer care programmes give responsible adults the confidence of knowing that their money is safe, whilst providing the Company with the confidence that all reasonable steps are being taken to protect the vulnerable.

Social Responsibility Committee

The Committee is chaired by Non-Executive Director, Brian Harris, and its other members are Sean O'Connor, Senior Independent Non-Executive Director, and the Company's General Counsel, Daniel Talisman, who also acts as the Committee's Secretary. The Committee meets at least four times a year and in fact met eight times during the last financial year. The internal Audit and Compliance Manager and the Group Head of Human Resources attend its meetings and the Group Chief Executive is appraised of the Committee's work at least twice in the course of the year.

The Committee is responsible for reviewing the Company's policies on corporate social responsibility and stimulating Group-wide best practice on matters including age verification, fraud, money laundering, responsible gaming, self-exclusion and privacy.

Appropriate recommendations are made to the Company's Board. Terms of Reference can be viewed on www.sportingbetplc.com and are available in writing on request.

Customers

As a service business, the core of Sportingbet's policies on social responsibility lies in its approach to its customers. All operational directors and their brand managers are committed to winning and retaining the trust and loyalty of their users.

The guiding principle behind Sportingbet's policies can be summarised as 'Know Your Customer'. Procedures to achieve this mean far more than merely collecting documentary evidence of people's identities. It is about understanding their individual requirements, appreciating concerns and closely researching their patterns of behaviour.

Knowing one's customers and creating profiles of their activities and preferences leads to targeted and appropriate marketing strategies. This lies at the heart of the Company's Customer Relationship Management policies.

The way different customers spend money and what they spend it on provides an overall understanding of their motivation. Happily, for almost all of the Company's customers online gambling is a valued entertainment, and Sportingbet's products, promotions and culture make their relationship with the Company an enjoyable experience.

It is the remaining tiny minority, however, who may be potential fraudsters, underage gamblers or problem players that result in the need for comprehensive systems and procedures to protect the Company and, often, the customer. Of course, nothing can ever be entirely secure against determined offenders, but the Company commits much time and investment to finding organisational and software driven approaches to excluding the vulnerable and identifying fraud.

With the advent of multi-player environments such as poker, the Company is particularly vigilant about the risk of collusion or irregular fund movements between participants. Systems have been designed to highlight unusual or concerning patterns of play.

Employees

The Board of Sportingbet is of the firm belief that the Company's success is due to the quality and commitment of its workforce. The Company's employee management priorities, including its remuneration strategies, are based on recruiting and retaining the best people in the industry and on encouraging working practices that improve productivity, reduce costs, develop talent and give job satisfaction.

Further, the Board recognises the need for communication with employees at every level. Weekly sales notes and all quarterly results announcements are circulated to employees and copies of the Annual Report and Accounts are made available too. The Company is committed to developing ongoing communication with all of its employees. This is achieved through a variety of channels, including the Group's intranet, to ensure that everyone is informed of the Group's progress and recognises the key roles that they, as employees, play in Sportingbet's success. Further, the Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of age, disability, sex, marital status, sexual orientation, nationality, race or religion.

Trade and charitable organisations

The Company recognises the obligation upon the gaming industry to demonstrate its commitment to self-regulation. The Company is supportive of the role that the industry's trade associations can play in this regard and Sportingbet is an active member of the Remote Gambling Association (RGA) holding a seat on its Executive Committee and being represented on various RGA sub-committees.

The Company has signed up to the RGA's Codes on Social Responsibility and Age Verification, the provisions of which the Committee endorses.

Recognising that some customers may be affected by gambling dependency, the Company has continued to provide funding in the UK to RIGT (Responsibility in Gambling Trust), being the body which supports GamCare. The Company also supports charitable organisations that are not linked to the online gaming industry. For the third year, the Company has sponsored the annual tennis tournament held at Queen's Club, London in support of the Friends of Israel Sport Centre for the Disabled and The Dan Maskell Tennis Trust and, following the move of part of the Company's trading team to the Channel Islands, the Company has undertaken sponsorship of Miss Heather Watson, a tennis starlet and Guernsey resident who competes on the ITF Junior Circuit. The Company also continues to support the Bishop Simeon Trust's work in South Africa with communities affected by HIV.

> CORPORATE GOVERNANCE STATEMENT

Compliance

The Company recognises the importance of the principles of good corporate governance and the Board is pleased to report its continued commitment to achieving high standards throughout the year. As an AIM listed company, Sportingbet is not required to follow the provisions of the 2006 FRC Combined Code (the 'Code') as set out in the Financial Services Authority Listing Rules. Nonetheless, in so far as it can be applied to a company of its nature, the Company voluntarily complies with the principles as set out in Section 1 of the Code.

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the Code are applied by the Group.

The Board constitution and procedures

The Company is controlled through the Board of Directors which, at the end of the financial year, comprised two Executive and four Non-Executive Directors. All Non-Executive Directors (other than Nigel Payne) are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Given Nigel Payne's previous position as an Executive Director, he is not considered to be independent as defined by the Code. However, the Board continues to believe that his experience, objectivity and in particular, insight into the regulatory environment in which the Company operates, combine to provide a valuable contribution to the strategic direction of the Company.

During the year, there were the following changes to the constitution of the Board:

On 1 February 2008, and after consultation with major shareholders, Peter Dicks was appointed Chairman and Director of the Company.

Sean O'Connor therefore resumed his role as Senior Independent Non-Executive Director.

In addition, Jim Wilkinson was appointed on 1 February 2008 as Group Finance Director of the Company.

On 8 May 2008, Dave Hobday resigned as an Executive Director of the Company.

The Chairman is primarily responsible for the running of the Board, and ensures that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Group Chief Executive's responsibilities focus on coordinating the Company's business and implementing Group strategy.

A formal schedule of matters is reserved for consideration by the Board, which met eleven times during the year. The Board is responsible for overall Group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of these budgets and their capital expenditure programmes. In addition, the Directors have access to the advice and services of the Company Secretary and all Directors are able to take independent professional advice in the furtherance of their duties if necessary.

All new Directors receive a full, formal and tailored induction on joining the Board as well as training and advice on their responsibilities as necessary. All Directors, in accordance with the Code, submit themselves for re-election at least once every three years and new Directors are subject to a transparent and rigorous appointment process (including submitting themselves for re-election at the first annual general meeting after their appointment).

The Company Secretary is responsible for ensuring Board processes and procedures are appropriately followed and support effective governance and decision making.

Board committees

The Board delegates clearly defined powers to its Audit, Remuneration and Nomination Committees whilst the Company's Social Responsibility Committee (SRC), as reported on page 26, is responsible for reviewing the Company's policies on corporate social responsibility and making appropriate recommendations to the Board. The minutes of each committee are circulated to and reviewed by the Board.

Audit Committee

The Audit Committee is chaired by Nigel Payne (who has recent and relevant financial experience for this role, as indicated on page 23). Its other members are Peter Dicks, who was appointed to the Committee on 1 February 2008 and Sean O'Connor who was first appointed to the Committee on 30 January 2001.

The Company believes that a membership of three reflects the size of the business (as defined by the Code) going forward. Furthermore, the Company recognises that it does not comply with provision C.3.1 in that not all the members of the Committee are Independent Non-Executive Directors (as defined by the Code, and as explained above). The Board considered that in order to ensure the effective working of the Committee it was appropriate to appoint Nigel Payne as Chairman and Peter Dicks as a member of the Committee, and is confident of their experience to ensure the Committee's affairs are conducted in an impartial and objective manner. The Committee's Secretary is Daniel Talisman, the Company Secretary.

The Audit Committee meets at least twice a year (and met four times during the last financial year) and normally invites a representative of both the auditors and the Executive Directors to attend its meetings, the latter usually being the Group Finance Director. At the end of each meeting the auditors are invited to meet with the Committee with no Executive or staff members present. The Terms of Reference of the Committee include monitoring the integrity of the financial statements, monitoring the internal and external audit function and reviewing accounting policies, financial controls and financial reporting procedures. The Committee also has responsibility for reviewing the effectiveness of the Group's internal control and risk management systems, described in more detail later in this section. During the year, the Committee received presentations from senior management on the key risks and control issues in their respective business areas and reviewed risk mitigation plans for critical risks. Terms of Reference for the Committee can be viewed on the Company's website and are available in writing on request.

Remuneration Committee

The Remuneration Committee is chaired by Peter Dicks, who was appointed to the Committee on 1 February 2008. Brian Harris and Sean O'Connor are its other members. The Committee's Secretary is Daniel Talisman, the Company Secretary. The Remuneration Committee meets when necessary during the year (and met seven times during the last financial year) and considers the terms of employment and overall remuneration for the Executive Directors, including pension rights and any compensation payments. The Remuneration Committee also recommends and monitors the level and structure of remuneration of senior management. In particular, the Committee makes decisions regarding grants or awards under share plans, salaries and incentive compensation. Terms of Reference for the Committee can be viewed on the Company's website and are available in writing on request.

The remuneration of Non-Executive Directors is determined by the Executive Directors.

Nomination Committee

The Nomination Committee is chaired by Sean O'Connor and its other members are Peter Dicks, who was appointed on 1 February 2008, Nigel Payne and Brian Harris. The Committee's Secretary is Daniel Talisman, the Company Secretary. The Committee sits formally at least twice a year (and met three times during the last financial year). The Terms of Reference for the Committee (including the terms and conditions of appointment of Directors) can be viewed on the Company's website and are available in writing on request.

The Committee is responsible for monitoring and formally reviewing the performance, composition, balance and expertise of the Board as a whole and making an appraisal of the contribution of individual Directors, including a review of their time commitment and attendance records. The Committee also considers succession planning for the Board and Group senior management. When necessary the Committee prepares a description of the role to be filled and engages external consultants to administer a detailed search and the generation of a shortlist. Any recommendations for appointments or replacements are brought before the Board.

During the year, the Committee considered the appointment of the new Group Finance Director and, following this appointment, assessed the composition of the Board which it believed to be sufficiently strong and diverse for a company of Sportingbet's size.

Evaluation

The Board continued its ongoing evaluation processes of itself and its committees to assess their performance and identify areas in which their effectiveness, policies and processes might be enhanced. As part of this process the Board continues to comply with the Institute of Chartered Secretaries and Administrators' Code of Good Boardroom Practice. The performance of individual Directors has been considered by the Chairman and Group Chief Executive in discussion with other Non-Executive Directors. The Non-Executive Directors considered the performance of the Chairman, taking into account the views of the Executive Directors.

Communication with investors

The Group places considerable importance on communication with its institutional and private shareholders and responds quickly to all queries received. There is regular dialogue with institutional shareholders as well as general presentations after each quarter end and the issue of preliminary results.

All shareholders have at least 20 working days' notice of the Annual General Meeting at which all Directors are introduced and available for questions. The Executive Directors endeavour to meet the Company's larger institutional shareholders at the time of the Company's quarterly results announcements and the Senior Independent Non-Executive Director, Sean O'Connor is available to shareholders throughout the year.

> CORPORATE GOVERNANCE STATEMENT

Accountability and Audit

(a) Internal control

The Group has complied with provision C.2.1 of the Code and the Turnbull Guidance for the year ended 31 July 2008 and up to the date of approval of the Annual Report and Accounts. The Board has ensured that there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.
This process has been regularly reviewed by the Board.

Whilst acknowledging the overall responsibility for the system of internal control and for reviewing its effectiveness, the Board is aware that the system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group's internal control procedures continue to be reviewed, progressively developed and formalised to ensure that they sufficiently meet the requirements of the Group. Executive members of the Board are involved daily in all aspects of the business and they attend regular management meetings at which performance against plan and business prospects are reviewed. Additionally, the Board seeks to continually strengthen the internal control system where this is consistent with improving the relationship between risk and reward.

Other key features and the processes for reviewing effectiveness of the internal control system that the Committee have applied during the current financial year are described as follows:

- Monthly management information, including financial accounts and key performance indicators, have been defined and are produced on a timely basis for review by the Board.
- A detailed formal budgeting process for all Group businesses culminates in an annual budget which is reviewed and approved by the Board. Results for the Group and for its main constituent businesses are reported monthly against the budget to the Board and revised forecasts for the financial year are considered each quarter.
- A comprehensive financial and accounting package sets out the principles of the minimum standards required by the Board for effective financial control. This package sets out the financial and accounting policies and procedures to be applied throughout the Group. Compliance with the policies and procedures set out in this package is reviewed regularly. Formal reports for the Board are prepared by the senior executives on the operation of those elements of the system for which they are responsible.
- The Company has clearly defined guidance for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and stringent due diligence requirements where businesses are being acquired.

During the year, the Committee undertook an appointment process in respect of the Company's change in Auditor. Following this comprehensive process,
they recommended to the Board appointment of Grant Thornton UK LLP as the Group's new auditors. Their appointment was latterly approved by shareholders at the Company's Annual General Meeting on 28 December 2007.

(b) External Audit

The Audit Committee meets periodically to review the adequacy of the Group's internal control systems, accounting policies and compliance with applicable accounting standards and to consider the appointment of external auditors and audit fees. The Group's auditor is invited to attend its meetings. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and obtain outside legal or other independent professional advice as necessary.
The auditor and individual Board members are afforded the opportunity for separate meetings with the Audit Committee.
The Audit Committee consists wholly of Non-Executive Directors.

