Sport Everywhere

Annual Report 2009/2010

Sport Everywhere . Annual Report 2009/2010

Sportingbet Plc
4th floor
45 Moorfields
London
EC2Y 9AE

Contact us
tel 00 44 (0)20 7184 1800
fax 00 44 (0)20 7184 1810
email info@sportingbet com

Investor relations
email investor@sportingbet com

www sportingbetplc com

Contents

Business review

Financial review

Key financial highlights

Sportingbet has had a solid start to the new financial year, with amounts wagered up 10% in the first two months We were admitted to the Official List of the UKLA in May 2010 with subsequent entry into the FTSE 250 index, reached a Non-Prosecution Agreement with the US, and declared a final dividend of 1 0p, making a total 2010 dividend of 1 5p (2009 1 0p)

Financial highlights for the year (continuing operations)

	2010 £m	2009 £m	%
Amounts wagered	**1,971 3**	1,577 2	25 0
Net gaming revenue	**207 5**	163 6	26 8
EBITDA*	**46 5**	39 7	17 1
Adjusted operating profit*	**35 4**	31 1	13 8
Group operating profit	**7 1**	21 9	(67 6)
Adjusted diluted EPS* (p)	**6.2**	6 0	4 2
Diluted EPS (p)	**0.7**	4 2	(82 8)
Net cash**	**34.2**	23 8	43 7

* Adjusted to exclude exceptional items of £24 5m (2009 £4 2m), share option charge and amortisation
** Net of long term debt and customer liabilities

Operational Highlights

10.3%

Industry-leading gross margin for European sports (2009 10.2%)

17%

EBITDA up 17% to £46 5m

25%

Percentage increase in amounts wagered year on year to £1,971m

14%

Percentage increase in adjusted operating profit to £35 4m

61%

Percentage of European sports revenue from in play - a strong performance for 2010 (2009 56%)

£50m

Excellent World Cup with over £50m staked throughout

Graduation

Advancing from AIM to the Official List was a key achievement of the financial year This move strengthens our credibility as a leading global gaming Group, and enhances our position of seeking fair and equitable regulation and taxation in all jurisdictions we operate in The benefits of legality, stability, freedom to advertise and creation of stiff barriers to entry for new competitors outweigh the cost of compliance with new regulation

Targets achieved

Our annual targets have been repeatedly met despite significant industry and political turmoil Realistic yet challenging targets were set in 2007 and have been reached without revision or change in our direction

Diversity

Our breadth of customer base and product range provides stability throughout difficult economic times and dilutes operational risk

Our mission
To be the world's best online betting service, offering customers an unprecedented number of sports betting opportunities along with a full suite of casino, games and poker

Our strategy
To provide a first-class online sports betting product to a geographically diverse customer base Our teams are dedicated to continually developing and improving our websites so that existing and new customers alike are offered the very best product and service

Our game plan

Future growth
Further geographic expansion is equally high on our priority list We seek to take advantage of increasing broadband penetration and the general growth in the global sports betting market, with Eastern Europe and South America currently dominating our focus

Such geographical expansion and diversification not only increases our customer base and revenue streams but it also helps to minimise the potential risk from prohibitive regulation In an industry that is prone to an ever-changing regulatory environment we have recently introduced a new regulation team to oversee all regulatory issues that may, and in fact do, face the Sportingbet Group The ability for the Group to adjust to changing political environments throughout the world will become a key driver of future business and the introduction of this team is our next step in recognising this Swift yet well-considered action entering new territories can establish first mover advantage or avoid periods which are not viable when the correct strategy is to allow the regulatory framework to settle first The four most populous nations in the world (China, India, USA and Indonesia) are yet to legalise online gambling proving that the industry is still immature, however the wheels of change are likely to turn slowly in those countries It is therefore vital that we stay abreast of the situation in these jurisdictions so that we can maintain our leadership across the globe

Such developments in our company structure form part of our focus on maximising our operational flexibility which we believe is paramount to the future success of Sportingbet in what remains an immature industry

Other ways we have introduced such flexibility can be seen in the way we contact our customers In the last few years we have integrated new and improved customer relationship management tools and systems to help us differentiate between and segment our customers

£5.2m

Net gaming revenue derived from European basketball alone Basketball is one of the most popular sports we offer.

In IT, we have solved resourcing problems by developing and changing the way we work with our third parties and contractors We can now tailor the number of people working on a specific project depending on the various influences on the IT business – be it budget or a change in priorities – in a very short time period Additionally in IT, we have introduced a 24/7 presence by linking support teams from London with a new team based in India

Our trading team (based in Guernsey) can now see the games they are trading on across the world 24/7, making our prices more expertly driven and dynamic rather than automated like so many of our competitors

Sportingbet has a long history of successful B2B partnerships Our largest markets – Turkey, Spain, Greece, Bulgaria – all started out as partnerships Some ran their course and were brought in-house Where we have good alignment on corporate objectives with our Greek partner, we continue to enjoy a close and strategically vital relationship

There are two dynamics at work prompting a potential second wave of B2B

- The leading pack of sports operators, including Sportingbet, has pulled away from the rest of the market in terms of product differentiation This differentiation in product offering breadth and trading expertise is difficult and expensive to replicate
- The move from a pan-European operating model to individual territory regulation erects further barriers to entry The complexity and expense involved in obtaining licences and fulfilling their technical requirements further plays to scale as a strength

Our sportsbook product becomes increasingly valuable and difficult to replicate There are a number of different potential types of partner who recognise this

- Offline operators looking to move online
- Media and marketing groups looking to enter newly regulated markets
- Casino and poker operators without a sports offering
- Existing sports operators with a sub-scale or sub-standard offering

We aim to take advantage of a limited number of significant opportunities

Our game plan

Our strategy is focused on sport Sport is our core business - it is in our company name, it is in our blood It is what sets us apart from our rivals

Why focus on sport?

Sports betting offers greater scope for differentiation than other products With over a decade of experience and a commanding product knowledge Sportingbet dominates in many markets across the world, making it increasingly more difficult for our competitors to enter the same markets at the same level An industry-leading trading team, a clearly defined, highly visible brand name with a strong international presence and best-in-class trading technology fully owned and developed internally all combine to make Sportingbet a significant player in the online gambling industry Success in poker is intrinsically linked to liquidity where the biggest network will win the game

Casino games offer limited scope for product differentiation and beyond marketing there are limited barriers to entry for rival companies Regulatory policy for games of chance can differ significantly from sports betting and poker Australia and France are two examples of jurisdictions which currently prohibit online casino operations, and there is risk of other nations holding a similar ideology Casinos are traditionally more cyclical businesses and discretionary spend on games are more at risk of being affected by economic issues than sports betting or poker

Our customers live and breathe sport, and receive the service deserved by sports fans - a premium quality wagering experience on sporting events across the globe Our vast range of markets and innovative betting opportunities reinforce our aim to offer something to bet on every minute of every hour of every day Our sports betting portfolio offers competitive, but not margin-sacrificing, odds with the opportunity of substantial payouts In play betting continues to drive the business with over 60% of amounts wagered now in bets placed after the event has commenced We expect this trend to continue as streaming technologies improve Gross win margins remain strong, despite fewer selections and tighter margins generally available on in play markets

Performance

This year we delivered sustained growth across the business as net gaming revenue increased by 26 8% and total amounts wagered grew by 25 0% A strong trading performance throughout the year capped off by a record World Cup tournament returned an industry-leading gross sports margin of 10 3% despite economic disruption in two of our major markets, Greece and Spain

Although major football tournaments such as the World Cup create a cyclical effect, the Company is best placed to minimise this reaction with our best-in-class breadth of product providing sporting events to bet on at all times

Customer services

Based in Dublin, our multi award-winning customer services team continually raise the standards for customer contact and service A resolute focus on the customer and quality of service has delivered awards from within the industry, in the wider business community and from government training authorities The 180-strong team are responsible for over 26 domains, speak a total of 32 languages and handle over 1 5m contacts annually Technology provides the tools to deliver standards of excellence, with 90% of contacts handled immediately, via live chat or telephone

Trading teams

As competitors seek to automate trading processes and use common suppliers for essential services, we stand out amongst our rivals as the company which offers a better, more complete experience for the sporting expert We believe the people behind the website add significantly more value to the customer than robotic systems programmed to avoid risk Our investment in our trading team in recent years has created a team of experienced specialists, delivering an industry-leading profit margin in tandem with an unrivalled breadth of product from all parts of the globe

We hold competitive advantage in our market-leading sportsbook platform, which has been developed completely in-house and the intellectual property behind it is one of the company's most valuable assets Improvements to the website and trading platform have significantly reduced transaction processing times, and speedier settlement processes allow our customers to reinvest their winnings faster Our investment in IT development will be sustained to ensure we stay ahead of the competition and make Sportingbet com the first choice for sports fans around the world

200+

Number of football leagues covered and traded by Sportingbet.

Location:

AUSTRALIA

89% growth in new customers due to mainstream advertising since the regulation on gambling advertising was introduced two years ago.

A$80 million

Consistent with increased activity and registration, margin has a positive growth since 2005 A growth of 27% in 2010 to almost A$80m

18%

Percentage increase in internet bets taken A total of 17m this year

10%

Percentage increase in internet net gaming revenue

Our international impact

Our deliberately diverse portfolio of customers breeds stability and mitigates trading and operational risk While competitors' annual results can swing heavily on the fortunes of the England football team or favourites at the Cheltenham Festival, our spread of customers and the events they bet on deliver consistently strong profits throughout the year

Europe

The Group's strong growth is underpinned by the success of our customer acquisition strategies – growing the customer base steadily across all territories Technology improvements to deliver a broader range of products have resulted in an increase in bets and yield per customer although the average stake decreased slightly The benefits of over a decade of operation are reinforced in the long-term margin improvements resulting from the continuing maturity of our trading strategy and team

In difficult economic times, our European performance has remained strong Despite our largest markets in Greece and Spain suffering most from the recession, net gaming revenue still rose in both countries with Greece +20% year on year and Spain showing strong growth on sports to offset weaker casino spend, despite marketing investment in these two countries being reduced as a risk minimisation strategy

We welcome the introduction of fair and equitable regulation in several EU states however tax regimes which favour the incumbent state-owned operators such as the situation in France create unviable commercial propositions Our strategy to withdraw from France will be re-assessed when licensing conditions are changed to allow international operators to be fairly rewarded for the high cost of entering the market

As the event calendar of sport proves advantageous to the betting side of our business, other products, particularly casino and games, are more susceptible to economic issues Reductions in discretionary spend directly affect these products and thus restrict growth

Our international impact

Australia

Australian figures continue to grow after the relaxation of advertising laws in the previous financial year Horse racing dominates the revenue figures as a legacy of the acquired business and legislative restrictions on in play sports betting online Australian horse racing is seasonal, peaking for premier events in the autumn and spring of the southern hemisphere, but figures remain strong throughout the year, despite short-term volatility Periods of high margin due to favourable results lead to a reduction in the recycling of funds, impacting total amounts wagered

Heavy investment in offline marketing has generated strong brand exposure across a variety of media and the launch of a new website and a localised mobile platform during the year improved acquisition and revenues across multiple channels

The continued growth of the client base leaves us well positioned in Australia if and when the Interactive Gaming Act of 2001 is amended or rescinded Online casino and poker is also currently banned under the Act, although strong lobbying pressure from throughout the industry is being applied To date, there has been no indication whether the Federal Government will act on the advice from the Productivity Commission which recommended permitting online casino and poker operations to be based in Australia rather than send customers offshore, and removing the restriction on in-running betting online The current legislation only serves to penalise those operators that respect laws of the land and force customers to bet with offshore firms

21%

Percentage growth in sports betting Whilst horse racing is the dominant revenue generator, sports betting is growing consistently

11%

Percentage total active growth The Australian active database shows remarkable growth consistent with the greater emphasis on offline marketing and customer retention programmes

$38m

Internet margin up 35% to A$38m

Emerging markets

In accordance with the Board's desire for a broad geographical base, we continue to invest in our Emerging Markets division The principal focus of the Emerging Markets division has been the fast growing South American and South African markets The performance of the division during the last year has been strong with sports amounts wagered increasing by 154% from £26 9m to £68 3m While the World Cup in South Africa undoubtedly helped to stimulate activity within the sports product the underlying growth within the business remains extremely robust

In the South American region the Group has made significant progress in Brazil The combination of localised products and services with a global sports offering has been positively received The Sportingbet brand has been well established and the market continues to display all the characteristics we would expect to see from a growth market Using the knowledge acquired from the building of the Brazilian business the Group has expanded its offering to target other markets in the region

In the South African market the Group operates a sportsbook under a license issued by the Western Cape Gambling Board The license was obtained in December 2008 as a result of a partnership with a local operator

The licensing framework offered by the Western Cape Gambling Board provides an environment within which the Group feels it can develop a sustainable and profitable business The South African market undoubtedly represents an excellent opportunity for the Group to establish a claim in one of the fastest growing frontier markets for online gaming

The quality and performance of our sportsbook product is one of our greatest priorities In the last financial year almost £2 billion was staked on sports alone with Sportingbet, contributing to 70% of overall revenues

Although football remains the most popular sport, a huge range of sports and leagues from all over the world are available to bet on at Sportingbet In play betting has been the area of fastest growth for us in the past few years and now accounts for over 60% of bets placed We have made significant investments into the development of our in play product to improve the customer experience and support and sustain this growth

One of the main additions has been the introduction of live streaming of events to our website Sportingbet customers (except for those based in the UK and Scandinavia) can watch and bet on an extensive range of events ranging from European, Asian and South American football to horse racing, basketball, snooker, darts and many others As the official sponsor, we are also the only online gambling company offering live streaming of every Euroleague Basketball game

Sport everywhere

Sport is at the core of Sportingbet With an industry leading breadth of product, a 24/7 global in play offering and above industry average margins, whilst remaining price competitive, we believe we are the world's best online betting service

The combination of live streaming and the continual addition of new betting markets means that our customers are able to bet on a huge variety of markets throughout an event, from start to finish During the 2010/11 football season, our customers will have over 4,000 simultaneous in play markets available on busy Saturday afternoons

Central to our sportsbook product is the strength of our trading team and tools, which have consistently delivered industry leading margin percentage This margin consistency has been achieved by the diversification of risk in a number of ways

- Our scale and geographic footprint means we have a large customer base and we are not reliant on sporting results from any individual country
- The huge variety of events and competitions offered means our performance is not governed by the results of any single league or competition
- The breadth of betting opportunities offered on each game means our risk is not entirely dependent on the outright winner of an event
- Significant investment is made into the development of proprietary trading tools and the development of our trading team

We strive to provide the best online sports betting experience via a secure, user-friendly and engaging interface With a 24/7 product, Sportingbet offers customers innovative betting opportunities every minute of every hour of every day

£66.5m

Net gaming revenue generated from in play alone in 2009 - 2010

Location:

UNITED KINGDOM

On 14 May 2010 Sportingbet moved onto the Official List of the London Stock Exchange.

71,121

Number of active customers in 2009 - 2010 An increase of 9% over last year

3.9m

Total number of bets placed this year up 7% to 3 9 million

£94m

Total stakes of amounts wagered up to £94m

6.7%

Sports gross margin.

While sports betting will always remain the focus of our business, we wish to provide the complete customer experience to retain a greater share of our customers' overall gaming spend.

Supplementary products

Regular additions to the number of casino games, particularly flash-based and live dealer table games available on the site have increased revenues, particularly in Greece and Eastern Europe

These products assisted Europe's casino and games offering, which accounted for 22% of the Group's net gaming revenue We currently have over 170 games from across the most popular gaming categories – Roulette, Blackjack, Slots and Live Dealer games

Poker continues to suffer as part of a global trend where liquidity advantages are realised by competing firms prepared to accept US resident players The ParadisePoker Tour is ParadisePoker com's flagship promotion which runs throughout Europe The tour conducts six tournaments throughout Europe (Portugal, UK, Denmark, Czech Republic, Spain and Bulgaria) in a synergy between online and offline activity, and boosts our profile in several of our key territories Customers can qualify exclusively to take part in the ParadisePoker Tour only at ParadisePoker com

£400k

Guaranteed prize in the inaugural ParadisePoker Tour 2010

€3m

Potential jackpot available to customers from October 2010 when ParadiseCasino is rolled out onto the Net Entertainment network.

A new three-year agreement was struck in the second quarter with GTech G2 (formerly Boss), our poker, download casino and flash-based games provider The contract provides that Gtech G2 will be the exclusive supplier of poker and download casino unless otherwise agreed on a country by country basis

A major improvement for our casino and poker customers was implemented in the first half of the year, with players no longer required to transfer funds between products or log-in to each product separately A bet-by-bet funds transfer system now operates for casino table games and table level buy-in for poker, allowing simultaneous play across multiple products in real-time This represents a significant step forward in customer experience and the IT architectural work behind it means future integrations with new games suppliers will be simpler and faster

Location:

GREECE

It has been a tough year for the Greek economy but our numbers held strong.

£200 million

Amounts wagered over £200m on 9 7 million bets placed

15%

Percentage increase of net gaming revenue on prior year.