The award of non-audit work to the auditor is subject to pre-clearance by the Audit Committee if the fee exceeds specified thresholds. As a matter of best practice and in accordance with the International Standard of Auditing 260, the auditor has held discussions with the Audit Committee on the subject of auditor independence and has confirmed their independence in writing.

Directors' attendance

Director	Possible meetings	Number	Meetings attended
Peter Dicks**	Board	7*	7
	Audit	1*	1
	Remuneration	3*	3
	Nomination	1	1
Brian Harris	Board	11	10
	Remuneration	7	7
	Nomination	3	3
	SRC	8	8
Andrew McIver	Board	11	11
Sean O'Connor	Board	11	11
	Audit	4	4
	Remuneration	7	7
	Nomination	3	3
	SRC	8	8
Nigel Payne	Board	11	11
	Audit	4	4
	Nomination	3	3
Dave Hobday***	Board	8*	8
	SRC	7*	7
Jim Wilkinson****	Board	7*	7

* maximum number of meetings the Director could attend
** Appointed Chairman and Director on 1 February 2008
*** Resigned as a Director on 8 May 2008
**** Appointed as a Director on 1 February 2008

> DIRECTORS' REPORT

The Directors submit their Annual Report and audited financial statements of the Group for the year ended 31 July 2008.

Principal activities

The principal activities of the Group are the operation of interactive licensed betting and gaming operations over the internet. In Australia only, interactive betting is conducted over the internet and telephone.

Results and dividends

The results of the Group for the year are set out on page 44 and show a loss after taxation for the year of £4.3m (2007: £315.1m). The Directors do not recommend payment of a final dividend.

Review of the business and future developments

A more detailed review of the business and future developments is given in the Group Chief Executive Statement on pages 12 to 14 and the extended Business Review on pages 16 to 21.

Directors

The following Directors have held office during the year and subsequently:

P Dicks	Chairman and Non-Executive
A McIver	Executive
D Hobday	Executive
J Wilkinson	Executive
N Payne	Non-Executive
S O'Connor	Senior Independent Non-Executive
B Harris	Non-Executive

Peter Dicks was appointed as Chairman and Non-Executive Director of the Company on 1 February 2008, at which point Sean O'Connor resumed his role as the Company's Senior Independent Non-Executive Director. Jim Wilkinson was appointed as Group Finance Director on 1 February 2008. Following the Group's restructuring, the Company announced that on 8 May 2008 the role of Chief Operating Officer was no longer required. As a result, Dave Hobday formally resigned as a Director of the Company on 8 May 2008.

Both Peter Dicks and Jim Wilkinson will seek re-appointment, and Andrew McIver will retire by rotation and seek re-election, all of whom being eligible, at this year's Annual General Meeting.

The interests of the Directors in the shares of the Company and options for such shares were as shown on pages 34 to 39 both reflecting the year end figures and any subsequent changes. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appears on pages 34 to 39.

Auditor

The auditor, Grant Thornton UK LLP, is willing to continue in office and a resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

Related party transactions

Details of transactions with related parties undertaken by the Group during the year are disclosed in note 25 to the Financial Statements.

Corporate Governance

The Board's statement on Corporate Governance appears on pages 28 to 31 and policies in relation to Employees appear on page 27.

Charitable donations

During the year, the Group donated £136,440 to a number of charities. This figure includes donations to the Responsibility in Gambling Trust, Cancer Research UK and the Bishop Simeon Trust. Included in this total was a donation of £10,000 to the Friends of Israel Sport Centre for the Disabled, of which Brian Harris is the founder.

Directors' indemnity

Details of the Directors' indemnity insurance can be found in the remuneration report.

Purchase of own shares

The Company did not purchase any of its own shares during the financial period.

Policy and practice of payment of suppliers

In respect of the Group's next financial year, it is the policy of the Group that each company within the Group should agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payments are to be made in accordance with these terms and conditions. At 31 July 2008 the Company had a trade creditor balance of £nil (2007: £nil). Group trade payables presented 15 days of purchases (2007: 15 days).

Substantial shareholdings

Shareholder	Number of Ordinary shares of 0.1p each	% voting rights
Fidelity Investments	70,860,914	14.92
DBS Advisors Limited	60,893,903	12.82
Bonaire Investment Holdings Limited	44,497,096	9.36
BNP Paribas Arbitrage	23,176,305	4.88
Apollo Nominees Limited	19,571,740	4.12

As at 15 October 2008 the following Shareholders hold, or control, interests in 3% or more of the Company's voting rights:

Treasury management

The Board has laid out its policy on treasury management in the Financial Review on page 24 and in note 25.

Going concern

The Directors have considered the implications of the potential impact of regulatory uncertainties discussed in note 26. The Directors have reviewed the cash flow projections for the Group in light of these uncertainties and have considered the financial resources available to the Group. Accordingly, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 12 December 2008. The Notice of the Meeting is set out on pages 88 and 93. The Notice contains special business, including the renewal of authority to the Board to allot shares and the dis-application of statutory pre-emption rights on equity issues for cash – both in accordance with ABI and NAPF Guidelines. Shareholders should complete the Proxy form accompanying this Report in accordance with the Notes contained in the Notice of Annual General Meeting.

Directors' responsibilities in relation to the accounts

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the Financial Statements
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware. Each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board

A McIver
Director
15 October 2008

> REMUNERATION REPORT

1. DIRECTORS' EMOLUMENTS

£000

	Notes	Salary/ Fees	Bonuses	Benefits	Compensation for loss of office	Total emoluments 2008	Pension 2008	Total emoluments 2007	Pension 2007
Executive Directors									
Andrew McIver	1, 3	520	1,636	4	-	2,160	90	1,964	85
Dave Hobday	3, 10	335	816	3	1,180	2,334	129	804	80
Jim Wilkinson	3, 12	145	138	-	-	283	21	-	-
Mark Blandford	3, 5	-	-	-	-	-	-	64	6
Non-Executive Directors									
Peter Dicks	3, 6, 7, 8	60	-	-	-	60	-	21	-
Sean O'Connor	3, 4, 6, 7, 8	110	-	-	-	110	-	101	-
Brian Harris	3, 4, 7, 8	84	-	-	-	84	-	84	-
Nigel Payne	1, 2, 3, 6, 8, 11	132	49	-	-	181	-	2,827	21
Bob Holt	3, 9	-	-	-	-	-	-	39	-
		1,386	2,639	7	1,180	5,212	240	5,904	172

1. Aggregate emoluments for Andrew McIver, as highest paid Director, excluding pension contributions and compensation for loss of office, amounted to £2,160,326 (2007: Nigel Payne – £2,826,747).
2. Nigel Payne became a Non-Executive Director of the Company on 28 February 2007 and was appointed Chairman of the Audit Committee on the same date.
3. The average total emoluments of the Executive Directors was £1,592,372 (2007: £1,414,743). The average total emoluments of non-Board employees was £76,575 (2007: £77,528). The ratio between the two averages was 21.6:1 (2007: 23.1:1).
4. Member of the Social Responsibility Committee.
5. Mark Blandford resigned as a Director of the Company on 31 January 2007.
6. Member of the Audit Committee.
7. Member of the Remuneration Committee.
8. Member of the Nomination Committee.
9. Bob Holt resigned as a Director of the Company on 31 January 2007.
10. Dave Hobday resigned as a Director of the Company on 8 May 2008.
11. Bonus includes the release of 75,000 shares under the 2005 Share Plan and an interest in 33,333 shares following the release of a share based payment award on 23 October 2007. 2007 total emoluments include a discretionary bonus awarded by the Remuneration Committee following the cancellation of the Sportingbet plc Employee Benefit Trust.
12. Jim Wilkinson appointed as a Director of the Company on 1 February 2008.

2. INTERESTS OF DIRECTORS IN SHARE OPTIONS AND SHARE PLANS OF THE COMPANY

	Notes	No. of options at 1 Aug 2007	No. of options at 31 Jul 2008	Date of grant	Exercise price (p)	Earliest exercise date	Expiry of exercise period
Executive Directors							
Andrew McIver	1	500,000	500,000	21/01/04	49	29/01/07	29/01/14
	2	250,000	125,000	01/08/05	-	01/08/07	01/08/08
	3	3,920,455	2,784,091	30/11/06	-	01/11/07	01/11/09
	4	-	1,161,057	14/12/07	-	01/11/08	01/11/09
	6	200,000	133,334	09/05/06	-	01/11/07	01/11/09
Dave Hobday	2	240,000	140,000	08/11/05	-	01/08/07	01/08/08
	3	3,136,364	246,212	30/11/06	-	01/11/07	01/11/09
	4, 8	-	-	14/12/07	-	01/11/08	01/11/09
	6	50,000	-	09/05/06	-	01/11/07	01/11/09
Jim Wilkinson	4	-	608,173	01/02/08	-	01/11/08	01/11/09
	7	-	1,507,726	01/02/08	-	01/11/07	01/11/09
Mark Blandford	-	-	-	-	-	-	-
Non-Executive Directors							
Peter Dicks	5	-	-	-	-	-	-
Sean O'Connor	-	-	-	-	-	-	-
Brian Harris	-	-	-	-	-	-	-
Nigel Payne	1	250,000	250,000	29/01/04	49	29/01/07	29/01/14
	2	75,000	-	01/08/05	-	01/08/07	01/08/08
	6	100,000	-	09/05/06	-	01/11/07	01/11/09
Bob Holt	-	-	-	-	-	-	-

1. Share options granted under the Sportingbet Plc Unapproved Executive Share Option Scheme 2004.
2. Share awards granted under the Sportingbet Long Term Retention Plan 2005. During the financial year, 125,000 shares were released to Andrew McIver, 125,000 shares were released to Nigel Payne and 100,000 shares were released to Dave Hobday, in each case under the Sportingbet Long Term Retention Plan 2005. Nigel Payne subsequently waived his rights to the remaining shares subject to this award in the light of his new role as Non-Executive Director.
3. Share awards granted under the Sportingbet 2006 Restricted Share Plan. During the financial year, 1,136,364 shares were released to Andrew McIver and 909,091 shares were released to Dave Hobday, in each case under the Sportingbet 2006 Restricted Share Plan.
4. A provisional discretionary share bonus totalling 2,698,075 shares was made to Andrew McIver, Dave Hobday and Jim Wilkinson during the financial year on the dates as set out above. The awards vest in two equal amounts on 1 November 2008 and 1 November 2009. If all shares are held (subject to a number being sold to meet any tax liability) an additional 15% bonus in shares will be awarded.
5. Peter Dicks was appointed as Chairman and Non-Executive Director of the Company on 1 February 2008.
6. Andrew McIver, Dave Hobday and Nigel Payne were granted the right to earn shares which would vest in three equal parts in respect of financial years 2007, 2008 and 2009, and would be subject to the same performance conditions as the Sportingbet 2006 Restricted Share Plan. During the financial year, 66,666 shares were released to Andrew McIver, 33,333 were released to Nigel Payne and 16,666 shares were released to Dave Hobday, in each case under this award. Nigel Payne subsequently waived his rights to the remaining shares subject to this award in the light of his new role as Non-Executive Director.
7. Jim Wilkinson received an award under the Sportingbet 2006 Restricted Share Plan of 1,507,746 shares on 1 February 2008.
8. Dave Hobday resigned as a Director on 8 May 2008. As a result, 732,323 shares were released on 8 July 2008 to him pursuant to the rules of the Sportingbet 2006 Restricted Share Plan and 338,747 shares were released to him under other company schemes. His award of 246,212 shares under the Sportingbet 2006 Restricted Share Plan remains capable of being released to him in November 2009 subject to meeting certain conditions. All his remaining options and awards above have lapsed.

> REMUNERATION REPORT

2. INTERESTS OF DIRECTORS IN SHARE OPTIONS AND SHARE PLANS OF THE COMPANY (CONTINUED)

11,583,883 options were exercised during this financial year (2007: 1,687,875) of which 3,244,445 options were exercised by Directors of the Company (2007: £Nil). The price paid by participants for all awards under the appropriate share plans is £43,450. The market price of shares at 31 July 2008 was 32.75p and the range during the financial period was 29.50p to 59.17p. A summary of the performance criteria upon which awards or options may be exercised is set out below.