12.6%

Sports margin percentage

110,715

Active customers increased by 21% year on year to 110,715

Since the formation of Sportingbet in 1998 we have always sought to exhibit responsible and ethical practices 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 our customers, to our shareholders and to the governments of markets in which we operate

Corporate social responsibility

Overview

The Company's objective is to provide a 'protected entertainment environment' in which our 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, Non-Executive and Senior Independent Director, and the Company's General Counsel, Daniel Talisman, who also acts as the Committee's Secretary The Committee met three times during the last financial year The Audit & 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 managers are committed to winning and retaining the trust and loyalty of our customers

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 For almost all of the Company's customers online gambling is an entertainment pastime, and Sportingbet's products, promotions and culture make their relationship with the Company an enjoyable experience

It is the small 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

Corporate social responsibility

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 also 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

Sportingbet invests time and resources in meeting and communicating with officers and politicians of governments, and national online gaming licensing authorities The Company's management remains committed to playing its part in promoting the value of legislation that will lead to a regulated approach to the industry, not least as a mechanism for protecting the vulnerable elements of their societies from unscrupulous operators

Recognising that some customers may be affected by gambling dependency, the Company has continued to provide funding in the UK to The GREaT Foundation formerly known as the Responsibility in Gambling Trust The Companyhas also made donations to the following organisations and charities the Island Academy International School in Antigua, HEROS (Home Ex-Racehorses Organisation Scheme), the Motor Neurone Disease Research, Friends of Israel Sport Centre for the Disabled, The Dan Maskell Tennis Trust, Headway (a local Guernsey charity), and the Bishop Simeon Trust in South Africa

Community liaison

In order to encourage a socially integrated work environment, the Company has placed an emphasis on investing in the local communities in which it operates In Guernsey, where the Company's primary licence and operations are based, the Company has invested a significant amount of time and money into the local community, including the sponsorships of Heather Watson (ranked as the British Junior Number One) prior to her joining the Women's WTA Tour, the Channel Islands Athletics Club, and local events like the Sportingbet Guernsey Marathon and the Sportingbet Channel Islands Sports Personality of the Year Awards

In Antigua, where the Group has held sports betting and gaming licences for many years, the Company continues to donate a significant sum of money to the Island Academy International School to fund bursaries for a number of less privileged local children

In the United Kingdom, Sportingbet supports the Home Office funded scheme, Tackling Knives Action Programme In the West Midlands, this programme has been implemented through "Braveheart" – a scheme which takes youth leaders, policemen, former gang members and community workers into the Scottish Islands for a week to improve their leadership skills, self reliance and confidence In conjunction with the Wolverhampton Wanderers FC Community Trust, Sportingbet has sponsored three of its employees to act as members and to join youth leaders on this scheme, and is working with West Midlands police and community groups in the area to encourage other companies to join the "Braveheart" programme

Location:

EASTERN EUROPE

Sportingbet launched into its ninth Eastern European territory in 2009/10; Romania. Eastern Europe now accounts for 14% of total net gaming revenue.

16m

Over 16 million bets placed throughout Eastern Europe over the year

55%

Growth in new customers across Eastern Europe in 2010.

In the last 12 months we have invested heavily in sport Major sponsorship agreements are now in place with a variety of different teams and sporting events

Sportingbet first signed a two year deal with Wolverhampton Wanderers FC back in May 2009 to become the club's official shirt sponsor We have recently extended this contract for a further two years to help promote our brand across the UK and internationally Wolverhampton Wanderers are one of the most historic clubs in English football, now playing in the Premier League after successfully securing their place for the second consecutive season

Sponsorship:
Investing in sport

Further sponsorships across Europe include:

- Hull Kingston Rovers (UK Rugby League)
- FK Austria Wien (Austrian football)
- SC Wiener Neustadt (Austrian football)
- Real Betis (Spanish football)
- Real Oviedo (Spanish football)
- Real Racing de Santander (Spanish football)
- Sant Andreu (Spanish football)
- Cultural Leonesa (Spanish football)
- CB Estudiantes (Spanish basketball)

Euroleague basketball is the most prestigious European basketball competition with the top club sides from up to 18 European nations coming together in a continental championship We have been the official sponsor of the championship since 2006 Our partnership with Euroleague basketball includes an exclusive agreement for live streaming of all the games to our customer base (excluding customers in the UK and Scandinavia) Our status as Official Global Sponsor of Euroleague basketball is used to create greater awareness for our brand across multiple territories in Europe as well as solidify our strong position in the basketball marketplace Our commitment to the highest form of competitive basketball in Europe reflects our customer interest in a wide range of top flight sports

Over the summer we signed a two-year agreement to become the official betting partner of English Test Match Cricket Grounds and became the official betting partner of Leeds United on their return to the second tier of English football, the Championship

In addition, we sponsored over 75 individual horse races throughout the summer, including Monday evening racing at Windsor Racecourse In conjunction with our commitment to horse racing, we are the main supporter of HEROS, the leading charity dedicated to the welfare of former racehorses to ensure they have a comfortable existence beyond their racing career

In Australia, we invest heavily in the three most popular betting sports horse racing, (with partnerships with the Melbourne Racing Club, the Moonee Valley Racing Club and the South Australian Jockey Club), rugby league, (with sponsorship of powerhouse NRL club, the Brisbane Broncos), and Australian Rules football (with sponsorship of one of the most popular AFL clubs, Carlton)

We believe in being part of the sports offering and will support sport and the community via sponsorship wherever possible because it is the right thing to do, not just for commercial gain

In an era where rival firms are moving operations offshore to avoid taxes and levy, we are the only company to voluntarily pay the full levy amount on UK horseracing as if the trading operations were based onshore These figures are validated by our auditors

The Sportingbet Sporting Ambassador Programme is designed to involve our customers and the sporting community more in our sports coverage and particularly, our sponsorship campaigns Our ambassadors are legends in their field with a natural rapport with fans and punters alike They represent Sportingbet at public events and perform ceremonial duties such as award presentations

Ambassadors

Cricket

Alec Stewart OBE
Capped 133 times for his country in Test matches and on 170 occasions in one-day internationals, the former England captain is a Sportingbet brand ambassador

Throughout the season, Stewart keeps fans up to date with betting tips from Sportingbet and on the ball cricket action via his weekly Sunday Mirror column

Racing

John Reid - Flat
From the experience of 28 years of race riding and 48 International Group I wins, including the Epsom Derby, Arc de Triomphe, St Leger and King George VI Stakes (twice) comes great insight into the sport of kings

Mick Fitzgerald - National Hunt
Credibility as a National Hunt jockey is earned in the toughest races, and winning the Grand National, the Cheltenham Gold Cup and twice being crowned the leading jockey at the Cheltenham Festival ticks all the boxes

Football

Steve Bull MBE
The Wolves legend scored over 300 goals in all competitions for the Midlands club and achieved the rare feat of being selected for England while playing in the Third Division He played 13 games in all for his country yet only played one game in the top flight of English football, before he joined Wolverhampton Bull's loyalty to the club, rapport with the fans and passion for the game earned him his legendary status at the club, and later, an MBE for services to Association Football

Dominic Matteo
The former Leeds captain is fondly remembered at Elland Rd for scoring a goal against AC Milan at the San Siro in Leeds' 2000/1 Champions League campaign He was capped six times for his native Scotland and also played in the Premier League for Liverpool, Blackburn and Stoke City

Location:

SOUTH AFRICA

We launched into South Africa in January 2009, having gained a sports betting licence.

358%

Percentage increase in net gaming revenue for the year 2009/2010

£4.4m

Amounts wagered on 276,586 bets.

112%

Percentage increase in number of active customers

"Sports betting is our focus as it offers the greatest scope to differentiate our product from competitors."

CHAIRMAN & NON-EXECUTIVE DIRECTOR'S STATEMENT

Peter Dicks

Sportingbet has maintained its encouraging progress of recent years and I am pleased that the financial results of the last twelve months have once again demonstrated the strength of the business Despite difficult economic conditions in some of our main markets, the geographic diversity of our customers and the underlying growth in the online gaming industry – and particularly in sports betting - continue to drive our revenues

Our strategy is to provide a first-class sports betting product, offering customers an unprecedented number of betting opportunities at all times of the day Sports betting is our focus as it offers the greatest scope to differentiate our product from competitors and has significant barriers to new entrants Our best-in-class trading technology is fully owned and continuously developed and updated internally We supplement the sports offer with a comprehensive suite of casino, games and poker products The Group operates across a wide range of countries with each offer tailored to address the local customer, with country specific branding employed where appropriate

Regulation continues to be a significant issue for the industry both as a risk and an opportunity The industry is still relatively new and Governments are only just coming to grips with their understanding of it As such, regulation remains an unknown in both its future incidence and impact It is likely that this state of affairs will prevail for some years Where it can, Sportingbet seeks to engage with the relevant authorities to both educate and influence On the whole we welcome the move towards regulation as we recognise the need for the consumer protection that a regulated market can bring However, for regulation to be successful there is a fine balance to be achieved between the goals of the customers, operators and the authorities For our part we would like to see a system of taxation based on gross win, which we believe encourages competition, consumer choice and maximises tax returns As long as a market is economically viable, wherever a stable regulated environment exists together with an equitable tax system and where the rules are enforced, we will apply for a licence

Although it is impossible to fully mitigate the risk of a restrictive regulatory environment, the Group's strategy of operating across a broad geographical base provides a degree of protection against the introduction of legislation in a single country

On 19 September 2010, after the financial year end, Sportingbet Plc signed a Non-Prosecution Agreement with the United States Attorney's Office for the Southern District of New York acting on behalf of the US Department of Justice This confirmed that the Company would not be prosecuted for its activities in the US prior to the passing of the Unlawful Internet Gambling Enforcement Act on 13 October 2006 Sportingbet plc has agreed to pay $33m over an 18 month period to the US government as part of the settlement reached This is an important milestone for the Group as the Agreement removes any uncertainty caused by its previous activities in the US We are now well placed to use our shares in potential transactions, we have increased access to capital markets and have removed any perceived contingent liabilities

The move from AIM to the Official List and the trading of our shares on the main market of the London Stock Exchange was completed in May 2010 The move is a further sign of the Group's development and reflects it's size and maturity The higher profile and greater liquidity resulting from of the Listing and the recent inclusion in the FTSE 250, will benefit the Group's stakeholders over the coming years

We believe in supporting the industries from which we make our living and being part of the wider sports community Financially we provide support through sponsorships, endorsements and by direct payments to communities where appropriate We are the only online gaming operator to have voluntarily paid the UK horse racing levy as if our trading operations were based onshore We are also the main supporter of HEROS, the UK charity dedicated to the welfare of retired racehorses In addition we have put money back into sport through sponsoring or entering into betting partnerships with various sporting entities These include horse racing in the UK and Australia, football clubs such as Wolverhampton Wanderers, Tottenham Hotspur and Leeds United, rugby league teams such as Brisbane Broncos and Hull KR, cricket through English Test Match Grounds, European basketball through the sponsorship of Euroleague, and Australian Rules Football through Carlton

Finally, I am pleased to announce that the Board has proposed a final dividend of 1 0p (2009 1 0p) The 50% increase in the total dividend for the year reflects the considerable progress the Group has made over recent years This brings the total dividend for the year to 1 5p (2009 1 0p) The dividend will be payable on 11 January 2011 to ordinary shareholders registered as of the close of business on 17 December 2010

"Sportingbet has produced another strong financial performance."

GROUP CHIEF EXECUTIVE'S REVIEW

Andrew McIver

Sportingbet Group

This has been a year of significant progress on a number of fronts Sportingbet has produced another strong financial performance and its evolution has continued with the move from AIM to the Official List and subsequent entry to the FTSE 250 index Once again a year of continued top line growth reflects our on-going investment in both our best in class sportsbook and our comprehensive in play offering The settlement with the US Department of Justice draws a line under any issue relating to our historical US activities

The new financial year has started well with net gaming revenue for the first two months up 17% on the same period last year Whilst the economic outlook remains challenging, our spread of activities across the different economic cycles of Europe, Australia and South America gives us confidence for a year of further success

Sportingbet is a significant player in the online gaming industry with divisions focused on Europe (which includes Emerging Markets in Africa and South America) 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 services and administrative support

The Group's Australian division is based in Darwin operating under a licence provided by the Northern Territory Government In total the Group now employs over 550 people

Betting on sports is at the heart of the Sportingbet business, accounting for 69% (2009 64%) of Group gross gaming revenue The revenue growth in sports betting of 35% has primarily been driven by bets placed whilst the game is 'in play', which accounts for 61% of European amounts wagered The in play product has been growing strongly at 44%pa over the last three years as more games and more betting opportunities per game are made available The 64% increase in in play games available on the site over the last year has been driven through additional investment in new technologies, which allow us to cover games remotely We have also increased the number of betting markets in each game from around 80 at the start of the year, to 150 at the time of the World Cup The in play product has also benefited from sports games such as football, tennis and basketball that are streamed live on our website

Although football is our core product accounting for 43% of gross gaming revenue, the Group offers betting markets on all major global sports Significant investment in improved betting opportunities has been made in other sports such as horse racing in Australia and the UK, which when combined account for 17% of our sports betting revenue All the Masters events in Tennis are available to bet on in play as well as the four tennis majors Basketball has also been a focus for us as it is a core product for most of the countries where the Group is the major brand In particular we have doubled the number of NBA games we cover in play and Sportingbet is the only online gambling company to offer live streaming of every Euroleague Basketball game

While sports betting remains the focus of the business, we provide a complete range of other gaming products to our customers including casino, games and poker Casino and games contribute 21% of total gross gaming revenue whilst poker makes up the remaining 10% These products are not offered to our Australian customers due to regulatory constraints

The Group achieved an operating margin of 17 1% (excluding exceptional items, share option charge and amortisation of intangible assets) during the year This was slightly below the prior year as additional investment was made in products, marketing and IT Much of this investment has been designed to enable the Group to support its continuing push for new customers and to enhance the customer experience once people are attracted to our site Increased competition, customer expectations and the costs of regulatory compliance will require the Group to continue to invest in its operational capabilities

IT is at the core of the Group's performance improvements and the additional investment made during the year in people, software and hardware will enable Sportingbet to keep developing new products at a fast pace and to support the continued expansion in turnover and volumes

A major improvement for our customers was implemented during the first half of the year with players no longer required to transfer funds between products or log-in to each product separately A bet-by-bet funds transfer system now operates for casino table games and table level buy-in for poker, allowing simultaneous play across multiple products in real-time

Other developments have seen a significant increase in the number of instant games, additional customer deposit methods, a renewal of the hardware estate, an increase in the disaster recovery functionality and a significant upgrade in our underlying operating software speeding up the updating of prices and bet settlement

The ability of our business to adjust to the changing regulatory environment will be key to the continued successful development of the Group Additional investment is being made in our systems to increase flexibility and to adapt to the common regulatory themes that are appearing across Europe

In line with much of the betting industry, the Group enjoyed a strong performance during the FIFA World Cup, aided by favourable margins as a result of a number of fixtures going against the favourites and a significant number of low scoring games Over £50m was staked on World Cup markets of which 65% was bet in play at an aggregate margin in excess of 17% Particularly pleasing was the 11 7% margin achieved from the in play product

The Group has continued to expand into new international markets to provide future growth opportunities for the Group and to diversify the economic and regulatory risk Sportingbet launched in Chile towards the end of the financial year under our Spanish Miapuesta brand The South African and Romanian businesses established last year have made promising starts and are expected to continue their progress into 2011

Europe

The European business (incorporating the financial results for the Emerging Markets Division) continues to grow strongly with the gross amount wagered (pre bonus adjustment) on sports increasing by 28% to £1,174 9m (2009 £917 5m), generating a gross gaming revenue of £121 4m (2009 £93 6m) up 30% European casino and games gross revenue grew by 10% to £48 2m (2009 £43 7m) whilst poker gross revenue decreased marginally by 1 4% to £21 7m (2009 £22 0m) in tough market conditions

Regional growth in NGR has been impacted by differing economic conditions and also by variances in sports margin by country In particular, the Group's Greek business has demonstrated a resilient performance given it's economically troubled times with NGR growth (pre bonus adjustments) of 15% Spain, another of the Group's major markets, was up 7% and 11% on sports wagers and NGR respectively

The number of sports bets placed rose by 32% to 75 7m (2009 57 5m) The number of bets per customer increased to 159 (2009 134) Although the average bet size was down marginally to £15 51 (2009 £15 97), yield per sports customer increased from £218 to £254

Once again the European business produced an industry leading sports margin of 10 3% (2009 10 2%) This exceptional sportsbook performance is derived from our best-in-class trading function, which has been built up over a number of years of investment in the quality of our trading team and in our IT systems This focus on accurate odds setting and the management of risk remain core to the Group's success in sports betting The Group's sportsbook systems are all proprietary and the level of investment incurred since the business was founded in 1998 present a significant barrier to entry for potential competitors

In play betting in our European business accounted for 61% of the value of bets placed during the year Amounts wagered on live betting increased 42% year on year generating total NGR of £66 9m and equating to a gross margin of 9 3%

During 2010 the Group invested further in the development of its mobile betting platform with a new sportsbook platform deployed in the UK This is currently being rolled out across all the countries in which we operate

Also during the year the Company invested in a number of additional instant casino and games products The total number available is now over 200 and covers the most popular categories such as Roulette, Blackjack and Slots As these have been rolled out across our major territories they have proved popular with customers and have driven revenue growth of 10 3% over the year During the last quarter of the financial year a new series of live casino games was launched with promising results

Poker continues to suffer as part of a global trend where huge liquidity advantages are realised by some of our competitors who are prepared to accept US resident players During the year, the Group generated poker rake (pre bonus deductions) of £21 7m (2009 £22 0m), down marginally (1 4%) on the prior year We believe this is a relatively good performance and was down to several factors localising the poker product, improving our Paradise poker tour and working with the IPN network to improve the acquisition and retention of players

Following the passing of French regulation in May 2010 the Group withdrew from the market whilst it considered the on going viability of that market in light of the resulting tax regime and the Group's low market share, together with the opportunity cost of the IT work required to obtain a license It remains the intention to apply for a licence when the Group considers conditions in the market make it economically viable to deliver an adequate return In the year ended July 2009 the NGR derived from the French market was less than 4% of the Group's total revenue

Norway implemented legislation during 2010, which established that processing payments for unlicensed gambling was an accessory offence for financial service providers As the Group considered that this law had been correctly enacted through the European Union and the European Free Trade Association's legal process, and as the Group is an EU based operation, we have ceased taking business from Norwegian citizens In the year ended July 2009 the NGR derived from the Norwegian market was less than 1% of the Group's total revenue

Australia

Gross amounts wagered in Australia increased by 22% from £612 1m to £745 3m resulting in pre-tax margin of £45 5m (2009 £29 1m) Gambling taxes in Australia amounted to £10 5m in the period (2009 £6 7m) After accounting for these taxes, the post tax margin increased by 56% from £22 4m to £35 0m After bonuses, NGR increased by 62% (27% at constant currency) from £20 8m to £33 6m

The sports margin in Australia was well above the long term average in the year at 4 7% (2009 3 7%) as certain horse racing results favoured the bookmaker The telephone business accounted for 63% of the amounts wagered and 52% of the gross margin Active telephone customer numbers increased 11% and the amount wagered on the telephone increased by 16% to £468 7m with number of bets placed increasing by 8%

The relaxation of Australian advertising regulation in September 2008 has benefited the internet based business with active customer numbers up 11% and the amount wagered up 32% to £271 9m Heavy investment in offline marketing has generated strong brand exposure across a variety of media and supported the business against strong competition

During the year the internet offering was bolstered with the launch of a new website In addition our first Australian mobile platform was launched, which proved successful showing an average growth rate of 10% month on month

The Australian business has seen a significant change to its cost structure following the relaxation of advertising rules and the introduction of state level gambling taxes

The business is now incurring around $20m in extra tax and advertising costs compared to 2008 However, profitability has now returned to 2008 levels as internet driven revenue has increased by 97% over the same period This is a consequence of being given the freedom to advertise and compete with incumbent companies and the ongoing market shift to the internet

The number of bets placed on our internet site rose by 18% over the prior year The number of bets per internet customer increased by 6% to A$326 this year The average bet size on the internet was A$28 (2009 A$30)

Outlook

Overall the new financial year has commenced in line with expectations with NGR in the first two months 17% above the same period last year The trends seen during the last twelve months have continued with the sportsbook growing strongly, whilst casino and games and poker are weak due to competitive and economic pressures

Whilst the economic outlook remains challenging, our spread of activities across the different economic cycles of Europe, Australia and South America gives us confidence for a further year of success

Location:

SPAIN

Spain is one of our largest markets, accounting for 15% of net gaming revenue. La Liga is potentially a bigger betting market than the Premier League.

£225m

Sports wagers placed

18%

Percentage growth in sports in 2009/10

40,000

Over 40,000 new signed up customers in 2009/10.

Board of Directors

BRIAN HARRIS
Non-Executive Director

Brian Harris, aged 64, 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 acts for foreign governments, multi-national corporations, national airlines, and high net worth individuals and privately owned companies He is actively involved in sporting charity work for the disabled

JIM WILKINSON
Group Finance Director

Jim Wilkinson, aged 44, joined Sportingbet Plc as Group Finance Director in February 2008, prior to which he held the same positions at Johnson Services Group plc (2004-2007) and Informa Group Plc (1998 – 2004) Jim qualified as a Chartered Accountant with Touche Ross London

ANDREW McIVER
Group Chief Executive

Andrew McIver, aged 47, 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

PETER DICKS

Chairman & Non-Executive Director

Peter Dicks, aged 68, joined the Board of Sportingbet as Chairman in January 2000 He resigned in September 2006 and rejoined in February 2008 as a result of US related matters Peter was co-founder of Abingworth Plc, and is currently a director of a number of quoted and unquoted companies including Graphite Enterprise Trust PLC, Polar Capital Technology Trust, Private Equity Investor, Mears Group and Standard Microsystems a US NASDAQ quoted company Peter is also a director of Daniel Stewart and Company

SEAN O'CONNOR

Senior Independent Non-Executive Director

Sean O'Connor, aged 61, joined Sportingbet as Non-Executive Director in 2000 He is the Chairman of Cape PLC and Springboard Urban and was acting Chairman of Sportingbet Plc from September 2006 to 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 and Crow TV

NIGEL PAYNE

Non-Executive Director

Nigel Payne, aged 50, joined Sportingbet in 2000 and is now a Non-Executive Director He was appointed Group Chief Executive between 2001 and 2006 Nigel was the Group Finance Director of Polestar Magazines and held directorships at Scottish & Newcastle and Brann Direct Marketing Nigel is a Partner in Merlin Financial Advisors LLP and is a director of Mucky Pups Childcare Limited, Bettor Logic Limited, Golfbidder Limited and Hangar8 plc Nigel is a qualified Chartered Accountant

Financial Review

Trading summary

Amounts wagered for the year ended 31 July 2010 were £1,971 3m (2009 £1,577 2m), resulting in net gaming revenue ("NGR") up 27% (22% at constant currency) to £207 5 (2009 £163 6m)

Amounts wagered on sports betting in Europe (incorporating the financial results for the Emerging Markets division) grew by 29% to £1,165 1m (2009 £906 6m), earning NGR of £111 6m (2009 £82 7m) Casino and gaming contributed a further £44 9m, and poker £17 4m, to both amounts wagered and NGR (2009 £41 3m and £18 8m) Amounts wagered on Australian sports betting grew by 22% to £743 9m (2009 £610 5m), earning NGR of £33 6m (2009 £20 8m)

As a percentage of amounts wagered, the European and Australian sports NGR were 9 6% and 4 5% respectively (2009 9 1% and 3 4%) However, amounts wagered and NGR are stated after a deduction for customer bonuses of £18 8m (2009 £18 1m) Without the bonus deduction the equivalent numbers would have been 10 3% and 4 7% (2009 10 2% and 3 7%)

Costs (excluding exceptional items, share option charge and amortisation) in the year were £172 1m (2009 £132 5m), accounting for 82 9% of NGR (2009 81 0%)

There has been a net charge to the operating profit of £1 9m (2009 credit of £1 0m) arising from foreign exchange The Group earns over 95% of its revenue in currencies other than sterling

Operating profit (before exceptional items, share option charge and amortisation) for the year was £35 4m (2009 £31 1m)

Earnings before interest, tax, depreciation and amortisation (before exceptional items and share option charge) were up 17% to £46 5m (2009 £39 7m)

Exceptional costs associated with the agreed settlement with the United States Department of Justice and the Group's move to the Official List of the UK Listing Authority totalled £24 5m (2009 £nil)

Operating profit after the share option charge of £2 0m (2009 £3 1m), amortisation of other intangible assets of £1 8m (2009 £1 9m) and exceptional costs of £24 5m (2009 £4 2m) was £7 1m (2009 £21 9m)

Finance income

Finance income comprised interest receivable of £0 4m (2009 £0 7m) and interest payable on bank loans of £0 5m (2009 £0 3m) and £0 1m on finance lease interest (2009 £nil)

Earnings per share

Adjusted basic earnings per share before exceptional items, share option charge and amortisation was 6 5p (2009 6 5p) Diluted earnings per share before exceptional items, share option charge and amortisation was 6 2p (2009 6 0p)

Cash flow

During the year ended 31 July 2010, the Group generated cash from operating activities of £43 8m (2009 £17 0m)

As at 31 July 2010, the Group had £58 9m (2009 £44 3m) of cash and liquid resources on its balance sheet After taking into account £18 2m (2009 £16 5m) of customer liabilities, £4 0m (2009 £4 0m) of bank loans secured on residential properties in the Channel Islands and finance leases of £2 5m (2009 £nil), net cash at the period end stood at £34 2m (2009 £23 8m)

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

The Group continued to use forward currency contracts to manage foreign currency risks

Managing Risk

The risks below are those which the Directors consider material They are not presented in any order of priority Additional risks and uncertainties, not currently known to the Directors or that the Directors currently consider immaterial, may also adversely affect the Group's business, results of operations or financial condition

Existing or potential laws and regulations in jurisdictions from which the Group accepts bets or wagers

The Group is subject to various laws and regulations in a number of jurisdictions Most countries regulate or, in some cases prohibit, gaming activities Historically, the regulation of the gaming industry has been arranged at a national level and, currently, there is no international gaming regulatory regime The Group seeks to comply with and monitors the relevant laws and regulations of the jurisdictions in which its operations are established However the Group is exposed to the risk that jurisdictions from which it accepts wagers, or from which its advertisements may be accessed via the internet may have conflicting laws and regulations (or interpretations of such laws and regulations) with regard to the legality or appropriate regulatory compliance of the Group's activities In addition the jurisdictions may introduce or amend existing laws or regulations seeking to prohibit or regulate gaming activities

The Group analyses jurisdictional risk and, based on the relevant jurisdiction undertakes procedures in order to mitigate such risk In addition the Group limits its regulatory risk from any one country by accepting wagers from a large number of jurisdictions, none of which represent more than 20% of the Group's net gaming revenue

Dependence on regulatory licences

There can be no assurance that any jurisdiction in which licences are held by or on behalf of the Group will not change its licensing requirements, including the terms and conditions to which the licences and approvals currently held by or on behalf of the Group are subject If the regulatory scheme of any jurisdiction in which the Group operates were to change its licensing requirements, the Group may be required to expend significant capital or other resources in order to comply with the new requirements and/or may not be able to meet the new requirements, either or a combination of which could have a material adverse effect on the Group's business, financial condition and results of operations

The Group has diversified its regulatory risk by obtaining multiple licenses Betting activities are licensed in Alderney, Antigua and Barbuda, Australia, Northern Cyprus, South Africa and the UK The Directors believe the Group has a good relationship with the relevant regulatory authorities but there can be no guarantee that these licences will be renewed or that they will not be terminated early

Competition

The online betting market is highly competitive The Group competes with a number of companies, some of which have greater financial, marketing and other resources than the Group These companies may adopt more aggressive pricing policies or undertake more extensive marketing and advertising campaigns This may have a negative impact on revenues or profit margins achieved by the Group in the future The Group would face an increase in competition if competitors expanded or focused more on online sports betting or it there were new entrants in the market

The Group closely monitors competition within the online gambling industry and has a long term approach to improving its products, marketing and IT infrastructure In addition the Group has a diversified geographical base which spreads the competitive risk

Brand reliance

The Group's success depends on a strong brand and if the Group is not able to maintain and enhance its brand, its ability to expand its base of customers, advertisers and affiliates will be impaired and its business and operating results will be harmed The Directors anticipate that, as the Group's market becomes increasingly competitive, maintaining and enhancing the Group's brand may become increasingly difficult

The Directors believe that the brand identity that the Group has developed has significantly contributed to the success of its business The Group spends more than 30% of net gaming revenue on marketing and reviews and monitors the success of all marketing and sponsorship expenditure The Group intends to continue to acquire domain names as suitable opportunities arise

Dependence on a number of third parties for the operation of its business

The Group has relationships with a number of key third party suppliers who provide products and services to the Group infrastructure suppliers, network and telecommunication suppliers and application service providers are long-term partners in providing an infrastructure which seeks to ensure the delivery of sophisticated, high performance transaction processing systems However, the Group exercises little control over many of these third party suppliers and is reliant on them to perform their services in accordance with the terms of their contracts, which increases its vulnerability to problems with the products and services they provide Any adverse event affecting the Group's relationship with them could have a material adverse effect on the Group's reputation, business, financial condition and results of operations

The Group is increasing the number of third party suppliers to reduce to the dependency on the current suppliers and is performing a number of functions internally previously undertaken by third parties

The Group is highly dependent on technology and advanced information systems

The Group's operations are highly dependent on technology and advanced information systems and there is a risk that such technology or systems could fail In addition to such failure, there can be no assurance that such technology or systems will not be subject to damage or interruption caused by human error, unauthorised access, computer viruses distributed denial of service (DDoS) attacks, increase in volume in usage of online services, sabotage natural hazards or disasters or other similarly disruptive events including other security breaches, or will be able to support a significant increase in online traffic or increased customer numbers Any failure or disruption of, or damage to, the Group's technology or systems, could have a material adverse effect on the Group's business, financial condition or results of operations

The Group has in place data recovery and systems recovery procedures security measures and business continuity plans in the event of failure or disruption of, or damage to, the Group's technology or systems

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 The Board complies with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council ("Code") other than as set out below and in the section headed "Audit Committee"

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 no changes to the constitution of the Board

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 23, 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 43) Its other members are Peter Dicks, and Sean O'Connor

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 considers 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 twice 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 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 nine 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 Further, the Committee makes decisions regarding grants or awards under share plans, salaries and incentive compensation The Executive Directors appraise the Remuneration Committee on the level and structure of remuneration set for senior management 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, 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 twice 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

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 Companys quarterly results announcements and the Senior Independent Director, Sean O'Connor, is available to shareholders throughout the year

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 2010 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 has 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

(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 auditors are 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 auditors 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 auditors 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 on Auditing 260, the auditors have held discussions with the Audit Committee on the subject of auditor independence and have confirmed their independence in writing

	Possible Meetings	Number	Meetings Attended
Peter Dicks	Board	11	10
	Audit	2	2
	Remuneration	9	9
	Nomination	2	2
Brian Harris	Board	11	11
	Remuneration	9	9
	Nomination	2	2
Andrew McIver	Board	11	11
Sean O'Connor	Board	11	10
	Audit	2	2
	Remuneration	9	9
	Nomination	2	2
Nigel Payne	Board	11	11
	Audit	2	2
	Nomination	2	2
Jim Wilkinson	Board	11	11

Directors' Report

The Directors submit their Annual Report and audited Financial Statements of the Group for the year ended 31 July 2010

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 61 and show a profit after taxation for the year of £3 9m (2009 £12 4m) The Directors recommend payment of a final dividend of 1 1p per ordinary share (2009 1 0p)

Review of the business and future developments

For a fair review of the Group's business during the year, a description of the risks and uncertainties it faces and the position of the Group at the end of the year, see the following

Key financial highlights	02-03
Corporate social responsibility	22-25
Group Chief Executive review	36-39
Financial review	44
Managing risks	45
Corporate governance statement	46-48

Directors

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

The following Directors have held office during the year and subsequently Sean O Connor and Nigel Payne will retire by rotation at this year's Annual General Meeting and will each seek re-election, being eligible

The interests of the Directors in the shares of the Company and options for such shares were as shown on pages 52 to 56 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 appear on pages 52 to 56

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 24 to the Financial Statements

Charitable donations

During the year, the Group donated £229,565 to a number of charities This figure includes donations to The GREaT Foundation, formerly known as the Responsibility in Gambling Trust, the Island Academy International School, Antigua, HEROS (Homing Ex-Racehorses Organisation Scheme) and the Motor Neurone Disease Research Included in this total was a donation of £13,981 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 was granted authority at the Extraordinary General Meeting in December 2009 to purchase its own shares up to a limit of 10 per cent of its issued ordinary share capital No shares were purchased during the year under review

Share Capital

The issued share capital of the Company is comprised of ordinary shares of 0 1p each Each share carries the right to one vote per share on a poll The liability of members of the company is limited to the amount unpaid, if any, on the shares held by them All issued shares of the Company are fully paid

Changes to the Company's share capital are set out in note 8 of the Parent Company Financial Statements At 5 October 2010 the issued share capital stood at 502,180,424

There are no specific restrictions on the size of a holding nor on the transfer of shares No person has any special rights of control over the Company's share capital and all issued shares are fully paid

During the last year, the Company did not purchase any shares as treasury shares

Risk management
A description of the Group's financial risk management objectives and risk policies and its exposure to price credit, liquidity and cashflow risk, together with information on the use of financial instruments by the Group is contained in note 20 and forms part of this report

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 2010 the Company had a trade creditor balance of £nil (2009 £nil) Group trade payables represented 18 days of purchases (2009 15 days)

Substantial shareholdings
As at the opening of dealing on 5 October 2010 the following Shareholders hold, or control, interests in 3% or more of the Company's voting rights

	Number of Ordinary shares at 0 1p each	% voting rights
Bonaire Investment Holdings	44,497,096	8 86
Fidelity	38,989,092	7 76
DBS Advisors Limited	35 933,903	7 16
Legal & General Investment Management	15,115,300	3 01

Treasury management
The Board has laid out its policy on treasury management in the Financial Review on page 44

Going concern
The Directors have considered the implications of the potential impact of regulatory uncertainties discussed in the Regulatory Developments on pages 57 to 59 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 17 December 2010 The Notice of the Meeting begins on page 98 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 Meeting

Significant agreements
Chapter 4 of Part 28 of the Companies Act 2006 requires the Company to identify those significant arrangements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effects of any such agreements

The Company's wholly owned subsidiary, Internet Opportunity Entertainment (Sports) Limited ("IOESL") entered into an agreement with Boss Media AB in relation to the supply of various services and software (the "Boss Agreement') Clause 8 2 of the Boss Agreement provides that either party may terminate the Boss Agreement upon six months' written notice to the other in the event of a change of ownership and/or control, subject to certain conditions, including the payment of an exit charge

IOESL and Interactive Sports (C I) Limited (together the "Sportingbet Party") have entered into an agreement with SEE Sports Limited and Flyer International S A ("Flyer") in relation to the provision of online gaming services in Greece (the "Joint Venture Agreement") Clause 12 5 of the Joint Venture Agreement provides that if any third party or series of connected third parties acquires the ownership or control of more than 50 per cent of the beneficial and/or legal shareholding and/or legal voting rights of a Sportingbet Party, and the Sportingbet brand ceases to exist as a separate stand-alone brand or be supported by such third party, Flyer shall be entitled to terminate the Joint Venture Agreement with immediate effect