3. INTERESTS OF DIRECTORS IN SHARES IN THE COMPANY

	Notes	2008	2007
Executive Directors			
Andrew McIver	1	1,158,197	301,031
Dave Hobday	2, 8	629,886	119,389
Jim Wilkinson	-	-	
Mark Blandford	7	-	12,480,173
Non-Executive Directors			
Peter Dicks	3	465,859	170,440
Sean O'Connor	4	461,265	197,848
Brian Harris	5	263,010	136,593
Nigel Payne	6	176,398	176,398
Bob Holt	7	-	90,440

1. Andrew McIver received an interest in 50,000 shares on 1 August 2007 and 75,000 shares on 23 October 2007, following releases of awards under the 2005 Share Plan, of which 17,994 shares and 30,750 shares respectively were sold to meet the resulting tax liability. He received an interest in 1,136,364 shares on 23 October 2007, following the release of an award under the 2006 Share Plan, of which 553,182 shares were sold to meet the resulting tax liability. He received an interest in 66,666 shares on 23 October 2007, following the release of a share based performance award, of which 32,454 shares were sold to meet the resulting tax liability. He elected to take part of his annual discretionary bonus as shares, resulting in an interest of 202,919 shares, of which 83,197 shares were sold to meet the resulting tax liability. He purchased 100,000 shares on 29 January 2008.
2. Dave Hobday resigned as a Director on 8 May 2008. He received an interest in 40,000 shares on 1 August 2007 and 60,000 shares on 23 October 2007, following releases of awards under the 2005 Share Plan, of which 14,396 shares and 24,600 shares respectively were sold to meet the resulting tax liability. He received an interest in 909,091 shares on 23 October 2007, following the release of an award under the 2006 Share Plan, of which 442,546 shares were sold to meet the resulting tax liability. He received an interest in 16,666 shares on 23 October 2007, following the release of a share based performance award, of which 8,114 shares were sold to meet the resulting tax liability.
3. Peter Dicks purchased 50,000 shares on 1 February 2008 and 119,000 shares on 27 March 2008. He received an interest in 126,417 shares on 31 July 2008 forming part of his Non-Executive remuneration.
4. Sean O'Connor purchased 50,000 shares on 30 January 2008 and 100,000 shares on 10 June 2008. He received an interest in 126,417 shares on 31 July 2008 forming part of his Non-Executive remuneration.
5. Brian Harris received an interest in 126,417 shares on 31 July 2008 forming part of his Non-Executive remuneration.
6. Nigel Payne received an interest in 75,000 shares on 23 October 2007, following the release of an award under the 2005 Share Plan and an interest in 33,333 shares on the same date following the release of a share based performance award, all of which he subsequently gifted. He also received an interest in 126,417 shares on 31 July 2008 forming part of his Non-Executive remuneration, all of which he subsequently gifted.
7. Resigned as a Director of the Company on 31 January 2007.
8. 2008 shareholding stated at the date of resignation.

Remuneration policy

The Company's policy is designed to attract, retain and motivate individuals to ensure the success of the Company. Remuneration packages are designed to reward Directors fairly for their contributions whilst remaining within the range of benefits offered by similar companies in the sector.

The Remuneration Committee seeks to structure total benefits packages, including base salaries, which align the interests of shareholders and senior management with particular importance weighted upon the performance-related elements of such total remuneration. These elements are related to their participation in Sportingbet's Share Plans, each of which only permits the release of an award or option subject to the Company meeting its performance conditions, details of which are given below. Directors' remuneration will continue to be the subject of regular review in accordance with this policy in the next financial year.

Terms of reference

The terms of reference of the Remuneration Committee include:

- To determine the remuneration and benefits, including incentive arrangements, of the Executive Directors, the directors of divisional companies and other employees of similar status.
- To set targets for performance-related pay elements of remuneration packages.
- To review recommendations from the Board on the overall remuneration and benefits policy of the Group, with the power and authority to amend it if appropriate.
- To have regard to the provisions of the Combined Code and associated guidance in its decision-making.

The Directors intend that the Company's remuneration policy will be set by the Remuneration Committee in accordance with the terms of reference set out above for the following financial year and subsequent financial years.

Service contracts

The Company's policy on the duration of Directors' contracts is that for both Executive and Non-Executive Directors notice periods will be no more than one year served by the Company or the Director.

Andrew McIver and Jim Wilkinson have Service Contracts, dated 18 January 2006 and 21 January 2008 respectively, which provide for 12 months' notice by the Company or the Director and contain non-compete obligations. There are no payments or compensation on early termination of the contract, save that where a payment is made in lieu of notice and the executive commences new employment during such a period, they are under an obligation to repay the Company any pro-rated amounts.

Each Non-Executive Director has a contract for services, each with a termination period of twelve months' notice. It is the Company's policy that a proportion of their fee is paid in Sportingbet Shares, which are to be retained until they cease to be a Director of the Company.

In December 2006, and in the case of Jim Wilkinson, on 1 February 2008, Sportingbet Plc granted rolling indemnities to all of its Directors and the Company Secretary, uncapped in amount, in relation to certain losses and liabilities which they may incur in the course of acting as Directors and Company Secretary of Sportingbet Plc or of one or more of its subsidiaries. These indemnities replace those previously granted on similar terms and continue to be in place as at 31 July 2008.

> REMUNERATION REPORT

Bonuses

The Company operates a bonus incentive scheme which applies, at differing rates, to the employment terms of the Executive Directors and members of senior management. Part of any payment under this scheme is linked to the annual performance of the business for which they are responsible and is at the discretion of the Board.

The Remuneration Committee reviews the packages and varies individual elements when appropriate from year to year. The Remuneration Committee has policies and procedures in place to monitor the size of potential rewards.

On 14 December 2007 and 1 February 2008 the Remuneration Committee granted Andrew McIver and Jim Wilkinson, respectively, the conditional right to receive a discretionary bonus in shares in the Company. These shares would vest in two equal amounts after the two financial periods ending 2008 and 2009, subject to the Company meeting the same performance conditions as the 2005 and 2006 Share Plans. They would also receive an additional 15% of the award if they retain their shares (subject to a number being sold to meet any tax liability) in 2009.

Share incentive schemes

The Company operates five share incentive schemes, namely the Unapproved Share Option Scheme (the 'Unapproved Scheme'), the Sportingbet Plc Company Share Option Plan (the 'IR Approved Scheme'), the Sportingbet Plc Executive Share Option Scheme (the 'Executive Scheme'), the Long Term Retention Plan 2005 (the '2005 Share Plan') and the 2006 Restricted Share Plan (the '2006 Share Plan'). Prior to the Company's admission to AIM on 30 January 2001, share options were granted under the Unapproved Scheme only. Share options are now only granted under the HMRC Approved Scheme and the Executive Scheme, unless they exceed the HMRC limits. The 2005 Share Plan was introduced on 2 August 2005 and the 2006 Share Plan was introduced on 3 November 2006. The Company's policy to grant share options under the Executive Scheme and awards under the 2006 Share Plan is at the Remuneration Committee's discretion as and when considered appropriate.

Entitlements under the 2005 Share Plan entail a loyalty element and a performance element. The loyalty element represents 35% of the Executive Directors' total potential awards pursuant to the 2005 Share Plan. Participants who remain employed by the Company until 31 July 2007 may exercise loyalty awards which have vested up to that date. Participants who remain employed by the Company until 31 July 2007 may exercise performance awards which may have vested, subject to the satisfaction of certain performance conditions, up to that date. Only Executive Directors are entitled to participate under the 2005 Share Plan, and all are subject to the same performance conditions. Details of the awards released to the Executive Directors under the 2005 Share Plan are set out in the table on page 25.

The 2006 Share Plan entails a performance based award, calculated as a multiple of salary using the three day average of the Company's closing share price prior to the award being made. The award vests after the relevant periods as contained within each participant's award, broadly following the end of the following financial year. As with the 2005 Plan, the shares may only vest and be released subject to the satisfaction of certain performance conditions. Only Executive Directors are entitled to participate under the 2006 Share Plan, and all are subject to the same performance conditions.

As an additional incentive, on 9 May 2006 the Remuneration Committee granted Andrew McIver, Dave Hobday and Nigel Payne the right to earn additional shares in the Company. These shares would vest in three equal amounts after the three financial periods ending 2007, 2008 and 2009, subject to the Company meeting the same performance conditions as the 2005 and 2006 Share Plans.

For both the 2005 and 2006 Share Plans, performance conditions are based on the extent to which growth in the Company's adjusted continuing earnings per share ('EPS Growth') exceeds growth in the retail prices index ('RPI Growth') over a financial year of the Company.

For the performance award to be exercisable in full, EPS Growth must exceed RPI Growth by 5% per financial year compound. The proportion of the performance award exercisable increases on a straight line sliding scale between 0 and 100% if EPS Growth exceeds RPI Growth by any margin up to 5% over a financial year. The Remuneration Committee continues to believe that, in relation to the 2005 and 2006 Share Plans, EPS Growth in excess of RPI Growth is the most appropriate measure for determining the increase in value delivered to shareholders by the Company's Executive Directors and other senior executives. The Remuneration Committee reviews the appropriateness of the performance measure and the specific target set when considering each new grant of performance awards.

Cash based Long Term Incentive Plan

In 2006, the Remuneration Committee reviewed the remuneration and benefits packages of certain key employees. As a result, a cash-based long term incentive plan ('LTIP') was established and offered to the Executive Directors and a small number of key employees, and which was varied in November 2006 in order to retain key employees following the enactment of the Unlawful Internet Gaming Enforcement Act 2006. The LTIP pays a cash sum based on the relevant employee's gross salary, 40% of which matured in December 2007, with the remainder maturing in July 2009. In order for the employee to receive such payments under the LTIP, they need to be in employment up to and including 31 December 2007 (in respect of the 40%) and 31 July 2009 (in respect of the remainder).

On behalf of the Board

A McIver
Director
15 October 2008

> REGULATORY DEVELOPMENTS

The global supply of betting and gaming services remains subject to complex regulatory issues, including various trade barriers, and a lack of consistency in jurisdictions' determination of where an online gambling transaction takes place. The Group continues to provide its services only from jurisdictions where it is licensed and regulated, and therefore the legal position in its place of supply (and where its regulator and applicable local laws deem the gambling transaction to take place) is explicitly legal.

In order to provide its worldwide gambling service, the Group currently maintains licences in the UK, Alderney, Italy, Northern Cyprus, Antigua and Australia.

Major issues of note in the last 12 months include:

- an ongoing lack of appetite amongst operators to elect to obtain a licence in the UK, motivated principally by the punitive tax rate
- greater European Commission pressure on EU Member States to justify their national gambling regimes in light of the free trade requirements of EU law
- an apparent move towards greater liberalisation in a number of EU jurisdictions, including France, Spain and Italy
- passage of the prohibitive Interstate Gambling Treaty in Germany
- a landmark High Court decision in Australia relating to the interstate supply of gambling services
- the recent court order authorising the seizure of 141 gambling related domain names in the Commonwealth of Kentucky.

1. United Kingdom

The Group operates via an Alderney licence, and is therefore permitted to continue to advertise into the UK following the Gambling Act 2005 coming into full force in September 2007. The Island of Alderney is specified by a subsequent regulation to the Gambling Act (Gambling Act 2005 (Advertising of Foreign Gambling) Regulations 2007) as a "whitelisted" jurisdiction for the purposes of UK advertising, (including the right to advertise on television). Such advertising is restricted to "remote gambling" which is defined as gambling by means of a form of remote communication, such as the Internet, telephone or television.

A key consideration in the Group's decision to relocate to Alderney was the favourable tax regime compared to that of the UK. It is clear that following the UK government's decision to impose a 15% gross profits tax on UK licensed online gambling operators, only a limited number of operators are electing to licence their online operations in the UK.

2. The European Union

In Europe, the market continues to move slowly towards a liberalisation of supply.

Member States are subject to scrutiny from The European Commission (the "Commission") and, as "guardian" of the EC Treaty, it closely monitors existing and developing legislation in the EU. The principal method by which the Commission has applied pressure on Member States is through the use of 'infringement proceedings' against states in contravention of EC law. Through such proceedings, the Commission has asked a number of States to explain or even amend their laws restricting the free movement of gambling services. If Member States fail to comply, they will potentially be subject to legal action from the Commission.

However, such a process is extremely slow, and while it undoubtedly exerts pressure on Member States, they have thus far been given lengthy periods in which to comply. It is over two years since the first infringement proceedings in the gambling sector were commenced, and the Commission has yet to take any Member State to court, despite ongoing non-compliance. Hungary, for example, was issued a Reasoned Opinion from the Commission in March 2007, giving it three months to amend its laws or face court action from the Commission.

It has yet to implement revised laws, but has to date not faced any Court action for its failure to do so.

However, the ongoing pressure from the Commission, and in some cases national court decisions declaring domestic legislation to be incompatible with EU law, has led to a domestic review of prohibitive legislation in a number of jurisdictions, including France, Italy and Sweden.

While Member States have a growing appreciation of the reality that they may be required to liberalise their markets, the precise extent to which they will in fact do this remains to be seen. For example, on the one hand, the UK model entirely respects the principle whereby any operator licensed within the EEA (or in a whitelisted jurisdiction), is able to target the local market. Conversely, the Italian model permits EU-based operators to service the jurisdiction, but insists upon a specific Italian licence.

3. France

France has historically been a staunch opponent of the provision of online gambling services by operators without a French licence, and it currently remains the position that the French authorities deem such activity to be illegal.

However, the Commission has put substantial pressure on France's domestic regulation of online gambling, stating that its laws are not compatible with EU law. Accordingly, the French are undertaking a period of internal review.

4. Spain

As a result of the legal uncertainty over the legality of the provision of online gambling, which is not expressly prohibited by Spanish law, Spain has historically adopted a tolerant approach to the supply of foreign gambling services into the jurisdiction.

Madrid and the Basque region have both introduced licensing regimes for online betting, which has led to the Spanish government considering a nationwide system of regulation which will permit operators to obtain a Spanish gambling licence.

5. Italy

Italy has changed its monopoly-orientated stance on online gambling and has started to permit a number of non-Italian bookmakers to obtain licences to operate online betting offerings from certain outlets such as newsagents, bars and cafes.