Statement of Directors' responsibilities

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 prepared the Group Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), andhave elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 judgments and estimates that are reasonable and prudent
- state whether applicable standards 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 company will continue in business

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as each of the Directors is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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 may differ from legislation in other jurisdictions

To the best of my knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

On behalf of the Board

A McIver
Director

5 October 2010

Company registration number 3534726

Remuneration Report

Information subject to audit

1. Directors' emoluments

	Notes	Salary/Fees	Bonuses	Cash LTIP	Share options LTIP	Benefits	Total emoluments 2010	Pension 2010	Total emoluments 2009	Pension 2009
		£000								
Executive Directors										
Andrew McIver	1, 3, 9 10	520	375	300	1,912	6	3,113	100	1,478	95
Jim Wilkinson	3 10	296	210	166	882	1	1,555	45	770	41
Dave Hobday	2, 9	-	-	-	-	-	-	-	45	-
Non-Executive Directors										
Peter Dicks	3, 5, 6, 7,8	160	-	-	-	-	160	-	160	-
Sean O'Connor	3, 4, 5, 6, 7, 8	130	-	-	-	-	130	-	150	-
Brian Harris	3, 4, 6, 7, 8	120	-	-	-	-	120	-	121	-
Nigel Payne	3, 5, 7, 8	128	-	-	-	-	128	-	154	-
		1,354	585	466	2,794	7	5,206	145	2,878	136

1 Aggregate emoluments for Andrew McIver, as highest paid Director, excluding pension contributions, amounted to £3,113,315 (2009 £1,477,820)

2 Dave Hobday resigned as a Director of the Company on 8 May 2008

3 The average total emoluments of the Executive Directors was £2,333,925 (2009 £1,124,187) The average total emoluments of non-Board employees was £62,650 (2009 £62,028) The ratio between the two averages was 37 2 1 (2009 18 2 1) The average total emoluments of the Executive Directors (excluding share options) was £936,619 (2009 £699,466) The ratio to non-Board employees was 15 0 1 (2009 11 3 1)

4 Member of the Social Responsibility Committee

5 Member of the Audit Committee

6 Member of the Remuneration Committee

7 Member of the Nomination Committee

8 Included within Salary/Fees is an annual share award valued at £40,000 which forms part of the Non-Executive remuneration

9 Included above are contributions to an Employee Benefit Trust established for the benefit of the Directors and certain senior employees

10 The Long Term Incentive Plan ("LTIP") awards relate to the final payments of a scheme put in place in 2006 following the Group's withdrawal from the US

2. Interests of Directors in share options and share plans of the Company

	Notes	No of options at 1 Aug 2009	No of options at 31 Jul 2010	Date of grant	Exercise price (p)	Earliest exercise date	Expiry of exercise period
Executive Directors							
Andrew Mclver	1	500,000	-	21/01/04	49	29/01/07	29/01/14
	2	1,647,728	-	30/11/06	-	01/11/07	01/12/09
	3	656,251	-	14/12/07	-	01/11/08	01/02/10
	4	66,667	-	09/05/06	-	01/11/07	01/11/09
	5	1,959,566	1,959,566	20/01/09	-	01/11/10	01/12/12
Jim Wilkinson	2	852 204	-	01/02/08	-	01/11/07	01/12/09
	3	343,751	-	01/02/08	-	01/11/08	01/02/10
	5	1,077 760	1,077,760	20/01/09	-	01/11/10	01/12/12
Dave Hobday	3	48 798	-	14/12/07	-	01/11/08	01/02/10
Non-Executive Directors							
Peter Dicks		-	-	-	-	-	-
Nigel Payne		-	-	-	-	-	-
Sean O'Connor		-	-	-	-	-	-
Brian Harris		-	-	-	-	-	-

1 Share options granted under the Sportingbet Plc Unapproved Executive Share Option Scheme 2004 During the financial year, Andrew Mclver surrendered his 500,000 options under this scheme in consideration of receiving an equivalent cash award

2 Share awards granted under the Sportingbet 2006 Restricted Share Plan During the financial year, 1,647 728 shares were released to Andrew Mclver and 852,204 shares were released to Jim Wilkinson

3 Provisional discretionary share bonuses totalling 3,452,760 shares were made to Andrew Mclver, Dave Hobday and Jim Wilkinson during the 2007/08 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 During the financial year, 656,251 shares were released to Andrew Mclver and 343,751 shares were released to Jim Wilkinson Dave Hobday's award of 48,798 shares were released to him in November 2009 after meeting certain conditions

4 Andrew Mclver was 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, 66,667 shares were released to Andrew Mclver under this award

5 Share awards granted under the Sportingbet Restricted Share Plan 2009 During the financial year, no shares were released to Andrew Mclver and Jim Wilkinson under this award

18 158,451 options were exercised during this financial year (2009 13,789,763) of which 2,999,932 options were exercised by Directors of the Company (2009 1,966,906) The price paid by participants under the Sportingbet Plc Unapproved Executive Share Option Scheme 2004 was 39 5p and under the Sportingbet 2006 Restricted Share Plan was £nil The market price of shares at 31 July 2010 was 62p and the range during the financial period was 54 00p to 75 25p A summary of the performance criteria upon which awards or options may be exercised is set out below

Information NOT subject to audit

3. Interests of Directors in shares in the Company

	Notes	2010	2009
Executive Directors			
Andrew McIver	1	**4,234,481**	2,566,736
Jim Wilkinson	2	**1,517,166**	811,551
Non-Executive Directors			
Peter Dicks	3	**581,308**	516,956
Sean O'Connor	4	**593,685**	525,364
Brian Harris	5	**378,461**	314,109
Nigel Payne	6	**176,398**	176,398

1 Andrew McIver received an interest in 1,647,727 shares on 26 November 2009, following the release of an award under the 2006 Restricted Share Plan, 675,567 shares were sold to meet the tax liability of this award He received an interest in 66,667 shares on 26 November 2009, following the release of a share based performance award, 27,333 shares were sold to meet the tax liability of this award He received a cash payment of £95,875 in lieu of the exercise of 500,000 share options at 41 5p each granted to him under the terms of the Sportingbet Plc Unapproved Executive Share Option Scheme 2004 The 500,000 options have been cancelled He received an interest in 656,251 shares on 30 November 2009, following the release of the second and final part of a discretionary share bonus

2 Jim Wilkinson received an interest in 852,204 shares on 26 November 2009, following the release on an award under the 2006 Resticted Share Plan, 349,403 shares were sold to meet the tax liability of this award He received an interest in 343,751 shares on 30 November 2009, following the release of the second and final part of a discretionary share bonus, 140,937 shares were sold to meet the tax liability of this award

3 Peter Dicks received an interest in 35,663 shares on 4 August 2009 and in 28,689 shares on 1 February 2010 forming part of his Non-Executive remuneration

4 Sean O'Connor received an interest in 35,663 shares on 4 August 2009 and in 28,689 shares on 1 February 2010 forming part of his Non-Executive remuneration Sean O Connor also received an interest in 2,681 shares on 8 January 2010 and in 1,288 shares on 31 March 2010 pursuant to the Company's Dividend Reinvestment Plan (DRIP)

5 Brian Harris received an interest in 35,663 shares on 4 August 2009 and in 28,689 shares on 1 February 2010 forming part of his Non-Executive remuneration

6 Nigel Payne received an interest in 35,663 shares on 4 August 2009 and in 28,689 shares on 1 February 2010, forming part of his Non-Executive remuneration, all of which he subsequently gifted

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 is chaired by Peter Dicks and its other members are Brian Harris and Sean O'Connor 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

The Remuneration Committee aims to seek and retain the appropriate calibre of people and recommends fee levels to the Board consistent with prevailing market conditions, peer group companies and Directors' roles and responsibilities

Specifically, when considering adoption of the Sportingbet Restricted Share Plan 2009, the Remuneration Committee assessed the needs of the Company for the period through to 2012 compared to the Company's needs when the Sportingbet 2006 Restricted Share Plan was introduced in November 2006 immediately following the enactment of the Unlawful Internet Gambling Enforcement Act 2006

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

Peter Dicks, Brian Harris and Nigel Payne, each a Non-Executive Director, each has a contract for services with a termination period of 12 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 the case of Sean O'Connor, the Company entered into an agreement with The Sean O'Connor Consultancy Limited to provide the services of Sean O'Connor as a Non-Executive Director of the Company The appointment is subject to removal from office in accordance with the Company's articles of association

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 2010

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

Pensions

The Company makes employer contributions of 20% of Andrew McIver's salary and 16% of Jim Wilkinson's salary to their personal pension schemes There are no Company pension arrangements in place

Share incentive schemes

The Company operates six 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 Sportingbet Long Term Retention Plan 2005 (the '2005 Share Plan') the Sportingbet 2006 Restricted Share Plan (the '2006 Share Plan') and the Sportingbet Restricted Share Plan 2009 (the '2009 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 2009 Share Plan The 2005 Share Plan was introduced on 2 August 2005 and the 2006 Share Plan was introduced on 3 November 2006 The 2009 Share Plan was adopted on 22 July 2008 and awards were granted under the 2009 Share Plan on 20 January 2009 The Company's policy to grant share options under the Executive Scheme and awards under the 2006 Share Plan and the 2009 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 2008 may exercise loyalty awards which have vested up to that date Participants who remain employed by the Company until 31 July 2008 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 pages 52 to 56

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

The 2009 Share Plan uses the same rules as those which govern the 2006 Share Plan However, there are differences in the nature of awards granted under the 2009 Share Plan Entitlements under the 2009 Share Plan entail a loyalty element and performance element in equal proportions 20% of the Executive Directors' total potential award under the 2009 Share Plan vests and is released in November 2010, 30% of such award in November 2011 and 50% of such award in November 2012 Shares comprised within the loyalty element of the award may only vest and be released if the participant remains employed by the Company as at 31 July 2010, 31 July 2011 and 31 July 2012 respectively As with the 2005 Share Plan and the 2006 Share Plan, shares comprised within the performance element of the award may only vest and be released if (a) the participant remains employed by the Company as at 31 July 2010, 31 July 2011, and 31 July 2012 respectively, and (b) certain performance conditions are satisfied Only Executive Directors are entitled to participate under the 2009 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 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

For the 2009 Share Plan, the performance condition is based on the extent to which growth in the Company's earnings before interest, tax and amortisation ('EBITA Growth') exceeds RPI Growth over a financial year of the Company

For the performance award to be exercisable in full, EBITA Growth must exceed RPI Growth by 15% per financial year compound The proportion of the performance award exercisable increases on a straight line sliding scale between 0 and 100% if EBITA Growth exceeds RPI Growth by any margin in excess of 5% over a financial year The Remuneration Committee believes that, in relation to the 2009 Share Plan, EBITA Growth in excess of RPI Growth is the appropriate measure for determining the increase in value delivered to shareholders by the Company's Executive Directors and other senior executives for the period 2009–2012 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 Gambling 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 August 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)

In 2008, 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 in order to retain such individuals The LTIP pays a cash sum in August 2012 based on the relevant employee's gross salary In order for the employee to receive such payment under the LTIP, they need to be in employment up to and including 31 July 2012

Total Shareholder Return

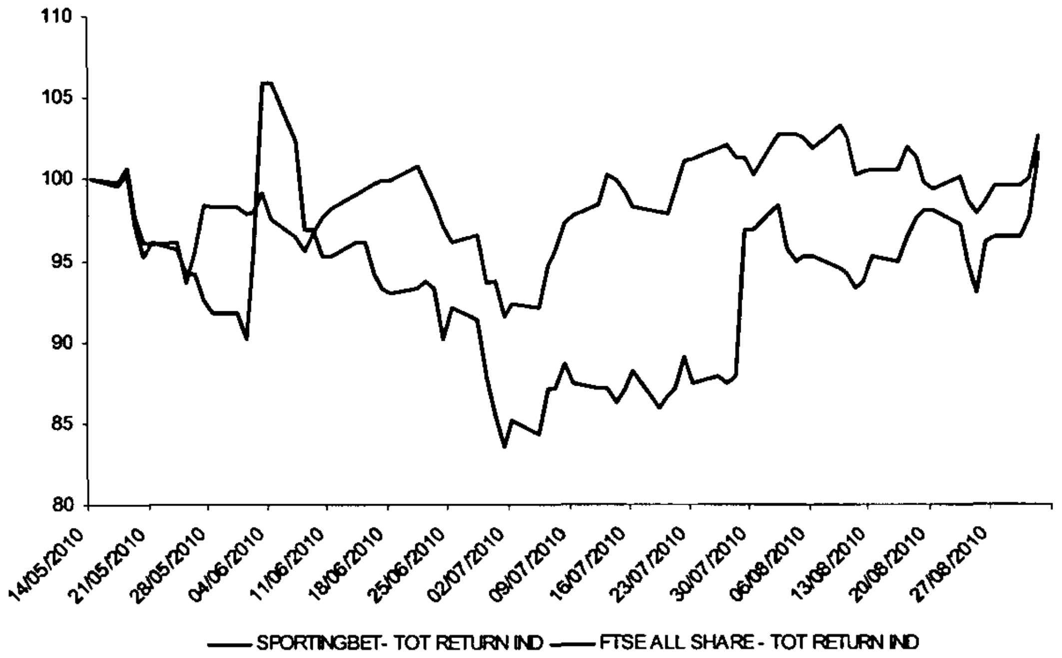
The following graph charts the movement in total cumulative shareholder return (assuming reinvestment of dividends) of the Company for the period from 14 May 2010 to 31 July 2010, compared with total shareholder return relating to the FTSE All-Share Index (chosen for this purpose as the Company is a constituent of this index)

By Order of the Board

D Talisman LLB (Hons) ACIS
Company Secretary

D. J. Talisman

5 October 2010


110
105
100
95
90
85
80
14/05/2010
21/05/2010
28/05/2010
04/06/2010
11/06/2010
18/06/2010
25/06/2010
02/07/2010
09/07/2010
16/07/2010
23/07/2010
30/07/2010
06/08/2010
13/08/2010
20/08/2010
27/08/2010
SPORTINGBET- TOT RETURN IND
FTSE ALL SHARE - TOT RETURN IND

Regulatory Developments

The supply of betting and gaming services continues to be subject to a complex, inconsistent and often protectionist approach by jurisdictions worldwide However, action to address this by international trade bodies (such as the World Trade Organisation and the European Commission) has resulted in the censuring of certain nations and, increasingly, the introduction of regulatory regimes for the activity

The Group continues to provide its services only from jurisdictions where it is licensed and regulated, and therefore the 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 Alderney, Antigua and Barbuda, Australia, Northern Cyprus, South Africa and the UK

Major issues of note in the last 12 months (all of which have been widely reported) include

a the possibility that the UK will impose regulatory requirements (which will attract licence fees) on offshore operators who target the local gambling market,

b an ongoing move towards regulation of the gambling sector in a number of EU jurisdictions, including France, Denmark, Italy (through a wider regulatory regime) and Greece,

c reduced European Commission ("Commission") pressure on EU and EFTA Member States (principally Norway) to justify their national gambling regimes (including proposed new regulatory regimes) in light of the free trade requirements of international law also reflected in the protectionist judgments of the European Court of Justice (the "ECJ") in the cases of Santa Casa (in Portugal), the Betfair and Ladbrokes cases (in the Netherlands), and Sjoberg and Gerdin (in Sweden), albeit the impact of these judgments has been tempered to a degree by the recent Carmen Media (and others) case in Germany, and the Engelmann case in Austria, and

d increasing attempts to impose indirect taxes (via "product fees ') on gambling operators by certain States in Australia

The European Union (EU)

EU Member States are subject to scrutiny from the Commission and, as "guardian" of the Treaty of the Functioning of the European Union (the "TFEU"), 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 EU Member States in contravention of EU law Through such proceedings, the Commission has asked a number of States to amend their laws restricting the free movement of gambling services 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, Sweden and Denmark

On 9 September 2009, the (ECJ) delivered its judgment in Case C-42/07 between Departamento de Jogos da Santa Casa da Misericordia de Lisboa ("Santa Casa") and Bwin, and effectively upheld the Portuguese national law restricting certain betting and gaming activities to the State monopoly, Santa Casa While the ECJ maintained the need for restrictions on gambling services to be justified in the public interest, the judgment is unambiguous in its vindication of State monopolies as an effective method for doing so This decision was followed by cases in the Netherlands (in which the court upheld the Dutch monopoly) and in Sweden where the courts indirectly upheld the monopoly by its endorsement of the prevention of advertising of unauthorised gambling (albeit it would be discriminatory if the Swedish authorities imposed stricter penalties on the advertising of gambling by unauthorised organisations outside of Sweden than on the advertising of gambling by unauthorised organisations within Sweden)

However, the most recent cases in Germany and Austria highlight that the supply of gambling via monopolies is not always compatible with Member States' wider TFEU obligations

On 9 September 2010, the ECJ delivered its judgment in a number of cases in which individual German states had sought ECJ guidance on a series of identical points of principle The issue was whether permitting a monopoly for certain gambling products was compatible with Articles 49 and 56 of the TFEU The ECJ determined that there was potential incompatibility with EU law where a monopoly existed to protect the public interest but the monopoly was also advertising to maximise its profits and/or encourage participation in more addictive forms of gambling This is broadly good news for private operators, albeit the ECJ made it clear that it considered that, generally, monopolies were the best vehicle through which to ensure that adequate social responsibility and player protection standards were met Whilst it is now for the local German courts to consider how best to implement the judgment, this process may be superseded insofar as the German Federal government determines that it will commit to a licensing system for online gambling products