However, Italy currently requires that even EU-licensed operators obtain an additional gambling licence in Italy in order to target its domestic market. Such an approach appears to be in breach of the EU principle of mutual recognition of businesses licensed elsewhere in the EU. It remains to be seen whether such a stance will be permitted by the Commission in the long term.

6. Germany

Despite criticism from the Commission that it was in breach of EU law, Germany passed the Interstate Gambling Treaty on 1 January 2008. The Treaty effectively provides that all forms of online gambling are unlawful where they are targeted at German residents.

However, the Treaty was immediately subject to infringement proceedings by the Commission in light of its apparent incompatibility with EU law, notably the fact that there was no obvious justification for Germany to close the online market and restrict gambling activity within Germany to state monopolies. Whilst enforcement action against operators where they actively target German residents (including through local marketing and even operation) has been curbed due to the lack of clarity in this legal position, there can be no guarantee that enforcement action will not occur.

7. Australia

In March 2008, the High Court ruled in favour of a claim brought by Betfair against the state of Western Australia. The proceedings involved a challenge by Betfair against prohibitions introduced by Western Australia which precluded persons placing bets on Betfair and publishing Western Australian race fields without the relevant approval, on the grounds that they were an unfair (and unconstitutional) restriction on competition in circumstances where Betfair held a Tasmanian licence. Further protectionist legislation in New South Wales (introduced in July 2008), which requires a fee to be paid before state racing information can be published by betting operators is also subject to an ongoing legal challenge. It is also argued that such fees are an unconstitutional violation of Australian free trade principles.

8. United States

Following the ruling in the US's ongoing World Trade Organisation (WTO) dispute with Antigua and Barbuda, which held in favour of Antigua, the US elected to withdraw gambling services from its WTO free trade commitments. As a result, the US was required to agree compensation arrangements with a number of affected

> REGULATORY DEVELOPMENTS

jurisdictions, including the European Union, which it did in December 2007. However, such compensation measures failed to redress the position for the affected gambling industry, as it merely permitted the EU greater freedoms in certain other, non-gambling, areas of US trade.

There have been suggestions that, in light of the economic downturn in the US, and the resultant loss of revenue for land-based casino operators, a form of wider liberalisation may occur in the online gambling market. However, no legislative efforts have yet been successful on this point.

In a recent development, the Commonwealth of Kentucky was successfully awarded a preliminary seizure order on 18 September 2008 by the Franklin Circuit Court in Kentucky for the seizure and forfeiture of 141 domain names that are alleged to have been used in connection with illegal gambling activity within the Commonwealth of Kentucky in violation of local state laws. No domain names owned by, or associated with Sportingbet, were among the 141 subject to the Court Order and none of the Company's domain names are managed by a US company. The worldwide enforceability of an order made by a Kentucky court remains unclear.

9. Asia

The Asian market continues to develop, although it currently remains subject to very specific methods of business, such as the use of agents, very cash based payment systems, often with the provision of credit to customers. Accordingly, while the betting and gaming markets are substantial, they are heavily dominated by a number of Eastern-based operators with a deep-rooted position and understanding of the local gambling culture. The extent to which Western operators will challenge this status remains to be seen. Additionally, the regulatory regime in many Asian countries is currently prohibitive and, at present, the Group has no operations or activities in Asia.

10. Turkey

Anti-online gambling legislation was introduced in Turkey in February 2007 to update existing legislation and underpin the State monopoly. The Group continues to accept bets from Turkish residents, although it does not have employees nor does it conduct advertising in the territory. However, two Group employees were arrested when making visits to Turkey in May 2008 on personal business, one has been subsequently released and has returned to the UK. The remaining employee has been released pending trial and charges have yet to be formalised.

> REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SPORTINGBET PLC

We have audited the Group financial statements of Sportingbet Plc for the year ended 31 July 2008 which comprise the principal accounting policies, the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and Notes 1 to 27. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Sportingbet plc for the year ended 31 July 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditor

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Statement and Business Review that is cross referred from the Review of the Business and Future Developments section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. This other information comprises only the Chief Executive's Statement, Business Review, Chairman's Statement, Financial Review, Corporate Social Responsibility Statement, Corporate Governance Statement, Directors' Report, Remuneration Report and Regulatory Developments. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

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 26 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 of such regulatory developments may have on the company. Note 26 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

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 July 2008 and of its loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
London

15 October 2008

> CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 JULY 2008

	Notes	Year Ended 31 July 2008 £m	Year Ended 31 July 2007 £m
Amounts wagered	4	1,364.2	1,096.4
Net gaming revenue	3, 4	147.0	119.4
Administrative expenses excluding exceptional items, share option charge and amortisation of other intangible assets		(124.3)	(114.5)
Group operating profit before exceptional items, share option charge and amortisation of other intangible assets		22.7	4.9
Other administrative expenses:			
Exceptional items	5	(12.0)	(26.8)
Share option charge	7	(8.0)	(9.9)
Amortisation of other intangible assets	13	(3.9)	(1.8)
Total administrative expenses		(148.2)	(153.0)
Group operating loss		(1.2)	(33.6)
Finance income	9	0.8	1.2
Finance costs	9	(0.4)	(0.2)
Loss before taxation	6	(0.8)	(32.6)
Taxation	10	(3.5)	(1.2)
Loss for the year		(4.3)	(33.8)
Loss for the year from discontinued operations	2	-	(281.3)
Group loss for the year		(4.3)	(315.1)
Loss attributable to minority interest		-	0.6
Loss attributable to the equity holders of the parent		(4.3)	(314.5)
Loss per ordinary share – continuing operations			
Basic	11	(0.9)p	(7.7)p
Diluted	11	(0.9)p	(7.7)p
Loss per ordinary share – continuing and discontinued operations			
Basic	11	(0.9)p	(73.2)p
Diluted	11	(0.9)p	(73.2)p

The Notes on pages 48 to 79 form part of these financial statements.

> CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2008

	Notes	As at 31 July 2008 £m	As at 31 July 2007 £m
Non-current assets			
Goodwill	12	53.0	44.4
Other intangible assets	13	15.2	10.3
Property, plant and equipment	14	21.1	12.8
Non-current receivables		0.5	0.5
		89.8	68.0
Current assets			
Trade and other receivables	15	8.2	9.1
Cash and cash equivalents	16	49.4	34.5
		57.6	43.6
Current liabilities			
Trade and other payables	17	(52.8)	(34.1)
Interest bearing loans and borrowings	17	(5.6)	(5.3)
Contingent consideration	17	(4.5)	-
		(62.9)	(39.4)
Net current (liabilities)/assets		(5.3)	4.2
Non-current liabilities			
Deferred consideration		-	(0.1)
Long-term provisions	18	(0.1)	(0.3)
		(0.1)	(0.4)
Net assets		84.4	71.8
Equity			
Issued share capital	20	0.5	0.4
Shares to be issued	21	9.0	14.6
Share premium	21	56.3	42.9
Retained earnings	21	20.1	16.8
Foreign exchange reserve	21	(1.5)	(2.6)
Equity attributable to equity holders of the parent		84.4	72.1
Minority interest		-	(0.3)
Total equity		84.4	71.8

The Notes on pages 48 to 79 form part of these financial statements. These financial statements were approved by the Board and authorised for issue on 15 October 2008.

A McIver
Director

> CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2008

	Notes	Year Ended 31 July 2008 £m	Year Ended 31 July 2007 £m
Group loss after taxation		(4.3)	(33.8)
Depreciation		3.7	5.6
Software amortisation		2.8	1.4
Other amortisation		3.9	1.8
Impairment of goodwill		-	9.2
Write-off of property, plant and equipment		-	5.1
Share option charge		8.0	9.9
Finance income		(0.4)	(1.0)
Taxation		3.5	1.2
Operating cash flows before movements in working capital		17.2	(0.6)
(Increase)/decrease in receivables		(0.7)	1.6
Increase in payables		17.9	0.4
Cash generated by operations		34.4	1.4
Income tax paid		(1.4)	(1.3)
Net cash from operating activities		33.0	0.1
Purchases of property, plant and equipment	14	(12.2)	(13.5)
Purchases of software	13	(2.8)	(3.6)
Acquisition of subsidiary		(4.6)	(3.1)
Interest received		0.4	1.1
Cash used in investing activities		(19.2)	(19.1)
Exercise of share options		-	0.1
New bank loans raised		0.3	5.3
Net cash from financing activities		0.3	5.4
Net increase/(decrease) in cash and cash equivalents in the year		14.1	(13.6)
Net decrease in cash and cash equivalents in the year from discontinued operations	2	-	(45.7)
Cash and cash equivalents at beginning of year		34.5	97.2
Effect of foreign exchange rate changes		0.8	(3.4)
Cash and cash equivalents at end of year	16	49.4	34.5

The Notes on pages 48 to 79 form part of these financial statements.

> GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 JULY 2008

	2008 £m	2007 £m
Exchange differences on translation of foreign operations	1.1	4.2
Net income recognised directly in equity	1.1	4.2
Loss for financial year	(4.3)	(315.1)
Total recognised income and expense for the year	(3.2)	(310.9)
Attributable to:		
Equity holders of the parent	(3.2)	(311.5)
Minority interests	-	0.6
	(3.2)	(310.9)

> 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 2008.

The financial information has been prepared in accordance with applicable 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
- IAS 23 Borrowing Costs (revised 2007) - 1 January 2009
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) - 1 July 2009
- Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations - 1 January 2009
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - 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
- IFRS 8 Operating Segments - 1 January 2009
- International Financial Reporting Interpretations Committee (IFRIC)
- IFRIC 12 Service Concession Arrangements - 1 January 2008
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - 1 January 2008
- 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 and IAS 1 will require additional disclosures on capital resources.

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. Piecemeal acquisitions (where the company is already a subsidiary) are considered to be acquisitions of minority interests, rather than separate business combinations.

Contingent and deferred consideration arising as a result of acquisitions is stated at fair value. 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.

Restatement of comparatives

The Group's consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP") until 31 July 2007. The date of transition to IFRSs was 1 August 2006. The comparative figures in respect of the year ended 31 July 2007 have been restated to reflect changes in accounting policies as a result of the adoption of the IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in Note 27.

In accordance with IFRS 1 the Group is entitled to a number of voluntary and mandatory exemptions from full restatement.

1. ACCOUNTING POLICIES

The following exemption has been adopted:

- IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that occurred prior to 1 August 2006.

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.

For acquisitions that occurred on or after 1 August 2006, goodwill is not amortised and is reviewed for impairment at least annually. 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 3 "Business Combinations", the unamortised balance of goodwill at 31 July 2006 was frozen and reviewed for impairment, and will be reviewed for impairment at least annually.

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

Methods of amortisation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

>NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

Other intangible assets

Identifiable intangible assets aquired 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
Maslin Properties Limited - marketing contract	86% on cost
Belmond International Ltd - 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:
Methods of depreciation, residual values and

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

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. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 uncollectible, 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 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 retains cash balances in foreign currencies matched against its foreign currency liabilities (client deposit accounts) to reduce its exposure to foreign currency exchange rates. The Group does not use derivative financial instruments for speculative purposes.

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.

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.

> NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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 the year when the liability is settled or the asset is realised. 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

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment 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 income statement 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.

The Group as lessor

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

1. ACCOUNTING POLICIES (CONTINUED)

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.

Open bets

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.

Share based payments

Management applies valuation techniques to calculate the fair value of share option charges. Note 22 provides information on 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.
In calculating the fair value of customer liabilities, management applies judgement in assessing the likelihood of balances outstanding for over six months being reclaimed. The fair value of customer liabilities is therefore the total value of cash due to customers less management's assessment of aged unclaimed balances remaining uncollected.