In the Austrian Engelmann case (in which judgment was given on 9 September 2010), the ECJ found in favour of Engelmann, and determined that it was disproportionate to have a licensing regime which required licensees to be a public incorporated corporation and established in the jurisdiction where the licence was awarded In addition the ECJ stated that the award of a monopoly to Casinos Austria without a competitive tender process was likewise inappropriate and contrary to Articles 49 and 56 of the TFEU Therefore, although the case related to bricks and mortar establishments from which gambling services were supplied, one can extrapolate a precedent that any similarly disproportionate licensing regimes for online supplies without a competitive tendering process would likewise be subject to challenge

The European Union (continued)

Spain

As a result of the 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 taking steps towards a nationwide system of regulation which will permit operators to obtain a Spanish gambling licence The draft legislative process is ongoing, and was recently approved by the Council of Ministers of Spain on 17 September 2010 As a result, other Spanish regions, including Catalonia, Castilla-Leon and La Rioja, have announced their intention to regulate the sector on a regional basis

United Kingdom

The Group holds a licence granted by the Alderney Gaming Control Commission, and is therefore permitted to advertise in the UK under the Gambling Act 2005 which permits UK advertising for Alderney licensees on the back of Alderney's "whitelisted" status

In March 2010, the Department for Culture Media and Sport ("DCMS") initiated a consultation regarding a system for the regulation of remote gambling in UK The consultation also looked at whether operators who advertise in the UK should face new regulatory requirements (attracting consequential licence fees) to ensure a more even financial treatment of UK operators and non-UK operators who target the UK market The tax consequences of such a scheme are not addressed in the consultation and therefore the position is unclear The consultation closed in June 2010 and the DCMS is due to report its findings to Parliament before the end of 2010

France

France has historically been a staunch opponent of the provision of online gambling services by operators without a French licence

In light of this approach, the Commission had put substantial pressure on France s domestic regulation of online gambling, stating that its laws were not compatible with EC law As a result of such pressure, France initiated a licensing regime for online sports betting and poker with effect from 12 May 2010 The Group ceased taking business from French citizens with effect from that date In addition, Arjel, the regulator initiated proceedings against 19 operators for continuing to take wagers from French citizens A number of these proceedings were settled out of court but Arjel has succeeded against unlicensed operators The Court of First Instance in Paris has recently ordered internet service providers to block access to these unlicensed operators (which is now permitted under the new French gaming laws)

Germany

Despite criticism from the Commission, the Interstate Gambling Treaty remains in force in Germany The Treaty effectively provides that all forms of online gambling are unlawful where they are targeted at German residents

While the current official position in Germany is that the Treaty is not to be amended, we understand that the German government is still under intense pressure from the Commission and at a political level internally to amend the legislation However, the Treaty expires at the end of January 2011 in any event Furthermore, 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 the legal position Although there can be no guarantee that enforcement action will not occur against operators with a domestic presence, the risk of conviction is considered low The most likely enforcement action being initiated will be civil claims on an individual state basis albeit that this may lead to further ECJ appeals in due course, particularly in light of the recent ECJ decisions in relation to Germany which found that on the particular cases referred, there was inconsistent (and poorly controlled) treatment of the particular gambling products that could be supplied by monopolies This, on the face of it, was held contrary to Germany's obligations under the TFEU

In practice, therefore, legislation that was intended to almost comprehensively block online gambling has had only limited effect The general inability of the German government to block online gambling websites, coupled with the questionable legality of the legislation, (particularly in light of the recent cases) has led to a continued supply of online gambling services and, as far as the Group is aware, an absence of extraterritorial enforcement against the activity It remains to be seen therefore whether the ECJ findings will prompt a more urgent consideration of an online licensing regime similar to the French and Italian models

Greece

Greece has been the subject of several challenges by the Commission and has previously been steadfast in defending the monopoly providers' position (OPAP and ODIE) However, in July 2010 the Minister of Economy proposed a draft bill which would make several changes to the way in which gambling is regulated in Greece, including a proposal to permit the licensing of online betting (excluding horseracing) This is now the subject of a consultation process The consultation document seeks views as to whether the market should only give the concession to OPAP for a period of time, whether to limit the number of licensees (which will be awarded in an auction process) or whether to award licences to all those who apply and comply with the licensing criteria

It is not anticipated that there will be any change to laws until the second half of 2011

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 enabling betting offerings from certain outlets such as newsagents, bars and cafes The Incentivi Decree recently extended licensable offerings to include cash ring games for poker and other casino games

The EC also approved Italy's Abruzzo Law on 5 May 2010 and announced that it had closed proceedings against Italy The Abruzzo Law allows gambling operators offering their services in Italy to have web servers and a registered company outside of Italy, as long as they are still within the European Economic Area or a country that has a bilateral agreement with Italy

Norway

Norway implemented legislation (which became effective in 2010) which established that processing of payments for unlicensed gambling where such gambling is unlicensed in Norway is an accessory offence for financial services providers The Group has ceased taking business from Norwegian citizens

Rest of the World

Turkey

Provision of gambling services in Turkey is generally prohibited by Article 228 of the Turkish Criminal Code In addition, the Law no 7258 regarding Provision of Betting and Luck Games in Football and Other Sportive Competitions ("Law 7258") explicitly bans offshore originated online gambling conducted without a local authorisation, whether the operator is based in or outside Turkey

Turkish law asserts jurisdiction over any act that violates the laws of Turkey if the result of such act occurs within Turkey, irrespective of the location of the offender Accordingly, the activities of the Group, in taking online gambling custom from Turkey, are considered illegal under Turkish law

In addition, Article 8 of Law no 5651 regarding Regulation of Broadcasts in Internet Environment and Prevention of Committed by Broadcasting ("Law 5651") permits the Turkish authorities to block online gambling if "satisfactory suspicion regarding gambling services arises in such broadcasting"

Turkey is not a member of the EU, nor has it included online gambling in its WTO free trade commitments

The Group relies on the argument that a country's domestic law cannot make illegal a supply remotely and lawfully made from another jurisdiction It remains legal for customers to transact with offshore online operators, although customers may be subject to administrative (rather than criminal) enforcement under Turkish law The Group continues to accept bets from Turkish residents, although it does not have employees, nor does it conduct advertising activity from within the territory

Australia

The Group hold a sports betting licence in Australia in the Northern Territory and provides services from the Northern Territory to other states The Group blocks Australians from accessing any of the Group's other products It has been held, as a result of various court cases to which the Group and others have been a party, that holding a sports betting licence in one state entitles the licensee to advertise and supply in another However, there has been a growing trend in relation to payment of fees for the use of "sports products (e g race fields and sporting fixtures) which is levied against betting operators in Australia Such fees are levied on operators licensed in Australia, in addition to taxes they pay in their licensing state

Race fields legislation exists in every Australian state except the Northern Territory The race fields legislation, however, is subject to ongoing legal challenge, principally on the basis that there exists anti-competitive discrimination between bookmakers and the tote incumbent monopolies The Productivity Committee (tasked with re-evaluating the gambling industry) has taken the view that there may be merit in such fees being dealt with on a national basis via some form of national statutory scheme

Unlike race fields, and with the exception of Victoria, no state or territory has legislation that specifically requires betting operators to pay fees for the use of sporting fixture information However, a general practice has developed under which corporate bookmakers enter into direct commercial agreements with the national administrative bodies for each sport Such agreements typically provide for a fee equivalent to 5% of revenue to be paid to the administrative bodies

United States

The US continues to prohibit online gambling supplied from offshore

Despite the current prohibitive position, 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, liberalisation may occur in the online gambling market Increasing pressure from consumers and lobby groups has also resulted in legislative proposals To date these have not amounted to a change in the existing prohibitive regime although HR2267, Senator Frank's Internet Gambling Regulation, Consumer Protection and Enforcement Act has been approved by the House Financial Services Commission (albeit with certain amendments) and now moves to the floor for debating, a possible further step towards a licensing regime

On 20 September 2010, the Group entered into a Non-Prosecution Agreement (the "Agreement") with the Office of the United States Attorney for the Southern District of New York ("SDNY"), acting on behalf of the United States Department of Justice, with respect to the Group's previous activities in the United States Under the terms of the Agreement, SDNY will not seek to prosecute the Group for activities related to its internet gambling business with customers in the United States from 1998 to 2006 The Group ceased to offer online gambling to United States customers on 12 October 2006

As part of the Agreement, the Group has agreed to pay a total of $33m (£21 3m) to SDNY, payable in three instalments (i) $15m (£9 7m) payable no later than 30 September 2010 (ii) $12m (£7 7m) no later than 30 September 2011 and (iii) $6m (£3 9m) no later than 31 March 2012

In addition to the above, the Group has agreed to cooperate with SDNY and disclose information to SDNY relating to the Group's former internet gambling business in the United States and adhere to certain further obligations from the date of the Agreement with respect to its future conduct in the United States The Group has also acknowledged and accepted certain details regarding its former business activities in the United States which are set out in the Statement of Facts which form part of the Agreement

The Group believes that this settlement enables a line to be drawn under its previous activities in the United States

Asia

The regulatory regime in many Asian countries is currently prohibitive and, at present, the Group has no operations or activities in Asia

Independent auditor's report to the members of Sportingbet Plc

We have audited the Group Financial Statements of Sportingbet Plc for the year ended 31 July 2010 which comprise the consolidated Income Statement, consolidated Statement of Comprehensive Income, consolidated Balance Sheet consolidated Statement of Changes in Equity, consolidated Cash flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Directors Responsibilities Statement set out on page 51, the directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view Our responsibility is to audit the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of Financial Statements is provided on the APB's website at www frc org uk/apb/scope/UKP

Opinion on financial statements
In our opinion the Group Financial Statements

- give a true and fair view of the state of the Groups affairs as at 31 July 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinion on other matter prescribed by the Companies Act 2006
In our opinion

- the information given in the Directors' Report for the financial year for which the Group Financial Statements are prepared is consistent with the Group Financial Statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following

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

- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit or
- a Corporate Governance Statement has not been prepared by the company

Under the Listing Rules, we are required to review

- the Directors' statement set out on page 50, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Other matter
We have reported separately on the Parent Company Financial Statements of Sportingbet Plc for the year ended 31 July 2010 and the information in the Directors' Remuneration Report that is described as having been audited

Paul Etherington BSc FCA CF

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

5 October 2010

Consolidated Income Statement

For the year ended 31 July 2010

	Notes	Year ended **31 July 2010** **£m**	31 July 2009 £m
Amounts wagered	4	**1,971 3**	1,577 2
Net gaming revenue	3, 4	**207 5**	163 6
Administrative expenses excluding exceptional items, share option charge and amortisation of other intangible assets		**(172 1)**	(132 5)
Group operating profit before exceptional items, share option charge and amortisation of other intangible assets		**35 4**	31 1
Other administrative expenses			
Exceptional items	5	**(24.5)**	(4 2)
Share option charge	7	**(2.0)**	(3 1)
Amortisation of other intangible assets	13	**(1.8)**	(1 9)
Total administrative expenses		**(200 4)**	(141 7)
Group operating profit		**7 1**	21 9
Finance income	9	**0 4**	0 7
Finance costs	9	**(0 6)**	(0 3)
Profit before taxation	6	**6 9**	22 3
Taxation	10	**(3 0)**	(0 5)
Profit for the year		**3 9**	21 8
Loss for the year from discontinued operations	2	**-**	(9 4)
Group profit for the year		**3 9**	12 4
Profit attributable to the owners of the parent		**3 9**	12 4

Profit per ordinary share – continuing operations			
Basic	11	**0 8p**	4 6p
Diluted	11	**0 7p**	4 2p
Profit per ordinary share			
Basic	11	**0 8p**	2 6p
Diluted	11	**0 7p**	2 4p

The Notes on pages 66 to 91 form part of these financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2010	2010 £m	2009 £m
Profit for financial year	**3.9**	12 4
Other comprehensive income		
Amounts taken to equity under designated cash flow hedges	**0.3**	1 2
Amounts reclassified to the income statement to match the hedged items	**0.3**	(0 5)
Exchange differences on translation of foreign operations	**1 5**	1 5
Net income recognised directly in other comprehensive income	**2.1**	2 2
Total comprehensive income for the year	**6.0**	14 6
Attributable to		
Owners of the parent	**6.0**	14 6
	6.0	14 6

Consolidated Balance Sheet

As at 31 July 2010	Notes	As at 31 July 2010 £m	31 July 2009 £m
Non-current assets			
Goodwill	12	**41 5**	41 2
Other intangible assets	13	**21 8**	15 9
Property, plant and equipment	14	**27 1**	21 9
Deferred tax asset	10	**2 0**	1 4
		92 4	80 4
Current assets			
Trade and other receivables	15	**12 6**	13 4
Cash and cash equivalents	16	**58 9**	44 3
Derivatives	20	**1 3**	0 7
		72 8	58 4
Current liabilities			
Trade and other payables	17	**(54 4)**	(41 0)
Interest bearing loans and borrowings	17	**(5 3)**	(4 0)
Contingent consideration	17	**-**	(0 5)
		(59 7)	(45 5)
Net current assets		**13 1**	12 9
Non-current liabilities			
Trade and other payables	17	**(11 6)**	-
Obligations under finance leases	19	**(1.2)**	-
Long-term provisions	18	**-**	(0 1)
		(12 8)	(0 1)
Net assets		**92 7**	93 2
Equity			
Issued share capital	21	**0 5**	0 5
Share premium		**59 9**	59 4
Retained earnings		**32 3**	33 3
Total equity		**92 7**	93 2

The Notes on pages 66 to 91 form part of these Financial Statements These Financial Statements were approved by the Board and authorised for issue on 5 October 2010

A McIver
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2010	Issued share capital £m	Share premium account £m	Shares to be issued £m	Own shares £m	Profit and loss account £m	Foreign exchange reserve £m	Total £m
As at August 2008	0 5	56 3	9 0	-	20 1	(1 5)	84 4
Acquisitions	-	3 1	(9 0)	-	-	-	(5 9)
Share option charge	-	-	-	-	3 1	-	3 1
Profit for the year	-	-	-	-	12 4	-	12 4
Purchase of own shares	-	-	-	(3 0)	-	-	(3 0)
Issue of own shares in lieu of options	-	-	-	3 0	(3 0)	-	-
Hedging reserve	-	-	-	-	0 7	-	0 7
Foreign currency exchange	-	-	-	-	-	1 5	1 5
As at 1 August 2009	0 5	59 4	-	-	33 3	-	93 2
Employee share options	-	0 5	-	-	(0 6)	-	(0 1)
Share option charge	-	-	-	-	1 1	-	1 1
Dividends paid	-	-	-	-	(7 5)	-	(7 5)
Profit for the year	-	-	-	-	3 9	-	3 9
Hedging reserve	-	-	-	-	0 6	-	0 6
Foreign currency exchange	-	-	-	-	-	1 5	1 5
As at 31 July 2010	0 5	59 9	-	-	30 8	1 5	92 7

The movement in Group equity of £0 5m (2009 £8 8m) is wholly represented by the movements shown in equity reserves and share capital in Note 21 and the statement above All Group equity is attributable to owners of the parent The movement in shares to be issued of £9 0m represents settlement of consideration in relation to historic acquisitions

Consolidated Cash Flow Statement

For the year ended 31 July 2010	Notes	Year ended 31 July 2010 £m	31 July 2009 £m
Group profit after taxation		**3 9**	12 4
Depreciation		**5 4**	4 7
Software amortisation		**5 7**	4 0
Other amortisation		**1 8**	1 9
Loss on disposal	2	**-**	7 9
Share option charge		**2 0**	3 1
Finance cost / (income)		**0 2**	(0 4)
Taxation		**3 0**	0 5
Operating cash flows before movements in working capital		**22 0**	34 1
Decrease / (increase) in receivables		**0 8**	(4 8)
Increase / (decrease) in payables		**25 0**	(9 7)
Cash generated by operations		**47 8**	19 6
Income tax paid		**(4 0)**	(2 6)
Net cash from operating activities		**43 8**	17 0
Purchases of property, plant and equipment	14	**(10 4)**	(6 1)
Purchases of software	13	**(13 3)**	(6 6)
Acquisition of subsidiaries		**(0 6)**	(4 5)
Interest (paid) / received		**(0.2)**	0 3
Net cash from discontinued operations	2	**-**	(1 2)
Cash used in investing activities		**(24 5)**	(18 1)
Exercise of share options		**(1 0)**	(0 1)
Issued share capital		**0 2**	-
Finance leases		**2 5**	-
Dividends paid		**(7 5)**	-
Purchase of own shares		**-**	(3 0)
Repayment of borrowings		**-**	(1 6)
Net cash from financing activities		**(5 8)**	(4 7)
Net increase / (decrease) in cash and cash equivalents in the year		**13 5**	(5 8)
Cash and cash equivalents at beginning of year		**44 3**	49 4
Effect of foreign exchange rate changes		**1 1**	0 7
Cash and cash equivalents at end of year	16	**58 9**	44 3

The Notes on pages 66 to 91 form part of these Financial Statements

Notes to the Financial Statements

1. Accounting policies

Basics of Preparation

The financial information provided is for the Group's financial year ending 31 July 2010

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

The IFRS financial information has been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 July 2009 except for the following

- IAS 1 – Presentation of Financial Statements (revised 2007)
- IAS 23 (revised) – Borrowing Costs
- IAS 27 (amendment) – Consolidated and Separate financial statements
- IAS 39 (amendment) – Financial Instruments Recognition and Measurement – Eligible hedged items
- IFRS 2 (amendment) Share based payment – Vesting conditions and cancellations
- IFRS 3 (revised) – Business Combinations
- IFRS 7 (amendment) – Financial instruments – Disclosures – Improving Disclosures about financial instruments
- IFRS 8 Operating Segments
- Improvements to IFRSs 2008
- Improvements to IFRSs 2009

The adoption of IAS 1 (revised) has required the reconciliation of movements in equity, previously disclosed in note 21 in the financial statements for the year ended July 31 2009, to be presented as a primary statement entitled 'Consolidated Statement of Changes in Equity' In addition, the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information The effect of adopting the above standards and interpretations is not material to Group earnings or to shareholders' funds in the current or prior year Therefore, prior year information has not been restated, hence an additional comparitive balance sheet has not been presented IFRS 7, IFRS 8 and IAS 1 (revised) relate to disclosure only, prior year information has been reclassified to conform with the current presentation The reclassifications do not affect prior year balance sheets

Standards in issue not yet effective

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

- IAS 24 (revised 2009) Related Party Disclosures - 1 January 2011
- IFRS 2 (amendment) Share based payment – Group Cash-settled Share-based Payment Transactions – 1 January 2010
- IFRS 9 Financial Instruments - 1 January 2013
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments – 1 July 2010
- Improvements to IFRSs – May 2010

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

Basis of consolidation – subsidiaries

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

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

Business combinations

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

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

Amounts wagered

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

Net gaming revenue

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

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

Goodwill

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

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

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	20-33% on cost

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

Other intangible assets

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

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

1. Accounting policies (continued)

Property, plant and equipment

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

Fixtures, fittings and equipment	25% on cost
Leasehold improvements	10% on cost
Motor vehicles	25% on cost
Computer equipment	20-33% on cost

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

Impairment of property, plant and equipment and intangible assets

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

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

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

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

Finance costs

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

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Interest bearing loans and other borrowings

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

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

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

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

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

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

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

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

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

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

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

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

Fair value measurements are based on quoted prices in active markets for the same instrument

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

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

1. Accounting policies (continued)

Taxation

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

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

Deferred tax

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

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

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

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

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, is recognised on a straight line basis over the lease term

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

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

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

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

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

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

Sports betting open positions
In accordance with the Group's accounting policy management monitors open betting positions on a monthly basis to ensure any significant changes in fair value are recognised in revenue Note 20 sets out management's measurement basis

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

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

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

Hedge accounting
In management's judgement the Group satisfies the necessary criteria to enable hedge accounting to be applied to certain derivative instruments Note 20 provides further information

2. Discontinued operations

Sale of Italian operations

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

Income statement of discontinued operations

	Year ended 31 July 2010 £m	31 July 2009 £m
Amounts wagered	-	14 1
Net gaming revenue	-	2 1
Administrative expenses	-	(3 6)
Operating loss	-	(1 5)
Loss before taxation	-	(1 5)
Taxation	-	-
Loss for the year	-	(1 5)
Loss on disposal	-	(7 9)
Loss for the period from discontinued operations	-	(9 4)

Cash Flow statement of discontinued operations

	Year ended 31 July 2010 £m	31 July 2009 £m
Loss after taxation	-	(1 5)
Depreciation	-	0 2
Operating cash flows before movement in working capital	-	(1 3)
Decrease in receivables	-	0 4
Decrease in payables	-	(0 3)
Cash generated by operations	-	0 1
Net cash from operating activities	-	(1 2)
Cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net decreases in cash and cash equivalents in the year	-	(1 2)
Cash and cash equivalents at beginning of period	-	1 2
Cash and cash equivalents at end of period	-	-

3. Net gaming revenue

	2010 £m	2009 £m
Gaming revenue	**226 3**	181 7
Promotional bonuses	**(18 8)**	(18 1)
Net gaming revenue	**207 5**	163 6

4. Operating segments

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

The following table presents revenue and profit information and certain asset and liability information regarding the Group's operating segments for the years ended 31 July 2010 and 31 July 2009

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

	2010					
	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	Continuing operations Total £m	Discontinued operations Total £m
Amounts wagered	1,157 8	743 9	69 6	-	1,971 3	-
Net gaming revenue	167 4	33 6	6 5	-	207 5	-
Depreciation and amortisation of software	(9 7)	(1 0)	-	(0 4)	(11 1)	-
Administrative expenses excluding exceptional items, share option charge and other amortisation	(112 2)	(24 8)	(4 7)	(19 3)	(161 0)	-
Group operating profit before exceptional items, share option charge and other amortisation	45 5	7 8	1 8	(19 7)	35 4	-
Other administrative expenses						
Exceptional items	-	-	-	(24 5)	(24 5)	-
Share option charge	(0 5)	(0 1)	-	(1 4)	(2 0)	-
Other amortisation	(1 8)	-	-	-	(1 8)	-
Total administrative expenses	(124 2)	(25 9)	(4 7)	(45 6)	(200 4)	-
Operating profit/(loss)	43 2	7 7	1 8	(45 6)	7 1	-
Finance (cost)/income	-	-	-	(0 2)	(0 2)	-
Taxation	(0 4)	(2 6)	-	-	(3 0)	-
Profit of the year	42 8	5 1	1 8	(45 8)	3 9	-
Balance Sheet information						
Total assets	138 4	26 4	-	-	164 8	-
Total liabilities	(60 2)	(11 9)	-	-	(72 1)	-
Expenditure incurred to acquire property, plant and equipment and intangible assets	21 7	2 0	-	-	23 7	-

4. Operating segments (continued)

	2010			
	Sports betting £m	Casino gaming £m	Poker rake £m	Total £m
Amounts wagered	1,920 2	48 2	21 7	1,990 1
Promotional bonuses	(11 2)	(3 3)	(4 3)	(18 8)
Net Amounts Wagered	1,909 0	44 9	17 4	1,971 3
Gaming Revenue	156 4	48 2	21 7	226 3
Promotional bonuses	(11 2)	(3 3)	(4 3)	(18 8)
Net Gaming Revenue	145 2	44 9	17 4	207 5

	2009					
	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	Continuing operations Total £m	Discontinued operations Total £m
Amounts wagered	938 7	610 5	28 0	-	1,577 2	14 1
Net gaming revenue	139 4	20 8	3 4	-	163 6	2 1
Depreciation and amortisation of software	(7 5)	(0 6)	-	(0 4)	(8 5)	(0 2)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(95 4)	(14 6)	(3 3)	(10 7)	(124 0)	(3 4)
Group operating profit before exceptional items, share option charge and other amortisation	36 5	5 6	0 1	(11 1)	31 1	(1 5)
Other administrative expenses						
Exceptional items	(4 2)	-	-	-	(4 2)	-
Share option charge	(1 5)	(0 6)	-	(1 0)	(3 1)	-
Other amortisation	(1 9)	-	-	-	(1 9)	-
Total administrative expenses	(110 5)	(15 8)	(3 3)	(12 1)	(141 7)	(3 6)
Operating profit / (loss)	28 9	5 0	0 1	(12 1)	21 9	(1 5)
Finance (cost) / income	-	-	-	0 4	0 4	-
Taxation	1 0	(1 5)	-	-	(0 5)	-
Profit of the year	29 9	3 5	0 1	(11 7)	21 8	(1 5)
Balance Sheet information						
Total assets	114 8	24 0	-	-	138 8	-
Total liabilities	(36 5)	(9 0)	-	-	(45 5)	-
Expenditure incurred to acquire property, plant and equipment and intangible assets	11 7	1 0	-	-	12 7	-

For segmental information by product, revenue is attributed to three principal products sports betting, casino gaming and poker
Segment assets and capital expenditure cannot be allocated to principal products

4 Operatıng segments (contınued)

	2009 Sports betting £m	Casino gaming £m	Poker rake £m	Total £m
Amounts wagered	1,529 6	43 7	22 0	1,595 3
Promotional bonuses	(12 5)	(2 4)	(3 2)	(18 1)
Net amounts wagered	1,517 1	41 3	18 8	1,577 2
Gaming revenue	116 0	43 7	22 0	181 7
Promotional bonuses	(12 5)	(2 4)	(3 2)	(18 1)
Net gaming revenue	103 5	41 3	18 8	163 6

5. Exceptional items

	Notes	**2010 £m**	2009 £m
Department of Justice settlement	(a)	**22 8**	-
Move to the main market	(b)	**1 7**	-
Provision against monies due from payment processing provider	(c)	**-**	4 2
		24 5	4 2

(a) The agreed settlement payment to the United States Department of Justice in respect of the US facing element of the Group's business operating prior to the implementation of the Unlawful Gambling Enforcement Act ("UIGEA") In return, the US Federal Government will not seek to prosecute the Group with regard to its former actions in the US

(b) The costs related to transferring the listing of the Group's entire issued share capital from AIM to a premium listing on the Official List of the UK Listing Authority ("Official List")

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

6. Profit before taxation

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

	2010 £m	2009 £m
Net foreign exchange losses	**(1.9)**	(1 0)
Depreciation of property, plant and equipment	**5 4**	4 7
Amortisation of software	**5 7**	4 0
Auditors' remuneration		
Audit services	**0 1**	0 1
Audit of subsidiaries pursuant to legislation	**0 3**	0 6
Tax services	**0 1**	0 3
Transaction support services	**0 4**	-

7. Share option charge

	2010 £m	2009 £m
Share option charge	**1 1**	3 1
Social security costs on share options	**0 9**	-
	2 0	3 1

8. Staff costs

	2010 No.	2009 No
The average monthly number of employees (including Executive Directors) was		
Europe	**468**	419
Australia	**103**	87
	571	506

	2010 £m	2009 £m
Employee costs (including Executive Directors) were as follows		
Wages and salaries	**35 7**	29 9
Social security costs	**3 8**	2 8
Pensions costs	**1 5**	1 3
	41 0	34 0

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

	2010 £m	2009 £m
Directors' remuneration		
Salary and fees	**1 4**	1 2
Bonuses	**1 1**	0 6
Share based payments	**2 8**	0 9
Total emoluments	**5 3**	2 7
Pension contributions	**0 1**	0 1
	5 4	2 8

Further disclosures on the remuneration of each individual Director are given in the Remuneration Report on pages 52 to 56

9. Net finance (costs)/income

	2010 £m	2009 £m
Bank loans and overdrafts	**(0 5)**	(0 3)
Finance lease interest	**(0.1)**	-
	(0.6)	(0 3)
Interest receivable	**0 4**	0 7
	(0 2)	0 4

10. Taxation

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

	2010 £m	2009 £m
Note 10(a) Analysis of charge in the period		
Current tax		
UK corporation tax on losses of the period	-	-
Overseas taxation	3 0	2 4
Adjustments to overseas taxation in respect of previous periods	0 6	(1 2)
Total current tax	3 6	1 2
Deferred tax		
Current year movement to deferred tax	(0 6)	(0 7)
Total deferred tax (note 10(c))	(0 6)	(0 7)
Tax on profit on ordinary activities (note 10(b))	3 0	0 5
Note 10(b) Factors affecting the tax charge for the period		
Profit on ordinary activities before tax	6 9	22 3
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 28% (2009 28%)	1 9	6 2
Effects of		
Expenses not deductible for tax purposes	10 4	1 3
Effect of lower tax rates on overseas earnings	(10 6)	(6 9)
Tax losses arising in year	3 3	0 9
Other timing differences	(1 4)	0 2
Adjustments to tax charge in respect of previous periods	(0 6)	(1 2)
Tax charge for the period (note 10(a))	3 0	0 5
Note 10(c) Provision for deferred tax (deferred tax asset)		
Other timing differences	(0 6)	(0 7)
Provision for deferred tax at 28% (2009 28%)	(0 6)	(0 7)
As at the beginning of the year	(1 4)	(0 7)
Current year movement	(0 6)	(0 7)
As at the end of the year (deferred tax asset)	(2 0)	(1 4)

UK deferred tax assets in respect of accelerated capital allowances £0 9m and tax losses £12 8m 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

11. Earnings per share

	Continuing 2010	Discontinued 2010	2010 Total	Continuing 2009	Discontinued 2009	2009 Total
Profit/(Loss) per ordinary share						
Basic	**0 8p**	-	**0.8p**	4 6p	(2 0p)	2 6p
Diluted	**0 7p**	-	**0 7p**	4 2p	(1 8p)	2 4p
Adjusted earnings per ordinary share (before exceptional items, share option charge and amortisation)						
Basic	**6 5p**	-	**6 5p**	6 5p	(0 3p)	6 2p
Diluted	**6.2p**	-	**6 2p**	6 0p	(0 3p)	5 7p

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

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

	Continuing 2010 £m	Discontinued 2010 £m	Total 2010 £m	Continuing 2009 £m	Discontinued 2009 £m	Total 2009 £m
Basic earnings	**3 9**	-	**3 9**	21 8	(9 4)	12 4
Exceptional items	**24 5**	-	**24 5**	4 2	-	4 2
Share option charge	**2 0**	-	**2 0**	3 1	-	3 1
Amortisation	**1.8**	-	**1 8**	1 9	-	1 9
Adjusted earnings	**32 2**	-	**32 2**	31 0	(9 4)	21 6

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

	2010 No.	2009 No
Weighted average number of shares in issue	**496,107,615**	477,099,664
Employee share schemes	**19,181,226**	39,630,748
Contingent consideration	-	-
Fully diluted number of weighted average number of shares in issue	**515,288,841**	516 730,412

11. Earnings per share (continued)

As at 31 July 2010 the Group had the following shares in issue and potentially dilutive shares

	2010 No	2009 No
Number of shares in issue	**502,038,144**	483,987,106
Employee share schemes	**19,181,226**	39,630,748
Fully diluted number of shares in issue	**521,219,370**	523,617,854

12. Goodwill

	£m
Cost	
As at 1 August 2008	254 6
Additions	-
Disposals	(6 4)
Exchange movements	0 1
Other movements	(5 5)
As at 1 August 2009	242 8
Additions	-
Disposals	-
Exchange movements	0 4
As at 31 July 2010	243 2
Impairment losses	
As at 1 August 2008	201 6
As at 1 August 2009	201 6
Exchange movements	0 1
As at 31 July 2010	201 7
Net book value	
As at 31 July 2010	41 5
As at 31 July 2009	41 2

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

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

12. Goodwill (continued)

Subsequent to the annual impairment test for 2010, the carrying amount of goodwill is allocated to the following cash generating units

	2010 £m	2009 £m
Europe	**17 8**	17 8
Australia	**23 7**	23 4
	41 5	41 2

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

Management consider the key assumptions to be the selection of growth and discount rates

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%, based on management's assessment of comparable companies in the sector The future cash flows are modelled based on budgeted projections and cash flows beyond the budget period are extrapolated using a growth rate of 1% The growth rate applied is based on past experience Future cash flows are projected assuming no changes to the current regulatory environment

13. Other intangible assets

	Software £m	Other £m	Total £m
Cost			
As at 1 August 2008	16 8	13 9	30 7
Additions	6 6	-	6 6
As at 1 August 2009	23 4	13 9	37 3
Additions	13 3	-	13 3
Disposals	(0 7)	-	(0 7)
Exchange movements	-	0 1	0 1
As at 31 July 2010	36 0	14 0	50 0
Amortisation and impairment losses			
As at 1 August 2008	9 8	5 7	15 5
Charge for the year	4 0	1 9	5 9
As at 1 August 2009	13 8	7 6	21 4
Charge for the year	5 7	1 8	7 5
Disposals	(0 6)	-	(0 6)
Exchange movements	(0 2)	0 1	(0 1)
As at 31 July 2010	18 7	9 5	28 2
Net book value			
As at 31 July 2010	17 3	4 5	21 8
As at 31 July 2009	9 6	6 3	15 9

The £14 0m of Other Intangible costs includes £5 3m capitalisation of the Superbahis URL and contract, and £8 7m relating to the Belmond International Limited marketing contract

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

14. Property, plant and equipment

	Fixtures, fittings and equipment £m	Motor vehicles £m	Computer equipment £m	Freehold land and buildings £m	Total £m
Cost					
As at 1 August 2008	6 6	0 1	19 9	9 6	36 2
Additions	0 4	-	2 6	3 1	6 1
Disposals	(0 2)	-	(7 3)	-	(7 5)
Exchange movements	(0 8)	-	0 2	-	(0 6)
As at 1 August 2009	6 0	0 1	15 4	12 7	34 2
Additions	1 4	0 1	7 5	1 4	10 4
Disposals	(0 2)	-	(0 7)	-	(0 9)
Exchange movements	0 1	-	0 2	-	0 3
As at 31 July 2010	7 3	0 2	22 4	14 1	44 0
Depreciation					
As at 1 August 2008	3 6	0 1	11 3	0 1	15 1
Charge for the year	0 6	-	3 5	0 6	4 7
Disposals	(0 4)	-	(6 3)	-	(6 7)
Exchange adjustments	(0 8)	-	-	-	(0 8)
As at 1 August 2009	3 0	0 1	8 5	0 7	12 3
Charge for the year	1 1	-	3 9	0 4	5 4
Disposals	(0 2)	-	(0 6)	-	(0 8)
Exchange adjustments	-	-	-	-	-
As at 31 July 2010	3 9	0 1	11 8	1 1	16 9
Net book value					
As at 31 July 2010	3 4	0 1	10 6	13 0	27 1
As at 31 July 2009	3 0	-	6 9	12 0	21 9

The net book value of assets held under finance leases amounts to £1 9m (2009 £nil)

15. Trade and other receivables

	2010 £m	2009 £m
Trade receivables	**9 0**	6 1
Provision for impairment of trade receivables	**(4 9)**	(2 4)
Trade receivables, net	**4 1**	3 7
Other receivables	**3 2**	6 2
Prepayments and accrued income	**5 3**	3 5
	12 6	13 4