> NOTES TO THE FINANCIAL STATEMENTS

2. COMPARATIVE FIGURES

Discontinued operations arose from the passing of the UIGEA in the US in October 2006, and the subsequent decision to close the US-facing part of Paradise Poker and dispose of the remaining US-facing operations. The prior year Group Income Statement split between continuing and discontinued operations is as follows:

	Year ended 31 July 2007		
	Continuing operations £m	Discontinued operations £m	Total £m
Amounts wagered	1,096.4	227.1	1,323.5
Net gaming revenue	119.4	33.3	152.7
Administrative expenses excluding exceptional items, share option charge and other amortisation	(114.5)	(20.6)	(135.1)
Group operating profit before exceptional items, share option charge and other amortisation	4.9	12.7	17.6
Other administrative expenses:			
Exceptional items	(26.8)	(296.6)	(323.4)
Loss on disposal of fixed assets	-	(0.2)	(0.2)
Share option charge	(9.9)	1.7	(8.2)
Amortisation of other intangible assets	(1.8)	-	(1.8)
Total administrative expenses	(153.0)	(315.7)	(468.7)
Group operating loss	(33.6)	(282.4)	(316.0)
Finance income	1.2	0.1	1.3
Finance costs	(0.2)	1.1	0.9
Loss before taxation	(32.6)	(281.2)	(313.8)
Taxation	(1.2)	(0.1)	(1.3)
Loss for the year	(33.8)	(281.3)	(315.1)

2. COMPARATIVE FIGURES (CONTINUED)

The prior year Consolidated Cash Flow Statement split between continuing and discontinued operations is as follows:

	Year ended 31 July 2007		
	Continuing operations £m	Discontinued operations £m	Total £m
Group loss after taxation	(33.8)	(281.3)	(315.1)
Depreciation	5.6	0.3	5.9
Software amortisation	1.4	-	1.4
Other amortisation	1.8	-	1.8
Impairment of goodwill	9.2	289.1	298.3
Loss on disposal of business	-	0.2	0.2
Write-off of property, plant and equipment	5.1	-	5.1
Share option charge	9.9	(1.7)	8.2
Finance income	(1.0)	(1.2)	(2.2)
Taxation	1.2	0.1	1.3
Operating cash flows before movements in working capital	(0.6)	5.5	4.9
Decrease in receivables	1.6	1.0	2.6
Increase/(decrease) in payables	0.4	(6.4)	(6.0)
Cash generated by operations	1.4	0.1	1.5
Income tax paid	(1.3)	-	(1.3)
Net cash from operating activities	0.1	0.1	0.2
Purchases of property, plant and equipment	(13.5)	-	(13.5)
Purchases of software	(3.6)	-	(3.6)
Acquisition of subsidiary	(3.1)	(20.8)	(23.9)
Disposals	-	(14.7)	(14.7)
Interest received	1.1	0.5	1.6
Cash used in investing activities	(19.1)	(35.0)	(54.1)
Exercise of share options	0.1	-	0.1
Repayment of borrowings	-	(10.8)	(10.8)
New bank loans raised	5.3	-	5.3
Net cash used in financing activities	5.4	(10.8)	(5.4)
Net decreases in cash and cash equivalents in the year	(13.6)	(45.7)	(59.3)
Cash and cash equivalents at beginning of year			97.2
Effect of foreign exchange rate changes			(3.4)
Cash and cash equivalents at end of year			34.5

> NOTES TO THE FINANCIAL STATEMENTS

3. NET GAMING REVENUE

	31 July 2008 £m	31 July 2007 £m
Gaming revenue	160.5	127.3
Promotional bonuses	(13.5)	(7.9)
Net gaming revenue	147.0	119.4

4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three geographical regions – Europe, Australia and Americas. 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 2008 and 31 July 2007.

2008

	Europe £m	Australia £m	Americas £m	Unallocated central costs £m	Continuing operations Total £m	Discontinued operations Americas £m
Amounts wagered	811.6	542.5	10.1	-	**1,364.2**	-
Net gaming revenue	126.1	19.2	1.7	-	**147.0**	-
Depreciation	(4.0)	(0.6)	-	(1.9)	**(6.5)**	-
Administrative expenses excluding exceptional items, share option charge and other amortisation	(99.0)	(11.3)	(2.7)	(4.8)	**(117.8)**	-
Group operating profit before exceptional items, share option charge and other amortisation	23.1	7.3	(1.0)	(6.7)	**22.7**	-
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	(124.7)	(13.2)	(2.7)	(7.6)	**(148.2)**	-
Operating profit/(loss)	1.4	6.0	(1.0)	(7.6)	**(1.2)**	-
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	14.0	1.0	-	-	**15.0**	-

For segmental information by activity, revenue is attributed to three principal areas of activity: sports betting, casino gaming and poker.

4. SEGMENT INFORMATION (CONTINUED)

	Sports Betting £m	Casino Gaming £m	Poker Rake £m	Total £m
Amounts wagered	1,307.5	36.7	20.0	1,364.2
Net gaming revenue	90.3	36.7	20.0	147.0

2007

	Europe £m	Australia £m	Americas £m	Unallocated central costs £m	Continuing operations Total £m	Discontinued operations Americas £m
Amounts wagered	653.9	439.3	3.2	-	**1,096.4**	227.1
Net gaming revenue	103.8	12.4	3.2	-	**119.4**	33.3
Depreciation	(4.3)	(0.7)	(0.3)	(1.7)	**(7.0)**	(0.3)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(93.0)	(7.7)	-	(6.8)	**(107.5)**	(20.3)
Group operating profit before exceptional items, share option charge and other amortisation	6.5	4.0	2.9	(8.5)	**4.9**	12.7
Other administrative expenses:						
Exceptional items	(26.8)	-	-	-	**(26.8)**	(296.6)
Share option (charge)/credit	(8.4)	(1.5)	-	-	**(9.9)**	1.5
Other amortisation	(1.8)	-	-	-	**(1.8)**	-
Total administrative expenses	(134.3)	(9.9)	(0.3)	(8.5)	**(153.0)**	(315.7)
Operating profit/(loss)	(30.5)	2.5	2.9	(8.5)	**(33.6)**	(282.4)
Balance sheet information						
Total assets	96.5	10.0	5.1	-	**111.6**	-
Total liabilities	(33.9)	(5.9)	-	-	**(39.8)**	-
Expenditure incurred to acquire property, plant and equipment and intangible assets	16.5	0.6	-	-	**17.1**	-

	Sports Betting £m	Casino Gaming £m	Poker Rake £m	Total £m
Amounts wagered	1,039.1	29.4	27.9	1,096.4
Net gaming revenue	62.1	29.4	27.9	119.4

>NOTES TO THE FINANCIAL STATEMENTS

5. EXCEPTIONAL ITEMS

The following exceptional costs were incurred during the year:

	Notes £m	Continuing £m	Discontinued £m	2008 £m	Continuing £m	Discontinued £m	2007 £m
Reorganisation costs relating to UIGEA	(a)	3.3	-	3.3	8.8	5.4	14.2
Transfer of licensable activities to the Channel Islands	(b)	4.0	-	4.0	5.5	-	5.5
Transfer of EMEA and poker customer services operation to Dublin	(c)	0.3	-	0.3	1.9	-	1.9
Paradise – Boss migration	(d)	(0.3)	-	(0.3)	2.8	-	2.8
PCI DSS compliance	(e)	-	-	-	2.4	-	2.4
Impairment of goodwill (Paradise Poker and Sportingodds)	(f)	-	-	-	9.2	182.3	191.5
Write off of property, plant and equipment	(g)	-	-	-	3.1	-	3.1
Reversal of payable from prior year	(h)	-	-	-	(6.9)	-	(6.9)
Impairment losses relating to the disposal of the US business	(i)	-	-	-	-	108.9	108.9
Transfer of Spanish customer services operation to Dublin	(j)	4.7	-	4.7	-	-	-
		12.0	-	12.0	26.8	296.6	323.4

(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 £3.1m (2007: £7.8m) and retention and loyalty payments to retained employees of £0.2m (2007: £6.4m)).

(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 payment card industry data security standard (PCI DSS) is a mandatory requirement driven by the card scheme operators. The costs incurred were for mobilisation and execution of the PCI DSS compliance programme to ensure confidentiality and integrity of cardholder and other sensitive data.

(f) Impairment of goodwill represents the write-down of Paradise Poker goodwill following the passing of the UIGEA and consequential US closures. A further write-down of goodwill in relation to Paradise Poker occurred as a result of the migration to Boss. In addition, goodwill in relation to sportingodds.com was impaired as a result of the pending migration to the Sportingbet domain.

(g) As a result of the above events Property, Plant and Equipment no longer used by the continuing business have been written off.

(h) Included in 2007 exceptional items was a payable brought forward from the prior year which was no longer required of £6.9m.

(i) Impairment losses of £108.9m relate to the disposal of the US-facing sports betting and casino business which was sold for $1 on 12 October 2008 to Jazette Enterprises Limited. This comprises the impairment of goodwill and other assets.

(j) 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.

6. LOSS BEFORE TAXATION

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

	2008 £m	2007 £m
Net foreign exchange losses	0.1	0.6
Depreciation of property, plant and equipment	3.7	5.6
Amortisation of software	2.8	1.4
Auditors' remuneration:		
Audit services	0.4	0.3
Audit of subsidiaries pursuant to legislation	0.1	0.1
Tax services	0.2	0.3
Corporate finance transactions	-	0.2
Rental income	(0.2)	-

7. SHARE OPTION CHARGE

	2008 £m	2007 £m
Share option charge	7.6	9.9
Social security costs on share options	0.4	-
	8.0	9.9

> NOTES TO THE FINANCIAL STATEMENTS

8. STAFF COSTS

	2008 No.	2007 No.
The average monthly number of employees (including executive directors) was:		
Europe	340	300
Australia	74	68
Americas	-	100
	414	468

	2008 £m	2007 £m
Employee costs including Directors were as follows:		
Wages and salaries	33.5	40.0
Social security costs	2.2	2.2
Pensions costs	1.2	1.4
	36.9	43.6

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

	2008 £m	2007 £m
Directors' remuneration		
Salary and fees	1.4	1.5
Bonuses	0.9	0.8
Compensation for loss of office	1.2	-
Share based payments	1.7	3.6
Total emoluments	5.2	5.9
Pension contributions	0.2	0.2
	5.4	6.1

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

9. NET INTEREST RECEIVABLE/(PAYABLE)

	2008 £m	2007 £m
Bank loans and overdrafts	(0.4)	-
Amortisation of loan arrangement fees	-	(0.2)
	(0.4)	(0.2)
Interest receivable	0.8	1.2
	0.4	1.0

10. TAXATION

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

	2008 £m	2007 £m
Note 10(a) Analysis of charge in the period		
Current tax:		
UK corporation tax on profits of the period	1.2	-
Overseas taxation	2.7	1.3
Adjustments to overseas taxation in respect of previous periods	0.3	-
Total current tax (note 10(b))	4.2	1.3
Deferred tax:		
Current year movement to deferred tax	(0.7)	-
Total deferred tax (note 10(c))	(0.7)	-
Tax on profit on ordinary activities	3.5	1.3
Note 10(b) Factors affecting the tax charge for the period		
Profit on ordinary activities before tax	(0.8)	(313.8)
Profit on ordinary activities multiplied by the		
Standard rate of corporation tax in the UK (28%) (2007: 30%)	(0.2)	(94.1)
Effects of:		
Expenses not deductible for tax purposes	4.4	98.1
Effect of lower tax rates on overseas earnings	(3.5)	(3.3)
Tax losses arising in year	2.6	-
Other timing differences	0.6	-
Adjustments to tax charge in respect of previous periods	0.3	-
Current tax charge for the period (note 10(a))	4.2	1.3
Note 10(c) Provision for deferred tax (Deferred tax asset)		
Other timing differences	(0.7)	-
Provision for deferred tax at 28% (2007: 30%)	(0.7)	-
At the beginning of the year	-	-
Current year movement	(0.7)	-
At the end of the year (Deferred tax asset)	(0.7)	-

The deferred tax asset arose as a result of bad debt provisions made during the year. This asset is expected to be recovered on the basis that the Group is expected to generate profits in future years.

UK deferred tax assets in respect of accelerated capital allowances (£638,000) and tax losses (£7,196,000) 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

	2008	Continuing 2007	Discontinued 2007	Total 2007
Loss per ordinary share				
Basic	**(0.9)p**	(7.7)p	(65.5)p	(73.2)p
Diluted	**(0.9)p**	(7.7)p	(65.5)p	(73.2)p
Adjusted earnings per ordinary share				
(before exceptional items, share option charge and amortisation)				
Basic	**4.3p**	1.2p	3.2p	4.4p
Diluted	**3.8p**	1.1p	2.9p	4.0p

The calculation of basic earnings per share is based on the loss on ordinary activities after taxation and minority interests 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.

	2008 £m	Continuing 2007 £m	Discontinued 2007 £m	Total 2007 £m
Basic earnings	**(4.3)**	(33.8)	(281.3)	(315.1)
Exceptional items	**12.0**	26.8	296.6	323.4
Share option charge	**8.0**	9.9	(1.7)	8.2
Amortisation	**3.9**	1.8	-	1.8
Adjusted earnings	**19.6**	4.7	13.6	18.3

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

	2008 No.	2007 No.
Weighted average number of shares in issue	454,244,357	429,655,714
Employee share schemes	38,686,358	38,872,648
Contigent consideration	19,187,386	1,934,593
Fully diluted number of weighted average number of shares in issue	512,118,101	470,462,955

11. EARNINGS PER SHARE (CONTINUED)

As at 31 July 2008 the Group had the following shares in issue and potentially dilutive shares:

	2008 No.	2007 No.
Number of shares in issue	472,011,023	432,946,844
Employee share schemes	38,686,358	38,872,648
Contigent consideration	19,187,386	1,934,593
Fully diluted number of shares in issue	529,884,767	473,754,085

12. GOODWILL

	£m
Cost	
At 1 August 2006	415.1
Additions	19.5
Disposals	(132.3)
Exchange adjustments	(18.1)
Other movements	(38.2)
At 1 August 2007	246.0
Additions	4.7
Exchange movements	0.2
Other movements	3.7
As at 31 July 2008	254.6
Impairment losses	
At 1 August 2006	63.5
Impairments	290.5
Disposals	(132.3)
Exchange adjustments	(20.1)
At 1 August 2007	201.6
As at 31 July 2008	201.6
Net book value	
At 31 July 2008	53.0
At 31 July 2007	44.4

›NOTES TO THE FINANCIAL STATEMENTS

12. GOODWILL (CONTINUED)

Subsequent to the annual impairment test for 2008, the carrying amount of goodwill is allocated to the following cash generating units:

	2008 £m	2007 £m
Europe	29.6	21.2
Australia	23.4	23.2
	53.0	44.4

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 cashflows are modelled based on budgeted projections, and cash flows beyond the budget period are extrapolated using a growth rate of 10%. The growth rate applied is based on past experience.