Trade receivables that are less than 30 days past due are not considered impaired As of 31 July 2010, trade receivables of £4 1m (2009 £3 7m) 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

	2010 £m	2009 £m
Up to 2 months past due	**3 6**	3 0
2 to 6 months past due	**0 1**	0 1
Over 6 months past due	**0 4**	0 6
	4 1	3 7

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

	2010 £m	2009 £m
As at 1 August	**2 4**	1 9
Provision for receivables impairment	**3 2**	1 2
Receivables written off during the year as uncollectable	**(0 7)**	(0 7)
As at 31 July	**4 9**	2 4

The creation and release of provisions for impaired receivables have been included in "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

16. Cash and cash equivalents

	2010 £m	2009 £m
Cash	**42.3**	30 1
Short term cash deposits	**16 5**	14 1
Restricted cash	**0 1**	0 1
	58 9	44 3

Restricted cash includes £0 1m (2009 £0 1m) held in designated accounts which have certain restrictions

Short term cash deposits consist of balances held by payment service providers

17. Trade and other payables

Current liabilities	2010 £m	2009 £m
Bank loans	**4 0**	4 0
Finance lease	**1.3**	-
Trade payables	**6.8**	5 3
Other payables	**3 8**	5 5
Customer liabilities	**16 2**	14 8
Tax and social security	**1 5**	1 7
Accruals and deferred income	**24 1**	12 0
Contingent consideration	**-**	0 5
Open bets	**2 0**	1 7
	59 7	45 5

Non -current liabilities	2010 £m	2009 £m
Accruals and deferred income	**11 6**	-
	11 6	-

Included within accruals and deferred income is £22 8m owed in respect of the agreed Department of Justice settlement as referred to in note 5 This is split between £11 2m payable in less than one year and £11 6m payable after more than one year in two separate installments to the Southern District of New York with the final settlement date 31 March 2012

Contingent consideration of £nil (2009 £0 5m) is owed in respect of the acquisition of the business and assets of Maslin Properties Limited

Although repayable on demand, the Group has a bank loan of £4 0m which is available up to 2012 The Directors do not anticipate early repayment The loan is secured by a floating charge over the assets of the Group, and bears an interest rate of 1 5% above LIBOR

The open bets at the year end are within the scope of IAS 39 as derivative contracts These bets are held at fair value with significant gains and losses recognised in revenue Management's assessments of the exposure to significant changes in fair value of open bets is assessed as negligible due to the short term exposures to such liabilities and the minimal movement on average betting odds between the date of bet placing and the period end

18. Provisions

	£m
As at 1 August 2008	0 1
Amounts incurred and charged against the provision	-
As at 1 August 2009	0 1
Amounts incurred and charged against the provision	(0 1)
As at 31 July 2010	-
Included in current liabilities	-
Included in non-current liabilities	-
	-

The chargeback provision provided for future chargebacks on customer deposits has now been released

19. Leases

a) Obligations under finance leases

	2010 £m	2009 £m
Minimum lease payments		
Within 1 year	**1 2**	-
Within 2-5 years inclusive	**1 3**	-
	2 5	-
Less future finance charges	-	-
Present value of lease obligations	**2 5**	-

	2010 £m	2009 £m
Present value of minimum lease payments		
Within 1 year	**1 2**	-
Within 2-5 years inclusive	**1 3**	-
	2 5	-
Accounts due for settlement within 1 year	**1 2**	-
Accounts due for settlement after more than 1 year	**1 3**	-
	2 5	-

The Group has entered into a series of transactions denominated in sterling and commencing in September 2009 to finance, through the lease arrangements shown above, the purchase of computer hardware and other associated assets The initial lease term for all these assets was three years and the average life outstanding was two years two months as at 31 July 2010 The average effective borrowing rate at that date was 1 9% and the interest rates that apply are fixed at the contract date The fair value of the Group's lease obligations approximates their carrying amount The Group's obligations under finance leases are secured by the lessor's charges over the leased assets themselves as well as fixed and floating charges over Sportingbet Plc and three of the Group s subsidiaries

b) Commitments under operating leases

The minimum lease payments under operating leases in respect of land and buildings that have been recognised as an expense for the period

	2010 £m	2009 £m
Minimum lease payments	**1 8**	1 7

The Group had outstanding commitments for the future minimum lease payments in respect of land and buildings

	2010 £m	2009 £m
Within 1 year	**1 3**	1 6
Within 2-5 years inclusive	**2 7**	1 7
In more than 5 years	**2 8**	0 6
	6 8	3 9

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

20. Financial instruments

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

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

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

Interest rate risk
The Group finances its operations through a mixture of retained profits and bank facilities Bank borrowings are made using variable interest rates The interest rate risk on the Group's £4 0m bank loan is not considered to be significant

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

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

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

20. Financial instruments (continued)

	31 July 2010			
	1 year or less £m	2-5 years £m	5 years and over £m	Total £m
Financial liabilities				
Trade payables	12 1	-	-	12 1
Customer liabilities	16 2	-	-	16 2
Bank loans	4 0	-	-	4 0
Finance leases	1 2	1 3	-	2 5
Sports betting open positions	2 0	-	-	2 0
Total	35 5	1 3	-	36 8

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

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

	31 July 2009			
	1 year or less £m	2-5 years £m	5 years and over £m	Total £m
Financial liabilities				
Trade payables	11 7	-	-	11 7
Customer liabilities	14 8	-	-	14 8
Bank loans	4 0	-	-	4 0
Sports betting open positions	1 7	-	-	1 7
Total	32 2	-	-	32 2

Credit risk

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

Currency risk

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

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

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

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

Amounts initially taken to other comprehensive income under designated cash flow hedges totalled a gain of £0 3m (2009 £1 2m) of which a £0 3m loss (2009 £0 5m gain) has been reclassified to the income statement on the completion of designated hedge relationships Hedges continue to be highly effective

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

20. Financial instruments (continued)

Functional currency of operation	Euro £m	US dollars £m	Brazilian Real £m	Other currencies £m	Total £m
	Net foreign currency monetary assets				
2010					
Sterling	16 2	11 9	3 3	4 8	36 2
	16 2	11 9	3 3	4 8	36 2
2009					
Sterling	12 4	3 0	0 9	14 8	31 1
	12 4	3 0	0 9	14 8	31 1

Carrying values

The carrying amounts of the Group's financial instruments are setout below As these financial instruments are not publicly traded, the fair values presented are determined by calculating present values of the cash flows anticipated until maturity of these financial assets

	Assets at fair value through the Income Statement		Loans and receivables	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Financial assets as per balance sheet				
Trade and other receivables	**-**	-	**7.3**	9 9
Cash and cash equivalents	**-**	-	**58.9**	44 3
Derivatives	**1 3**	0 7	**-**	-
	1 3	0 7	**66 2**	54 2

	Liabilities at fair value through the Income Statement		Financial liabilities at amortised cost	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Financial liabilities as per balance sheet				
Trade and other payables	**2 0**	1 7	**26.8**	25 6
Interest bearing loans and borrowings	**-**	-	**4.0**	4 0
	2.0	1 7	**30 8**	29 6

20. Financial instruments (continued)

Foreign currency sensitivity

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

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

The following table illustrates the sensitivity of the net result for the year and equity with regard to the Group's financial assets and financial liabilities and the Euro/Sterling exchange rate and Turkish Lira/Sterling rate It assumes a +/- 0 2% movement in the Sterling/Euro exchange rate for the year ended 31 July 2010 (2009 0 5%) and a +/- 0 5% movement for the Sterling/Turkish Lira exchange rate (2009 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 0 2% (2009 0 5%) and 0 5% (2009 0 4%) respectively then this would have had the following impact

	2010			2009		
	Euro £m	**Turkish Lira £m**	**Total £m**	Euro £m	Turkish Lira £m	Total £m
Net profit	**(0.1)**	**(0 1)**	**(0 2)**	(0 2)	(0 1)	(0 3)
Equity	**(0.1)**	**(0 1)**	**(0 2)**	(0 1)	(0 1)	(0 2)

If Sterling had weakened against the Euro and Turkish Lira by 0 2% (2009 0 5%) and 0 5% (2009 0 4%) respectively then this would have had the following impact

	2010			2009		
	Euro £m	**Turkish Lira £m**	**Total £m**	Euro £m	Turkish Lira £m	Total £m
Net profit	**0 1**	**0 1**	**0 2**	0 2	0 1	0 3
Equity	**0 1**	**0 1**	**0 2**	0 1	0 1	0 2

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

Capital management

In common with many internet companies that have few physical assets, the Group has no policy as to the level of equity capital and reserves other than to address statutory requirements As at 31 July 2010, the Group had £4 0m (2009 £4 0m) of bank loans which are secured on the Group's land and buildings Details of the Group's dividend policy are disclosed on page 69 of this Annual Report

21. Share capital

	2010 £000	2009 £000
Authorised		
1,000m (2009 1,000m) ordinary shares of 0 1p each	**1,000**	1,000
Allotted, issued and fully paid		
As at 31 July 2009 483,987,106 shares of 0 1p each	**484**	472
Issues in respect of acquisitions nil shares	**-**	7
Other share issues in respect of exercised share options 18,051,038 shares	**18**	5
As at 31 July 2010 502,038,144 shares of 0 1p each	**502**	484

21. Share capital (continued)

At 31 July 2010 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)
December 2003	1,115,000	December 2006 – December 2010	39 5
January 2004	539,375	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	95,000	November 2007 – November 2014	131
August 2005	22,250	July 2007 – July 2008	-
June 2008	1,626,801	November 2009 – November 2011	-
January 2009	14,829,466	November 2010 - November 2012	-
August 2009	703,334	November 2010 - November 2012	-

At 31 July 2010 there were 19,181,226 options or awards over ordinary shares outstanding, 3,037,326 of which relate to Directors, details of which can be found in the Remuneration Report on pages 52 to 56

Of the share options detailed above 784,375 relate to the Executive Scheme, 1,215,000 relate to the Unapproved Scheme, 22,250 relate to the 2005 plan, 1,626,801 relate to the 2006 Share Plan, and 15,532,800 relate to the 2009 restricted share plan

22. Share based payments

The Company operates five equity-settled share-based remuneration schemes for employees across the Group, as listed in Note 21 All employees are eligible to participate in these schemes, the vesting conditions being that the individual still remains in employment at the date of the release of the option and in respect of the 2005 and 2006 share plans satisfies certain performance criteria The terms of these schemes are discussed in more detail in the Remuneration Report on pages 52 to 56

	2010		2009	
	Weighted average exercise price (p)	**No**	Weighted average exercise price (p)	No
Outstanding at the beginning of the year	**2 5**	**39,630,748**	2 7	38,686,357
Granted during the year	**-**	**703,334**	-	17,416,122
Forfeited during the year	**-**	**(250,000)**	-	(66,667)
Exercised during the year	**2 1**	**(18,158,451)**	-	(13,789,763)
Lapsed during the year	**6 7**	**(2,744,405)**	1 4	(2,615,301)
Outstanding at the end of the year	**2 3**	**19,181,226**	2 5	39,630,748
Exercisable at the end of the year	**50 1**	**2,021,625**	52 6	3,235,625

The exercise price of options outstanding at the end of the year ranged between 0p and 131p (2009 0p and 131p) and their weighted average contractual life was 675 days (2009 596 days)

Of the total number of options outstanding at the end of the year, 2,021,625 had vested and were exercisable, (2009 3,235,625)

The weighted average share price (at the date of exercise) of options exercised during the year was 74 4p (2009 27 9p)

The weighted average fair value of each option granted during the year was 56 3p (2009 33 4p)

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

	2010 £m	2009 £m
Equity-settled		
Options pricing model used	**Black-Scholes**	Black-Scholes
Weighted average share price at grant date (pence)	**59 75p**	35 17p
Exercise price (pence)	**nil**	nil
Weighted average contractual life (days)	**830**	1,208
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

	2010 £m	2009 £m
The share-based remuneration expense comprises		
Equity-settled schemes	**1 1**	3 1

23. Contingencies

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

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

As noted within the Regulatory Developments section (pages 57 to 59) there have been certain adverse regulatory developments within Turkey and parts of Europe

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

(b) The Group has been paying taxes in the form of product fees to various states of Australia to the three racing codes The Group's management believes the legal bases of these taxes is flawed and have been making payments under protest The Group has paid A$6 7m to the state of New South Wales, which may be recoverable if legal action is successful

(c) The business is situated, operated and managed from Guernsey through an Alderney registered company The main business of the Group was mitigated to this company from the UK during the year ended 31 July 2007 HMRC have not yet given formal clearance that they accept the business has moved offshore If HMRC were to successfully contend that the Group has not moved its operations offshore then there may be a material adverse effect on the amount of tax payable by the Group for the period since 31 July 2007 In addition the Group may be liable to a claim for additional employment taxes if the Group's interpretation of certain contracts is found to be incorrect

24. Related parties

The Group makes contributions into an Employee Benefit Trust ("EBT") as part of a cash based long term incentive plan for certain key employees A number of Directors are beneficiaries of the EBT into which contributions of £0 4m were made in 2010 (2009 £0 6m)

N Payne (Senior Independent Non-Executive Director) provided financial consultancy services to the Group amounting to £20,000 (2009 £nil) via Merlin Finance Advisors LLP

S O'Connor (Senior Independent Non-Executive Director) provided marketing consultancy services to the Group amounting to £19,800 (2009 £nil), via The Sean O Connor Consultancy Limited

Parent Company Independent Auditor's Report

Independent auditor's report to the members of Sportingbet Plc

We have audited the Parent Company Financial Statements of Sportingbet Plc for the year ended 31 July 2010 which comprise the Parent Company Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Parent Company Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 July 2010,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Parent Company Financial Statements

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group Financial Statements of Sportingbet Plc for the year ended 31 July 2010.

Paul Etherington BSc FSA CF

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

5 October 2010

Parent Company Balance Sheet

As at 31 July 2009	Notes	**2010 £m**	2009 £m
Fixed assets			
Investments	4	**88 3**	46 3
		88 3	46 3
Current assets			
Debtors	5	**79 3**	25 6
Cash at bank and in hand	6	**-**	1 2
		79 3	26 8
Creditors – amounts falling due within one year	7	**(16 9)**	(6 3)
Net current assets		**62 4**	20 5
Creditors – amounts falling due after more than one year	7	**(11 6)**	-
Net assets		**139 1**	66 8
Shareholders' funds			
Issued share capital	8	**0 5**	0 5
Share premium	9	**58 8**	58 3
Retained earnings	9	**79 8**	8 0
Equity shareholders' funds		**139 1**	66 8

The Notes on pages 94 to 97 form part of these Financial Statements These Financial Statements were approved by the Board and authorised for issue on 5th October 2010

A McIver
Director

Notes to the Parent Company Financial Statements

1. Parent company accounting policies

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

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

The following principal accounting policies have been applied

Exemptions

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss for the Company alone

Valuation of investments

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

Leased assets

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

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

Pension costs

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

Share based employee remuneration

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

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

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

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

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

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

Financial liabilities and equity

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

2. Profit after tax

Company profit after tax for the year amounted to £78 8m 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

	2010 £m	2009 £m
Employee costs including Directors were as follows		
Wages and salaries	**3 2**	2 6
Social security costs	**0 4**	0 3
Pensions costs	**0 2**	0 2
	3 8	3 1

During the year 14 employees were employed by the Company (2009 6)

There were 2 (2009 2) Directors in the Company's defined contribution pension scheme Further disclosures on the remuneration of each individual Director are given in the Remuneration Report on pages 52 to 56

4. Investments

	Shares in subsidiary undertakings £m
Investment in subsidiary undertakings	
As at 1 August 2009	46 3
Acquisitions	41 3
Options issued to employees of subsidiary undertakings	0 7
As at 31 July 2010	88 3

During the year the Group underwent a reorganisation of subsidiaries in order to meet management objectives and in doing so resulted in the Company acquiring £41 3m (2009 £nil) in subsidiary undertakings during the year These objectives included the creation of a pool of reserves with the Company that is sufficient to meet short to medium term external dividend requirements and to simplify inter-company balances within the Group

The following principal subsidiaries were wholly owned at 31 July 2010

	Activity	Country of incorporation or registration
Interactive Sports (CI) Limited	Online betting	Alderney
Interactive Sports Limited	Online betting	England
Sportingbet Australia Pty Limited	Online and telephone betting	Australia
Internet Opportunity Entertainment (Sports) 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 Group 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
Sportingbet Holdings Limited	Group Holdings Company	England
Spread Your Wings Limited	Online Betting	Malta
SBT Software operations (SA) (PTY) Limited	Online Betting	South Africa

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

5. Debtors

	2010 £m	2009 £m
Other debtors	0 7	0 3
Prepayments and accrued income	1.4	1 1
Owed by subsidiary undertakings	77 2	24 2
	79 3	25 6

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

	2010 £m	2009 £m
Cash	-	1 2
	-	1 2

7. Creditors

Amounts falling due within one year

	2010 £m	2009 £m
Bank loans	4 0	4 0
Accruals and deferred income	12 5	1 9
Due to subsidiary undertakings	0 4	0 4
	16 9	6 3

Amounts falling due after more than one year

	2010 £m	2009 £m
Accruals and deferred income	11 6	-
	11 6	-

8 Share capital

	2010 £000	2009 £000
Authorised		
1,000m (2009 1,000m) ordinary shares of 0 1p each	**1,000**	1,000
Allotted, issued and fully paid		
As at 31 July 2009 483,987,106 shares of 0 1p each	**484**	472
Issues in respect of acquisitions nil shares	-	7
Issues in respect of exercised share options 18,051,038 shares	**18**	5
As at 31 July 2010 502,038,144 shares of 0 1p each	**502**	484