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

Details of acquisitions in the year are set out in note 23. Impairment losses in the prior year have been recognised as exceptional items as disclosed in note 5.

13. OTHER INTANGIBLE ASSETS

	Software £m	Other £m	Total £m
Cost			
At 1 August 2006	13.8	-	13.8
Additions	3.6	5.2	8.8
Disposals	(3.4)	-	(3.4)
At 1 August 2007	14.0	5.2	19.2
Additions	2.8	8.7	11.5
As at 31 July 2008	**16.8**	**13.9**	**30.7**
Amortisation and impairment losses			
At 1 August 2006	6.6	-	6.6
Charge for the year	1.4	1.8	3.2
Disposals	(0.9)	-	(0.9)
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 31 July 2008	**9.8**	**5.7**	**15.5**
Net book value			
At 31 July 2008	**7.0**	**8.2**	**15.2**
At 31 July 2007	6.9	3.4	10.3

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.

14. PROPERTY, PLANT AND EQUIPMENT

	Fixtures, fittings and equipment £m	Motor vehicles £m	Computer equipment £m	Freehold land and buildings £m	Total £m
Cost					
At 1 August 2006	4.6	0.1	10.1	1.4	16.2
Additions	0.6	-	4.8	8.1	13.5
Disposals	(1.0)	-	(2.7)	(1.4)	(5.1)
Exchange movements	(0.2)	-	(0.1)	(0.1)	(0.4)
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 31 July 2008	**6.6**	**0.1**	**19.9**	**9.6**	**36.2**
Depreciation					
At 1 August 2006	2.5	0.1	4.5	-	7.1
Charge for the year	0.7	-	5.2	-	5.9
Disposals	(0.4)	-	(0.9)	-	(1.3)
Exchange adjustments	(0.1)	-	(0.2)	-	(0.3)
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 31 July 2008	**3.6**	**0.1**	**11.3**	**0.1**	**15.1**
Net book value					
At 31 July 2008	**3.0**	**-**	**8.6**	**9.5**	**21.1**
At 31 July 2007	1.3	-	3.5	8.0	12.8

The depreciation charge in respect of assets held under finance leases was £nil (2007: £0.1m).

> NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES

	2008 £m	2007 £m
Trade receivables	5.9	3.4
Provision for impairment of trade receivables	(1.9)	(0.5)
Trade receivables, net	4.0	2.9
Deferred tax asset	0.7	-
Other receivables	2.1	4.3
Prepayments and accrued income	1.4	1.9
	8.2	9.1

Trade receivables that are less than 30 days past due are not considered impaired. As of 31 July 2008, trade receivables of £3.9m (2007: £2.9m) 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:

	2008 £m	2007 £m
Up to 2 months past due	3.4	2.2
2 to 6 months past due	0.4	0.2
Over 6 months past due	0.1	0.5
	3.9	2.9

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:

	2008 £m	2007 £m
At 1 August	0.5	0.4
Provision for receivables impairment	2.0	0.8
Receivables written off during the year as uncollectable	(0.6)	(0.7)
At 31 July	1.9	0.5

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.

Non-current receivables relate to £0.5m a deposit held by Italian authorities in respect of the gaming license held there.

16. CASH AND CASH EQUIVALENTS

	2008 £m	2007 £m
Cash	33.6	24.6
Short term cash deposits	13.6	7.1
Restricted cash	2.2	2.8
	49.4	34.5

Restricted cash includes £1.2m (2007: £2.8m) held with Barclays in connection with the share capital reduction exercise in 2005 and £1.0m (2007: £nil) 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 (2007: £nil).

17. TRADE AND OTHER PAYABLES

	2008 £m	2007 £m
Bank loans	5.6	5.3
Trade payables	8.9	4.7
Other payables	1.6	1.1
Customer liabilities	13.4	11.4
Tax and social security	4.0	2.4
Accruals and deferred income	23.1	13.0
Contingent consideration	4.5	-
Open Bets	1.8	1.5
	62.9	39.4

Contingent consideration of £4.5m (2007: £nil) is owed in respect of the acquisition of the business and assets of Belmond International Limited.

Although repayable on demand, the Group has a bank loan facility of £5.6m 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.

> NOTES TO THE FINANCIAL STATEMENTS

18. PROVISIONS

	Chargeback provision
At 1 August 2006	0.7
Fair value adjustment	(0.4)
At 1 August 2007	0.3
Fair value adjustment	(0.2)
At 31 July 2008	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, trade receivables and trade payables, which arise directly from its operations.

Short term receivables and payables

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

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 £5.6m 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.

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

Functional currency of operation	Net foreign currency monetary assets: Euro £m	US Dollars £m	Danish Krone £m	Other Currencies £m	Total £m
2008					
Sterling	16.5	1.5	1.7	2.4	22.1
	16.5	1.5	1.7	2.4	22.1
2007					
Sterling	3.5	2.0	0.4	1.9	7.8
	3.5	2.0	0.4	1.9	7.8

19. FINANCIAL INSTRUMENTS (CONTINUED)

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.

	Loans and receivables 2008 £m	2007 £m
Financial assets as per balance sheet		
Trade and other receivables	6.1	7.2
Cash and cash equivalents	49.4	34.5
	55.5	41.7

	Liabilities at fair value through the income statement 2008 £m	2007 £m	Financial liabilities at amortised cost 2008 £m	2007 £m
Financial liabilities as per balance sheet				
Trade and other payables	1.8	1.5	47.0	30.2
Interest bearing loans and borrowings	-	-	5.6	5.3
Provisions	-	-	0.1	0.3
	1.8	1.5	52.7	35.8

> 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 +/- 1.3% movement in the sterling/euro exchange rate for the year ended 31 July 2008 (2007: 0.1%) and a +/- 0.7% movement for the sterling/Turkish lira exchange rate (2006: 0.4%).

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 1.3% (2007: 0.1%) and 0.7% (2006: 0.4%) respectively then this would have had the following impact:

	2008			2007		
	Euro £m	Turkish Lira £m	Total £m	Euro £m	Turkish Lira £m	Total £m
Net profit	(0.4)	(0.3)	(0.7)	(0.2)	(0.1)	(0.3)
Equity	(0.4)	(0.3)	(0.7)	(0.2)	(0.1)	(0.3)

If sterling had weakened against the euro and Turkish lira by 1.3% (2007: 0.1%) and 0.7% (2006: 0.4%) respectively then this would have had the following impact:

	2008			2007		
	Euro £m	Turkish Lira £m	Total £m	Euro £m	Turkish Lira £m	Total £m
Net profit	0.4	0.3	0.7	0.2	0.1	0.3
Equity	0.4	0.3	0.7	0.2	0.1	0.3

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 Sportingbet'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 2008, the Group had £5.6m of bank loans which are secured on the Group's land and buildings. Details of the Group's dividend policy are disclosed on page 51 of this Annual Report.

20. SHARE CAPITAL

	2008 £000	2007 £000
Authorised:		
1,000m (2007: 1,000m) ordinary shares of 0.1p each	1,000	1,000
Allotted, issued and fully paid:		
At 31 July 2007: 432,948,845 shares of 0.1p each	433	421
Issues in respect of acquisitions: 25,062,744 shares	25	10
Other share issues in respect of exercised share options: 11,909,203 shares	12	2
Other share issues: 2,092,231 shares	2	-
At 31 July 2008: 472,011,023 shares of 0.1p each	472	433

Shares issued in respect of acquisitions represent 23,529,412 shares in respect of the acquisition of the business and assets of Maslin Properties Limited during the year ended 31 July 2007 and 1,533,332 shares issued in respect of the Sportingbet Italia S.p.A. acquisition in prior years.

At 31 July 2008 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	1,645,625	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	662,250	July 2007 – July 2008	-
May 2006	213,427	November 2007 – November 2009	-
November 2006	18,406,137	November 2007 – November 2009	-
March 2007	869,528	November 2007 – November 2009	-
June 2007	149,190	November 2008 – November 2009	-
November 2007	8,165,675	November 2008 – November 2009	-
December 2007	1,964,540	December 2008 – December 2009	-
March 2008	2,425,829	November 2008 – November 2009	-
June 2008	2,519,157	November 2009 – November 2011	-

At 31 July 2008 there were 38,688,358 options or awards over ordinary shares outstanding, 7,455,593 of which relate to Directors, details of which can be found in the Remuneration Report on pages 34 to 39.

Of the share options detailed above 35,700 relate to the HMRC Approved Scheme, 1,955,625 relate to the Executive Scheme, 1,319,300 relate to the Unapproved Scheme, 662,250 relate to the 2005 plan, 32,535,516 relate to the 2006 Share Plan, 213,427 relate to conditional awards and 1,964,540 to discretionary awards to Executive Directors.

> NOTES TO THE FINANCIAL STATEMENTS

21. EQUITY

	Issued share capital £m	Share premium account £m	Shares to be issued £m	Profit and loss account £m	Foreign Exchange Reserve £m
At 1 August 2006	0.4	38.0	24.0	323.2	(6.8)
Acquisitions	-	4.8	(9.4)	-	-
Employee share options	-	0.1	-	-	-
Share option charge	-	-	-	8.2	-
Loss for the year	-	-	-	(312.0)	-
Other movements	-	-	-	(0.1)	-
Foreign currency exchange	-	-	-	-	4.2
At 1 August 2007	0.4	42.9	14.6	19.3	(2.6)
Prior year adjustment	-	-	-	(2.5)	-
At 1 August 2007 (restated)	0.4	42.9	14.6	16.8	(2.6)
Acquisitions	0.1	13.4	(5.6)	-	-
Share option charge	-	-	-	7.6	-
Loss for the year	-	-	-	(4.3)	-
Foreign currency exchange	-	-	-	-	1.1
At 31 July 2008	0.5	56.3	9.0	20.1	(1.5)

The movement in Group equity of £12.3m (2007: £(306.8)m) 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 £5.6m represents a combination of settlement of consideration in relation to historic acquisitions of £(9.2)m and consideration in respect of current year acquisitions of £3.6m.

22. SHARE-BASED PAYMENTS

The Company operates five 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.

	2008 weighted average exercise price (p)	2008 No.	2007 weighted average exercise price (p)	2007 No.
Outstanding at the beginning of the year	3.7	40,271,306	45.0	14,309,125
Granted during the year	-	15,996,714	-	37,180,636
Forfeited during the year	-	-	43.0	(1,425,000)
Exercised during the year	0.4	(11,909,203)	9.0	(1,687,875)
Lapsed during the year	7.1	(5,672,460)	52.0	(8,105,579)
Outstanding at the end of the year	2.7	38,686,357	4.0	40,271,307

22. SHARE-BASED PAYMENTS (CONTINUED)

The exercise price of options outstanding at the end of the year ranged between 0p and 131p (2007: 0p and 131p) and their weighted average contractual life was 455 days (2007: 758 days).

Of the total number of options outstanding at the end of the year, 3,310,625 (2007: 3,257,375) had vested and were exercisable.

The weighted average share price (at the date of exercise) of options exercised during the year was 44.2p (2007: 44.5p).

The weighted average fair value of each option granted during the year was 44.27p (2007: 44.02p).

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.

	2008	2007
Equity-settled		
Options pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	44.27p	44.02p
Exercise price (pence)	nil	nil
Weighted average contractual life (days)	555	850
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.

	2008 £m	2007 £m
The share-based remuneration expense comprises:		
Equity-settled schemes	8.0	9.9

>NOTES TO THE FINANCIAL STATEMENTS

23. ACQUISITIONS

Belmond International Limited

On 4 March 2008 the Group acquired the business and assets of Belmond International Limited, the Group's Bulgarian marketing partner. In calculating the goodwill arising on acquisition, the fair value of the net assets acquired has been assessed and adjustments from book value have been made where necessary. These adjustments are summarised below:

	Book value on acquisition £m	Fair value Adjustment £m	Fair value to Group Provisional £m
Intangible assets	-	8.7	8.7
Net assets	-	8.7	8.7
Consideration			12.7
Net assets acquired (100%)			(8.7)
Goodwill arising on acquisition			4.0

Adjustments have been made to the carrying value of the intangible assets acquired to reflect the value of the Belmond International Limited marketing contract.

The goodwill arising on the acquisition is largely attributable to the anticipated incremental revenue and cost synergies in Bulgaria.

The fair value of consideration as at 4 March 2008 and at 31 July 2008 comprised:

	£m
Cash	4.0
Contingent consideration – cash	5.1
Contingent consideration – shares	3.6
	12.7

Contingent consideration payments due to the vendor will be satisfied by the payment of a fixed amount of cash and the issue of a fixed number of shares, based on profit performance within the period ending 31 August 2009.

The fair value of this consideration is based on management's best estimate of the likely outcome.

The Bulgarian business contributed £3.2m to the Group's net gaming revenue and £3.0m *to profit before tax for the period between 4* March 2008 and 31 July 2008.