At 31 July 2010 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)
December 2003	1,115,000	December 2006 – December 2010	39 5
January 2004	539,375	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	95,000	November 2007 – November 2014	131
August 2005	22,250	July 2007 – July 2008	-
June 2008	1,626,801	November 2009 – November 2011	-
January 2009	14,829,466	November 2010 - November 2012	-
August 2009	703,334	November 2010 - November 2012	-

At 31 July 2010 there were 19,181,226 options or awards over ordinary shares outstanding, 3,037,326 of which relate to Directors, details of which can be found in the Remuneration Report on pages 52 to 56

Of the share options detailed above 784,375 relate to the Executive Scheme, 1,215,000 relate to the Unapproved Scheme, 22,250 relate to the 2005 plan, 1,626,801 relate to the 2006 Share Plan, and 15,532,800 relate to the 2009 restricted share plan

9. Reserves

	Share premium account £m	Profit and loss account £m
As at 1 August 2009	58 3	8 0
Employee share options	0 5	(0 6)
Share option charge	-	1 1
Dividends	-	(7 5)
Profit for the year	-	78 8
As at 31 July 2010	58 8	79 8

The movement in Company shareholders' funds of £72 3m (2009 £15 4m) is wholly represented by the movements shown in reserves and share capital in Notes 9 and 8

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sportingbet Plc (the "Company") will be held at 4th Floor 45 Moorfields, London EC2Y 9AE on Friday 17 December 2010 at 10 30 a m to transact the following business

Resolutions 1 to 8 inclusive and 11 will be proposed as ordinary resolutions Resolutions 9, 10, 12 and 13 will be proposed as special resolutions

Resolution 1
To receive and adopt the accounts, the directors' report, and the auditor's report on the financial statements for the year ended 31 July 2010

Resolution 2
To receive and approve the directors' remuneration report for the year ended 31 July 2010

Resolution 3
To declare a final dividend for the year ended 31 July 2010 of 1 1 pence (£0 011) per ordinary share

Resolution 4
To re-appoint Grant Thornton UK LLP as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company

Resolution 5
To authorise the directors to set the auditors' remuneration

Resolution 6
To re-elect Sean O'Connor as a director of the Company

Resolution 7
To re-elect Nigel Payne as a director of the Company

Resolution 8
That the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "2006 Act") in substitution for all existing authorities

- to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "Relevant Securities") up to an aggregate nominal amount of one hundred and sixty seven thousand, three hundred and ninety three pounds (£167,393), and
- to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) up to an additional aggregate nominal amount of one hundred and sixty seven thousand, three hundred and ninety three pounds (£167,393) provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever, provided that the authorities in 8(i) and 8(ii) shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the annual general meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted after such expiry and the directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired

Resolution 9
That the directors be and are empowered, in accordance with section 570 of the 2006 Act, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution number 8 or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to

- the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority conferred by paragraph 8(ii), by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record date as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever, and
- the allotment (otherwise than pursuant to paragraph 9(i) above) of equity securities up to an aggregate nominal amount of twenty five thousand, one hundred and nine pounds (£25,109), and shall expire upon the expiry of the authority conferred by resolution 8 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired

Resolution 10
That the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the 2006 Act, to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 0 1 pence 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 authorised to be purchased is 50,218,042 (representing approximately 10 per cent of the Company's issued ordinary share capital at the date of this notice of meeting),
- the minimum price which may be paid for an Ordinary Share is 0 1 pence (exclusive of expenses payable by the Company),
- the maximum price which may be paid for an Ordinary Share (exclusive of expenses payable by the Company) cannot be more than the higher of
  - 105 per cent of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is contracted to be purchased, and
  - the value of an Ordinary Share calculated on the basis of the higher of
    - the last independent trade of, or
    - the highest current independent bid for, any number of Ordinary Shares on the trading venue where the market purchase by the Company will be carried out, and
- the authority conferred shall expire at the conclusion of the next annual general meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry

Resolution 11
That in accordance with sections 366 and 367 of the 2006 Act the Company and all companies which are subsidiaries of the Company during the period when this resolution 11 has effect are authorised to

1 make political donations to political parties or independent election candidates, as defined in the 2006 Act, not exceeding one hundred thousand pounds (£100,000) in total,

2 make political donations to political organisations other than political parties, as defined in the 2006 Act, not exceeding one hundred thousand pounds (£100,000) in total, and

3 incur political expenditure, as defined in the 2006 Act, not exceeding one hundred thousand pounds (£100,000) in total,

during that period beginning with the date of the passing of this resolution and ending on the conclusion of the next annual general meeting of the Company provided that the authorised sums referred to in paragraphs 11(i), 11(ii) and 11(iii) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sums, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter), or, if earlier, on the day on which the Company enters into any contract or undertaking in relating to the same

Resolution 12
That the Company is authorised to call any general meeting of the Company other than the annual general meeting by notice of at least 14 clear days during the period beginning on the date of the passing of this resolution and ending on the conclusion of the next annual general meeting of the Company

Resolution 13
That

1 the articles of association of the Company be amended by deleting all of the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's articles of association, and

2 the articles of association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company

5 October 2010

By Order of the Board
D J Talisman
D Talisman LLB (Hons) ACIS
Company Secretary

Registered Office 4th Floor
45 Moorfields
London
EC2Y 9AE

Notes to the Notice of Meeting

Entitlement to attend and vote

Only those shareholders registered in the register of members of the Company as at 6 00 p m on 15 December 2010 (or, if the meeting is adjourned, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares

As at 5 October 2010 (being the last business day before the publication of this notice), the Company's issued share capital consisted of 502 180,424 ordinary shares carrying one vote each Therefore the total voting rights in the Company are 502,180,424

Any member attending the meeting has the right to ask questions The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if

- to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information,
- the answer has already been given on a website in the form of an answer to a question, or
- it is undesirable in the interests of the company or the good order of the meeting that the question be answered

Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to

- the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting, or
- any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting

The Company cannot require the members requesting the publication to pay its expenses Any statement placed on the website must also be sent to the Company's auditors no later than the time the Company makes the statement available on the website The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website

Proxies

A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) 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 him

Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you Your proxy will vote as you instruct and must attend the meeting for your vote to be counted Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form Appointing a proxy does not preclude you from attending the meeting and voting in person If you attend the meeting in person, your proxy appointment will automatically be terminated

An appointment of proxy is provided with this notice and instructions for use are shown on the form In order to be valid, a completed appointment of proxy must be returned to the Company by one of the following methods

- in hard copy form by post, by courier or by hand to the Company's registrar at the address shown on the form of proxy, or
- by completing it online at www capitashareportal com by following the instructions on screen to submit it, or
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,

and in each case must be received by the Company's registrar's, Capita Registrars, not less than 48 hours before the time fixed for the meeting

Please note that any electronic communication sent to our registrars in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted

To change your proxy instructions you may return a new proxy appointment using the methods set out above Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Registrars The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others

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's specifications and must contain the information required for such instructions, as described in the CREST Manual The message, regardless of whether it constitutes the appointment of a proxy or 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 UK & Ireland 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

Nominated Persons

A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 ("Nominated Persons") The rights to appoint a proxy cannot be exercised by a Nominated Person they can only be exercised by the member However, a Nominated Person may have a right under an agreement between him and the member who has nominated him to be appointed as a proxy for the meeting or to have someone else so appointed If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights

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, a copy of the new articles of association proposed to be adopted by Resolution 13, and a copy of the existing memorandum and articles of association marked to show the changes being proposed in Resolution 13 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

A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www sportingbetplc com

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

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 2010 You can find the report in the remuneration report in the Annual Report and accounts for the year ended 31 July 2010

Resolution 3
A final dividend of 1 1 pence (£0 011) per ordinary share for the year ended 31 July 2010 is recommended for payment by the directors If you approve the recommended final dividend this will be paid on 11 January 2011 to all ordinary shareholders who were on the register of members at the close of business on 17 December 2010

Resolutions 4 and 5
At each general meeting at which accounts are laid before the members, the Company is required to appoint auditors to stand until the next such meeting and Resolution 5 authorises the directors to set their remuneration

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

Resolutions 6 and 7
Under the Company's articles of association, each director must stand for re-election every three years You are therefore asked to re elect Sean O'Connor and Nigel Payne as directors of the Company

Resolution 8
Your board considers it appropriate that authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of one hundred and sixty seven thousand, three hundred and ninety three pounds (£167,393) representing approximately one third of the Company's issued ordinary share capital (excluding treasury shares) as at 5 October 2010 (the latest practicable date before publication of this letter) during the period up to the conclusion of the next annual general meeting in 2011

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

As at the date of this letter the Company does not hold any ordinary shares in the capital of the Company in treasury

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

- in connection with a rights issue or other pro-rata offer to existing shareholders
- (otherwise than in connection with a rights issue) up to a maximum nominal value of twenty five thousand, one hundred and nine pounds (£25,109), representing approximately five per cent of the issued ordinary share capital of the Company as at 5 October 2010 (the latest practicable date before publication of this letter)

Resolution 10
Resolution 10 gives the Company authority to buy back its own ordinary shares in the market as permitted by the 2006 Act The authority limits the number of shares that could be purchased to a maximum of 50,218,042 (representing approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 5 October 2010 (the latest practicable date before publication of this letter) and sets minimum and maximum prices This authority will expire at the conclusion of the next annual general meeting in 2011

The directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange

Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares

If Resolution 10 is passed at the annual general meeting and in order to respond properly to the Company's capital requirements and prevailing market conditions, the directors will need to reassess at the time of any and each actual purchase whether to hold the shares in treasury or cancel them, provided it is permitted to do so The Company may hold a maximum of up to 10 per cent of its issued share capital in treasury in accordance with guidelines issued by the Association of British Insurers

As at 5 October 2010 (the latest practicable date before publication of this letter), there were warrants and options over 19,181,226 ordinary shares in the capital of the Company representing 3 82 per cent of the Company's issued ordinary share capital (excluding treasury shares) If the authority to purchase the Company's ordinary shares was exercised in full, these warrants and options would represent 4 24 per cent of the Company's issued ordinary share capital (excluding treasury shares)

Resolution 11

Resolution 11 is designed to deal with the rules on political donations contained in the 2006 Act Political donations to any political parties, independent election candidates or political organisations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance What constitutes a political donation, a political party, a political organisation, or political expenditure is not easy to decide, as the legislation is capable of wide interpretation Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties and support for bodies representing the business community in policy review or reform, may fall within this

Therefore, notwithstanding that the Company has not made a political donation in the past, and has no intention either now or in the future of making any political donation or incurring any political expenditure in respect of any political party, political organisation or independent election candidate, the board has decided to put forward Resolution 11 to renew the authority granted by shareholders at the last annual general meeting of the Company This will allow the Company to continue to support the community and put forward its views to wider business and Government interests without running the risk of being in breach of the law As permitted under the 2006 Act, Resolution 11 has also been extended to cover any political donations made, or political expenditure incurred, by any subsidiaries of the Company

Resolution 12

It is proposed in Resolution 12 that shareholders should approve the continued ability of the Company to hold general meetings other than the annual general meeting on 14 clear days' notice

The flexibility offered by this resolution will be used where, taking into account all the circumstances, the directors consider this appropriate in relation to the business to be considered at the meeting

This resolution is required under section 307A of the 2006 Act Under that section, a traded company which wishes to be able to call general meetings (other than an annual general meeting) on 14 clear days' notice must obtain shareholders' approval Resolution 12 seeks such approval

The resolution is valid up to the next annual general meeting and so will need to be renewed annually The Company will also need to meet the requirements for voting by electronic means under section 307A before it can call a general meeting on 14 days' notice

Resolution 13

It is proposed in Resolution 13 to adopt new articles of association (the "New Articles") in order to update the Company's current articles (the "Current Articles") primarily to take account of changes in English company law brought about by the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and the provisions of the Companies Act 2006 which came into force on 1 October 2009

The principal changes between the Current Articles and the New Articles are summarised in Appendix 1 Other changes which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act or, the Shareholders' Rights Regulations have not been mentioned specifically The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 101

Appendix 1.

Explanatory notes of principal changes to the company's articles of association

1 The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake This is drafted to give a wide scope

The Companies Act 2006 ("2006 Act") Act significantly reduces the constitutional significance of a company's memorandum The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company Under the 2006 Act the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted This abolishes the need for companies to have objects clauses For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1 October 2009 Paragraph (i) of resolution 13 confirms the removal of these provisions for the Company As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the new articles of association ("New Articles") to be adopted by Resolution 13 also contain an express statement regarding the limited liability of shareholders

2 Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes

3 Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles The New Articles now contain such an authorisation The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way

4 Uncertificated shares

The New Articles contain updated provisions regarding uncertificated shares reflecting the changes introduced by the Uncertificated Securities Regulations 2001 (as amended)

5 Suspension of registration of share transfers

The Company's current articles of association ("Current Articles") permit the directors to suspend the registration of transfers Under the 2006 Act share transfers must be registered as soon as practicable The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement Accordingly, this power has been removed in the New Articles

6 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action The Current Articles include these enabling provisions Under the 2006 Act a company only requires shareholder authority to do any of these things and it is no longer necessary for articles to contain enabling provisions Accordingly, the relevant enabling provisions have been removed in the New Articles

7 Notice of General Meetings

The Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") amend the 2006 Act to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed Annual general meetings must be held on 21 clear days' notice The New Articles amend the provisions of the Current Articles to be consistent with the new requirements

8 Adjournment for lack of quorum

Under the 2006 Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting The Current Articles have been changed to reflect this requirement

9 **Chairman's casting vote**

The new articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the 2006 Act

10 **Voting by proxies on a show of hands**

The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution The New Articles remove provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the 2006 Act and contain a provision clarifying how the provision of the 2006 Act giving a proxy a second vote on a show of hands should apply to discretionary authorities

11 **Voting by corporate representatives**

The Shareholders' Rights Regulations have also amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll The New Articles contain provisions which reflect these amendments

12 **Provision for employees on cessation of business**

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting The New Articles provide that the directors may exercise this power

13 **Alternate Directors**

The New Articles contain new wording allowing the Company not to give notice of meetings to an alternate director who is absent from the United Kingdom unless he leaves an address or an electronic address for the purpose of sending notices

A new provision also entitles an alternate director to be indemnified by the Company to the same extent as if he were a director

14 **Use of seal**

Under the 1985 Act, a company required authority in its articles to have an official seal for use abroad Under the 2006 Act, such authority will no longer be required Accordingly, the relevant authorisation will be removed in the new articles

15 **General**

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills

Shareholders' Information

Registrars

All enquiries relating to shares or shareholdings should be addressed to

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

Shareholder Helpline No 0871 664 0300 - calls cost 10p per min plus network extras, lines are open 8 30am-5 30pm Mon-Fri
Facsimile 01484 600 911

www sportingbetplc.com

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

www.sportingbet-shares.com

Shareholders who prefer to receive communications about the Company by email are encouraged to register their details at the Companys 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 by post,

- **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 Calendar

Ex-dividend date for 2010 dividend 15 December 2010
Record date for 2010 dividend 17 December 2010
Annual General Meeting at 4th Floor, 45 Moorfields, London EC2Y 9AE 17 December 2010
Final dividend payment date for the financial year ended 31 July 2010 11 January 2011

Financial Summary

	Year ended 31 July 2006 UK GAAP[1] £m	Year ended 31 July 2007 IFRS £m	Year ended 31 July 2008 IFRS £m	Year ended 31 July 2009 IFRS £m	**Year ended 31 July 2010 IFRS £m**
Amounts wagered	2,060 9	1,060 9	1 347 8	1,577 2	**1,971.3**
Net gaming revenue	303 3	117 2	144 3	163 6	**207 5**
Operating profit before exceptional items, share option charge and amortisation	103 4	7 8	24 7	31 1	**35 4**
Exceptional items	-	(26 8)	(12 0)	(4 2)	**(24 5)**
Share option charge	(6 7)	(9 9)	(8 0)	(3 1)	**(2 0)**
Amortisation	(22 1)	(1 8)	(3 9)	(1 9)	**(1 8)**
Group operating profit/(loss)	74 6	(30 7)	(0 8)	21 9	**7 1**
Net finance income	(3 0)	1 0	0 4	0 4	**(0 2)**
Profit/(loss) before taxation	71 6	(29 7)	1 2	22 3	**6.9**
Taxation	-	(1 2)	(3 5)	(0 5)	**(3 0)**
Profit/(loss) for the period	71 6	(30 9)	(2 3)	21 8	**3.9**
Loss for the period from discontinued operations	-	(281 3)	(2 0)	(9 4)	**-**
Group profit/(loss) for the period	71 6	(312 2)	(4 3)	12 4	**3 9**
Earnings per share					
Basic	17 7p	(73 2)p	(0 5)p	4 6p	**0 8p**
Basic adjusted	24 9p	4 4p	4 8p	6 5p	**6 5p**
Diluted adjusted	23 8p	4 0p	4 2p	6 0p	**6 2p**

[1]The period ended 31 July 2006 is stated under UK GAAP, as it is not practical to restate amounts for period prior to the date of transition to IFRS The principal differences between UK GAAP and IFRS are discussed in Note 27 of the 2008 Annual Report and Accounts

Corporate Directory

Secretary
D Talisman LLB (Hons) 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

Sponsor, Corporate Adviser and Joint Stockbrokers
Oriel Securities Limited
125 Wood Street
London EC2V 7AN

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

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

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

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