If the acquisition of the Bulgarian business had been completed on the first day of the *financial year, Group net gaming revenue for* the period would have been £147.0m and Group loss attributable to equity holders of the parent would have been £4.0m.

24. COMMITMENTS UNDER OPERATING LEASES

	2008 £m	2007 £m
Minimum lease payments under operating leases recognised as an expense for the year Land and buildings	1.9	1.7

At 31 July 2008, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £m	2007 £m
Land and buildings		
Within 1 year	1.5	1.7
Within 2-5 years inclusive	3.2	3.7
In more than 5 years	1.1	1.4
	5.8	6.8

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

25. RELATED PARTIES

During the period, prior to his appointment as Chairman and Non-Executive Director on 1 February 2008, P Dicks received £60,000 (2007: £100,000) in consultancy fees.

S O'Connor (Senior Independent Non-Executive Director) provided marketing consultancy services to the Group amounting to £nil (2007: £14,167) via Trillium Venture Developments Limited.

26. CONTINGENT LIABILITIES

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 40 to 42) 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.

>NOTES TO THE FINANCIAL STATEMENTS

27. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

From the year ended 31 July 2008 Sportingbet Plc will prepare its financial statements in accordance with IFRS. This note has been prepared to illustrate differences that have arisen through preparation of the financial statements under IFRS rather than UK GAAP.

Below are the reconciliations of the UK GAAP balance sheet to their IFRS balance sheet at 1 August 2006 (the "opening balance sheet") and 31 July 2007 together with reconciliations of the Group UK GAAP income statement to its IFRS income statement for the year ended 31 July 2007.

The changes as a result of the transition to IFRS and of adopting the IFRS Group accounting policies are described below. In addition to these changes there are a number of other assets and liabilities that are classified differently under IFRS. These reclassifications are shown in the reconciliations below.

Restatement of Prior Year UK GAAP Income Statement and Balance Sheet

Following a review of internal control processes, the prior year UK GAAP Balance Sheet has been restated by £2.5m resulting in the loss for the year being increased by the same amount to £315.1m.

First-Time Application

In accordance with IFRS 1 the Group is entitled to a number of voluntary and mandatory exemptions from full restatement. The following exemption has been adopted:

- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred prior to 1 August 2006.

IAS 32 Financial Instruments

Under IAS 32, changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. At 1 August 2006, the Group held an interest rate swap which was settled during the year ended 31 July 2007. Under UK GAAP, the gain was only taken to the income statement once realised. Under IFRS, the unrealised gain is recognised in the income statement.

The Group may have, at any point in time, an exposure on open betting positions. These bets meet the definition of a financial derivative under IAS 32 and therefore are recorded at fair value with gains or losses recognised in the income statement. Sports betting net gaming revenue is adjusted for the fair market value of gains and losses on open betting positions.

IAS 38 Software classification

Software is typically included within other intangibles under IFRS rather than tangible assets under UK GAAP. The impact of this is to reclassify software from tangible assets to intangible assets. Total net assets are not affected by this adjustment.

IFRS 3 Business Combinations

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before 1 August 2006, therefore goodwill is stated in the opening balance sheet at £351.6m, being its UK GAAP carrying value.

Subsequent amortisation of £6.6m has been reversed leading to a net increase in operating profit of £3.0m after subsequent impairment for the year ended 31 July 2007.

The Group has adopted IFRS 3 in full for the year ended 31 July 2008. This has resulted in the recognition of additional intangible assets of £3.5m during the year ended 31 July 2007, which, under UK GAAP, would have been recognised in goodwill.

IAS 7 Cash Flow statements

There are no significant adjustments between the cash flow statements produced under IFRS as against UK GAAP.

27. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Reconciliation of UK GAAP to IFRS income statement for the year ended 31 July 2007

	UK GAAP (IFRS format) As originally stated £m	Restatement of prior year UK GAAP £m	UK GAAP (IFRS format) Restated £m	IAS 32 Financial Instruments £m	IFRS 3 Business Combi-nations £m	IFRS Income Statement £m
Amounts wagered	1,096.4	-	1,096.4	-	-	1,096.4
Net gaming revenue	119.4	-	119.4	-	-	119.4
Administrative expenses excluding exceptional items, share option charge and other amortisation	(112.0)	(2.5)	(114.5)	-	-	(114.5)
Group operating profit before exceptional items, share option charge and other amortisation	7.4	(2.5)	4.9	-	-	4.9
Other administrative expenses:						
Exceptional items	(26.8)	-	(26.8)	-	-	(26.8)
Share option charge	(9.9)	-	(9.9)	-	-	(9.9)
Other amortisation	(3.0)	-	(3.0)	-	1.2	(1.8)
Total administrative expenses	(151.7)	(2.5)	(154.2)	-	1.2	(153.0)
Group operating (loss)/profit	(32.3)	(2.5)	(34.8)	-	1.2	(33.6)
Finance income	1.2	-	1.2	-	-	1.2
Finance costs	(0.2)	-	(0.2)	-	-	(0.2)
Loss before taxation	(31.3)	(2.5)	(33.8)		1.2	(32.6)
Taxation	(1.2)	-	(1.2)	-	-	(1.2)
Loss for the year	(32.5)	(2.5)	(35.0)	-	1.2	(33.8)
Discontinued loss for the year	(280.4)	-	(280.4)	(0.3)	(0.6)	(281.3)
Group loss for the year	(312.9)	(2.5)	(315.4)	(0.3)	0.6	(315.1)
Minority interest	0.6	-	0.6	-	-	0.6
Loss attributable to the equity holders of the parent	(312.3)	(2.5)	(314.8)	(0.3)	0.6	(314.5)

>NOTES TO THE FINANCIAL STATEMENTS

27. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Reconciliation of UK GAAP to IFRS balance sheet at 1 August 2006

	UK GAAP (IFRS format) £m	IAS 38 Software Classification £m	IAS 32 Financial Instruments £m	IFRS Balance Sheet £m
Non-current assets				
Goodwill	351.6	-	-	351.6
Other intangible assets	-	7.2	-	7.2
Property, plant and equipment	24.4	(7.2)	-	17.2
	376.0	-	-	376.0
Current assets				
Trade and other receivables	21.9	-	0.3	22.2
Cash and cash equivalent	97.2	-	-	97.2
	119.1	-	0.3	119.4
Current liabilities				
Interest bearing loans and borrowings	(10.5)	-	-	(10.5)
Contingent consideration	(17.9)	-	-	(17.9)
Other payables	(67.9)	-	-	(67.9)
	(96.3)	-	-	(96.3)
Net current assets	22.8	-	0.3	23.1
Non current liabilities				
Provisions	(1.7)	-	-	(1.7)
Contingent consideration	(18.8)	-	-	(18.8)
	(20.5)	-	-	(20.5)
Net assets	378.3	-	0.3	378.6
Equity				
Issued share capital	0.4	-	-	0.4
Shares to be issued	24.0	-	-	24.0
Share premium	38.0	-	-	38.0
Retained earnings	322.9	-	0.3	323.2
Foreign exchange reserve	(6.8)	-	-	(6.8)
Equity attributable to equity holders of the parent	378.5	-	0.3	378.8
Minority interest	(0.2)	-	-	(0.2)
Total equity	378.3	-	0.3	378.6

27. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Reconciliation of UK GAAP to IFRS balance sheet at 31 July 2007

	UK GAAP (IFRS format) £m	PY Restatement £m	UK GAAP (IFRS format) Restated £m	IAS 16 Provision Classification £m	IAS 38 Software Classification £m	IFRS 3 Goodwill £m	IFRS Balance Sheet £m
Non-current assets							
Goodwill	45.8	-	45.8	-	-	(1.4)	44.4
Other intangible assets	-	-	-	-	6.8	3.5	10.3
Property, plant and equipment	19.6	-	19.6	-	(6.8)	-	12.8
	65.4	-	65.4	-	-	2.1	67.5
Current assets							
Trade and other receivables	9.6	-	9.6	-	-	-	9.6
Cash and cash equivalents	37.0	(2.5)	34.5	-	-	-	34.5
	46.6	(2.5)	44.1	-	-	-	44.1
Current liabilities							
Interest bearing loans and borrowings	(5.3)	-	(5.3)	-	-	-	(5.3)
Other payables	(33.2)	-	(33.2)	(0.9)	-	-	(34.1)
	(38.5)	-	(38.5)	(0.9)	-	-	(39.4)
Net current assets	8.1	(2.5)	5.6	(0.9)	-	-	4.7
Non current liabilities							
Provisions	(1.2)	-	(1.2)	0.9	-	-	(0.3)
Contingent consideration	(1.0)	-	(0.1)	-	-	-	(0.1)
	(1.3)	-	(1.3)	0.9	-	-	(0.4)
Net assets	72.2	(2.5)	69.7	-	-	2.1	71.8
Equity							
Issued share capital	0.4	-	0.4	-	-	-	0.4
Shares to be issued	13.0	-	13.0	-	-	1.6	14.6
Shares premium	42.9	-	42.9	-	-	-	42.9
Retained earnings	18.8	(2.5)	16.3	-	-	0.5	16.8
Foreign exchange reserve	(2.6)	-	(2.6)	-	-	-	(2.6)
Equity attributable to equity holders of the parent	72.5	(2.5)	70.0	-	-	2.1	72.1
Minority interest	(0.3)	-	(0.3)	-	-	-	(0.3)
Total equity	72.2	(2.5)	69.7	-	-	2.1	71.8

> 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 2008 which comprise the principal accounting policies, the balance sheet and notes 1 to 10. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Sportingbet Plc for the year ended 31 July 2008. That report is modified by the inclusion of an emphasis of matter.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report, and the Parent Company financial statements in accordance with United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985.

We also report to you whether in our opinion the Directors' Report is consistent with the Parent Company financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. This other information comprises only the Chief Executive's statement, Business Review, Chairman's Statement, Financial Review, Corporate Social Responsibility Statement, Corporate Governance Statement, Directors' Report, Remuneration Report and Regulatory Developments. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements.

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 11 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 of such regulatory developments may have on the company. Note 11 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

In our opinion:

- The Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2008;
- The Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
London

15 October 2008

Grant Thornton

> PARENT COMPANY BALANCE SHEET

AS AT 31 JULY 2008

	Notes £m	2008 £m	2007 £m
Fixed assets			
Investments	4	51.3	45.4
		51.3	45.4
Current assets			
Debtors	5	42.2	34.3
Cash at bank and in hand	6	1.2	2.8
		43.4	37.1
Creditors – amounts falling due within one year	7	(12.5)	(6.8)
Net current assets		30.9	30.3
Provisions for liabilities	8	-	(0.7)
Net assets		82.2	75.0
Shareholders' funds			
Issued share capital	9	0.5	0.4
Shares to be issued	10	7.5	13.0
Share premium	10	54.9	42.9
Retained earnings	10	19.3	18.7
Equity shareholders' funds		82.2	75.0

The Notes on pages 82 to 95 form part of these financial statements. These financial statements were approved by the Board and authorised for issue on 15 October 2008.

A McIver
Director

> NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. PARENT COMPANY ACCOUNTING POLICIES

The unconsolidated 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 230 of the Companies Act 1985 and not presented a profit and loss for the Company alone. The Company is also exempt from the requirement under Financial Reporting Standard 1 (Revised) "Cash Flow Statements" to prepare a cash flow statement as its cashflows 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. 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 £6.9m. 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

	2008 £m	2007 £m
Employee costs including Directors were as follows:		
Wages and salaries	3.7	6.8
Social security costs	0.2	0.2
Pensions costs	0.3	0.2
	4.2	7.2

During the year 5 employees were employed by the Company (2007: 5).

There were 2 (2007: 3) 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 of the Group's financial statements.

4. INVESTMENTS

	Shares in Subsidiary undertakings £m
Investment in subsidiary undertakings	
As at 1 August 2007	45.4
Acquisitions	0.7
Revaluations	(0.2)
Options issued to employees of subsidiary undertakings	5.4
	51.3

Acquisitions of subsidiaries are stated net of adjustments arising for discounting of contingent consideration.

The following principal trading subsidiaries were wholly owned at 31 July 2008:

Directly owned	Activity	Country of incorporation or registration
Interactive Sports (CI) Limited	Online betting	Alderney
Sportingbet (Germany) Limited	Online betting	England
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

>NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4. INVESTMENTS (CONTINUED)

For all undertakings listed above, the country of incorporation is the same as the country of operation, except Sportingbet (Germany) Limited which operates in Austria.

The Company acquired a further 10% shareholding in Sportingbet Italia S.p.A. ('Sportingbet Italia') during the year taking the total shareholding to 100%. Sportingbet Italia is incorporated in Italy and its principal activity is online and telephone betting. In the prior year the Company was treated as a subsidiary undertaking with a 10% minority interest.

5. DEBTORS

	2008 £m	2007 £m
Other debtors	0.3	-
Prepayments and accrued income	0.1	0.1
Owed by subsidiary undertakings	41.8	34.2
	42.2	34.3

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

	2008 £m	2007 £m
Restricted cash	1.2	2.8
	1.2	2.8

Restricted cash represents £1.2m (2007: £2.8m) held with Barclays in connection with the share capital reduction exercise in 2005.

7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £m	2007 £m
Bank loans	5.6	5.3
Accruals and deferred income	2.4	1.5
Contingent consideration	4.5	-
	12.5	6.8

Contingent consideration of £4.5m (2007: £nil) relates to amounts owed in respect of the acquisition of the business and assets of Belmond International Limited.

Although repayable on demand, the bank loan facility of £5.6m does not end until 2012 and the directors do not anticipate early repayment. The loan is secured by a floating charge over the assets of the Company.

8. PROVISIONS

	Contingent consideration £m	Long Term Incentive Plan £m	Total £m
At 1 August 2007	0.1	0.6	0.7
Charged to the profit and loss account	-	0.5	0.5
Reclassified as current liabilities	-	(1.1)	(1.1)
Released in the year	(0.1)	-	(0.1)
At 31 July 2008	-	-	-

9. SHARE CAPITAL

	2008 £000	2007 £000
Authorised:		
1,000m (2007: 1,000m) ordinary shares of 0.1p each	1,000	1,000
Allotted, issued and fully paid:		
At 31 July 2007: 432,946,845 shares of 0.1p each	433	421
Issues in respect of acquisitions: 25,062,744 shares	25	10
Issues in respect of exercised share options: 11,909,203 shares	12	2
Other share issues: 2,092,231 shares	2	-
At 31 July 2008: 472,011,023 shares of 0.1p each	472	433

Shares issued in respect of acquisitions represent 23,529,412 shares in respect of the acquisition of the business and assets of Mastin Properties Limited and 1,533,332 shares issued in respect of the Sportingbet Italia S.p.A. acquisition.

›NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

9. SHARE CAPITAL (CONTINUED)

At 31 July 2008 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	1,645,625	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	662,250	July 2007 – July 2008	-
May 2006	213,427	November 2007 – November 2009	-
November 2006	18,406,137	November 2007 – November 2009	-
March 2007	869,528	November 2007 – November 2009	-
June 2007	149,190	November 2008 – November 2009	-
November 2007	8,165,675	November 2008 – November 2009	-
December 2007	1,964,540	December 2008 – December 2009	-
March 2008	2,425,829	November 2008 – November 2009	-
June 2008	2,519,157	November 2009 – November 2011	-

At 31 July 2008 there were 38,686,358 options or awards over ordinary shares outstanding, 5,536,363 of which relate to Directors, details of which can be found in the Remuneration Report on pages 34 to 39. Of the share options detailed above 35,700 relate to the HMRC Approved Scheme, 1,955,625 relate to the Executive Scheme, 1,319,300 relate to the Unapproved Scheme, 662,250 relate to the 2005 plan, 32,535,516 relate to the 2006 Share Plan, 213,427 relate to conditional awards and 1,964,540 to discretionary awards to Executive Directors.

10. RESERVES

	Share premium account £m	Shares to be issued £m	Profit and loss account £m
At 1 August 2007	42.9	13.0	18.7
Prior year adjustment	-	-	-
At 1 August 2007	42.9	13.0	18.7
Acquisitions	11.9	(5.5)	-
Share option charge	0.1	-	7.6
Other movements	-	-	(0.1)
Loss for the year	-	-	(6.9)
At 31 July 2008	54.9	7.5	19.3

The movement in Company shareholders' funds of £6.9m (2007: £(306.0)m) is wholly represented by the movements shown in reserves and share capital in Notes 8 and 9.

The movement in shares to be issued of £5.5m represents a combination of settlement of consideration in relation to historic acquisitions of £(9.2)m, consideration in respect of current year acquisitions of £3.6m and adjustments to the fair value of shares still to be issued following changes in the Company's share price of £0.1m.

11. CONTINGENT LIABILITIES

From time to time the Company is subject to legal claims and actions. The Company 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, of which the Company is a member, 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 of the Group's financial statements, 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 Gaming 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 Company either directly, or from being a member of the Sportingbet plc Group. However, the Board does not consider it probable that a material liability or material impairment in the carrying value of assets will arise as a result of any potential action.

> NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sportingbet Plc (the 'Company') will be held at the offices of Smithfield Consultants Limited, 10 Aldersgate Street, London, EC1A 4HJ on 12 December 2008 at 10.30am 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 accounts for the year ended 31 July 2008.

Resolution 2

To receive and approve the Directors' Remuneration Report set out on pages 34 to 39 of the Directors' Report for the year ended 31 July 2008.

Resolution 3

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 4

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

Resolution 5

To re-appoint Peter Dicks as a Director of the Company.

Resolution 6

To re-appoint James Wilkinson as a Director of the Company.

Resolution 7

To re-elect Andrew McIver 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, 11 and 12 will* be proposed as special resolutions:

Resolution 8

That, in substitution for all previous like authorities which are hereby revoked, pursuant to and in accordance with Section 80 of the Companies Act 1985 the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £158,316, provided that this authority shall (unless previously revoked, varied or renewed) expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company next following the passing of this resolution 8 and 31 December 2009. For the purposes of this resolution 8 the said authority shall allow and enable the Directors to make an offer or agreement before the expiry of that authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired, and words or expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meaning herein.

Resolution 9

That pursuant to and in accordance with Section 95 of the Companies Act 1985 the Directors be and are hereby empowered, *subject to the passing of resolution 8 above,* to allot equity securities for cash pursuant to the general authority conferred upon the Directors in resolution 8 above as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment, provided that this power hereby granted shall be limited to:

- The allotment of equity securities in connection with or pursuant to an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a record date fixed by the Directors of ordinary shares in the capital of the Company in proportion to their respective holdings (for which purpose holdings in certificated and uncertificated form may be treated as separate holdings) but subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory; and
- (otherwise than pursuant to sub-paragraph (i) of this resolution 9) the allotment of equity securities up to an aggregate nominal amount of £23,747, and shall (unless previously revoked, varied or renewed) expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company following the passing of this resolution 9 and 31 December 2009.

For the purposes of this resolution 9 the said power shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power conferred hereby had not expired, the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of any such shares which may be allotted pursuant to such rights, and words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meaning herein.

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 2009.

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 Companies Act 2006.

Resolution 11

That, pursuant to section 166 of the Companies Act 1985 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 163 (3) of the Companies Act 1985) 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 47,494,863 (representing approximately 10% 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% 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 2009, 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.

Resolution 12

That the regulations contained in the printed document produced to the meeting and signed, for the purpose of identification, *by the chairman of the meeting, be and* are hereby adopted as the articles of association of the Company in substitution for the existing articles of association of the Company.

15 October 2008
By Order of the Board

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

>NOTICE OF MEETING

Notes to the Notice of Annual General 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 6.00pm on 10 December 2008 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 6.00pm on 10 December 2008 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.capitaregistrars.co.uk
- 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).

Corporate Representatives

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

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, the current articles of association and the proposed new 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.

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 2008. You can find the report in the Annual Report and Accounts for the year ended 31 July 2008.

Resolution 3

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.

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

Re-appointment of Directors (resolutions 5 and 6)

Under the Company's Articles of Association, any Director appointed during the year must stand for re-appointment at the next Annual General Meeting. Having been appointed since the last Annual General Meeting, Peter Dicks and James Wilkinson submit themselves for re-appointment.

Peter Dicks

Peter Dicks (65) joined the Group in January 2000 as its Non-Executive Chairman. He resigned on 14 September 2006 and was re-appointed as the Group's Non- Executive Chairman and Director on 1 February 2008. Peter is the Chairman of Private Equity Investor and a Director of various UK and US companies including Mears Group plc and Standard Microsystems (NASDAQ). Previously, Peter was a founder of Abingworth Plc, which specialised in private equity investments.

James Wilkinson

James Wilkinson (41) brings extensive listed company and finance experience to Sportingbet having previously been Group Finance Director of Johnson Service Group plc from 2004 - 2007. Prior to that he worked at Informa Group plc for ten years in a variety of roles culminating in the position of Group Finance

Director from 1998 - 2004. James started his career at Touche Ross where he qualified as a Chartered Accountant in 1991.

Re-election of Directors (resolution 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 Andrew McIver as a Director 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.

> NOTICE OF MEETING

Power to issue ordinary shares (resolutions 8 and 9)

By resolution 8, your Directors are seeking authority to allot share capital under Section 80 of the Companies Act 1985 of up to one third of the issued share capital of the Company as at 13th October 2008 (so as to include issues of shares in the capital of the Company up to 13th October 2008 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.

By resolution 9, your Directors are seeking the power to disapply the statutory pre-emption rights in respect of pre-emptive share allotments in the Company and also in respect of non pre-emptive share allotments for cash up to 5% of the issued share capital of the Company as at 13th October 2008 (so as to include issues of shares in the capital of the Company up to 13th October 2008 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.

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 Companies Act 2006 ('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 9 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 Companies Act 1985 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 10 if passed will give the Company authority to purchase its own shares in the market up to a limit of 10% 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% 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 13th October 2008, the latest practicable date prior to publication of this document, was 37,563,079 which represented 7.91% of the issued share capital at that time and which will represent 7.07% of the issued share capital if the full authority to buy back shares is used.

Resolution 12

Resolution 12 will be proposed at the Annual General Meeting to adopt new articles of association to reflect the fact that on, 6 April 2008 and 1 October 2008 certain sections of the 2006 Act came into force. The amendments to the articles are proposed, amongst other things, to ensure that the articles of association are consistent with the relevant provisions of the 2006 Act and, in addition, to enable the Company to benefit from the broader powers under it. The main changes are explained below.

The concept of extraordinary resolutions has not been retained under the 2006 Act and all references to "extraordinary resolutions" have been replaced with "special resolution".

Article 32 (new numbering) has been amended as the provisions relating to the right to refuse to register a transfer of any share have been changed by section 771 of the 2006 Act. In particular, the Directors are now obliged to send the transferee such information about the reasons for refusal as the transferee may reasonably request.

Article 50 (new numbering) has been amended so that omission to send notice of general meetings to members due to circumstances beyond the Company's control will not invalidate any resolution passed or proceedings held at the meeting for which any person entitled to receive such notice did not receive it.

Article 55 (new numbering) has been amended to make it clear that authorised representatives of a corporation which is a shareholder count towards the quorum of a general meeting and that two persons who are proxies or corporate representatives of the same member shall be a quorum.

Article 57 (new numbering) dealing with the amendment of resolutions, has been updated to bring the wording in line with the draft model form articles for public companies (the "Model Articles") of the Department for Business Enterprise and Regulatory Reform. The Model Articles will replace Table A articles under the Companies Act 1985 in due course.

Article 74 (new numbering) has been amended so that in determining the time for receipt of proxies, the Company does not have to take into account time that is not a working day.

A new article 104 has been inserted in relation to the new provisions in the 2006 Act dealing with Directors' conflicts of interest.

The 2006 Act sets out Directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation.

The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The amendments give the Directors authority to approve such situations and include some conflict management provisions regarding confidential information and a director's ability to absent himself from discussions.

Only Directors who have no interest in the matter being considered will be able to take the relevant decision. The Directors will also be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the articles of association should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

Article 180 (new numbering) has been amended to take advantage of the widened scope under the 2006 Act to enable a company to indemnify Directors and to fund expenditure incurred in connection with certain actions against Directors. In particular, the amendments allow a company that is a trustee of an occupational scheme to indemnify a Director against liability incurred in connection with the Company's activities as trustee of the scheme and also expressly apply to associated companies.

Minor administrative and presentational changes to the articles of association are not noted above.

A copy of the current articles of association and a copy of the proposed new articles of association marked to show the changes to the current articles of association are available for inspection at the Company's registered office during normal business hours and will also be available for inspection at the Annual General Meeting for at least 15 minutes prior to and during the Meeting.

> 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

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

	18 month Year ended 31 July 2004 UK GAAP[1] £m	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
Amounts wagered	1422.8	1526.2	2063.5	1096.4	1364.2
Net gaming revenue	108.8	175.8	303.3	119.4	147.0
Operating profit/(loss) before exceptional items, share option charge and amortisation	21.7	60.5	103.0	4.9	22.7
Exceptional items	(4.7)	1.3	–	(28.8)	(12.0)
Share option charge	–	–	(6.7)	(9.9)	(8.0)
Amortisation	(9.6)	(16.4)	(22.1)	(1.8)	(3.9)
Group operating profit/(loss)	7.4	45.4	74.2	(33.6)	(1.2)
Net finance income	(2.0)	(4.6)	(3.0)	1.0	0.4
Profit/(loss) before taxation	5.4	40.8	71.2	(32.6)	(0.8)
Taxation	–	–	–	(1.2)	(3.5)
Profit/(loss) for the period	5.4	40.8	71.2	(33.8)	(4.3)
Loss for the period from discontinued operations	-	-	-	(281.3)	-
Group profit/(loss) for the period	5.4	40.8	71.2	(315.1)	(4.3)
Earnings per share					
Basic	2.6p	13.4p	17.7p	(73.2)p	(0.9)p
Basic adjusted	10.0p	18.6p	24.9p	4.4p	4.3p
Diluted adjusted	6.8p	13.9p	23.8p	4.0p	3.8p

[1] The periods ended 31 July 2004, 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 financial statements.

› 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 & Stockbrokers

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36 Old Jewry
London EC2R 8DD

Solicitors

Nabarro
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Principal Bankers

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London E14 5HP

Press Office

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INVESTOR RELATIONS

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