

sportingbetplc



**Annual
Report
2012**

Sportingbet was one of the first and remains one of the leading online gaming companies in the world.

Contents

Overview

- 01 Highlights
- 02 Chairman's statement

Business Review

- 04 Chief Executive's review
- 06 Europe
- 08 Australia
- 10 Key performance indicators
- 12 Corporate social responsibility
- 17 Financial review
- 18 Management of principal risks
- 22 Board of Directors

Governance

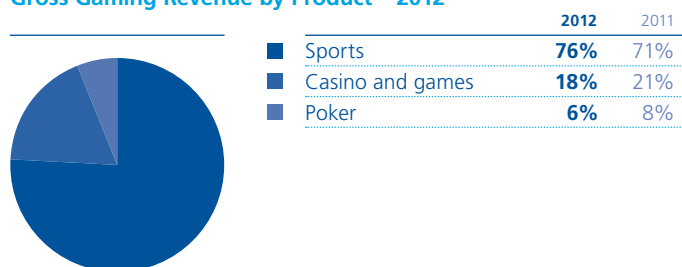
- 24 Corporate Governance Statement
- 28 Directors' Report
- 31 Remuneration Report
- 39 Regulatory Developments 2012

Financials

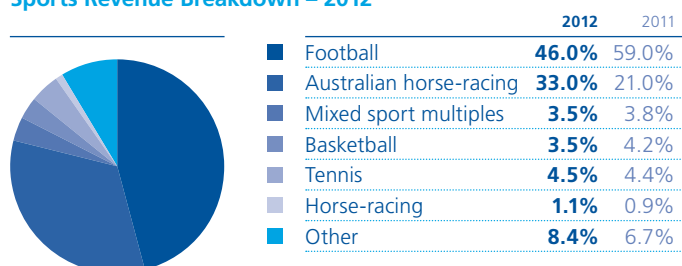
- 42 Independent Audit Report
- 43 Consolidated Statement of Comprehensive Income
- 44 Consolidated Balance Sheet
- 45 Consolidated Statement of Changes in Equity
- 46 Consolidated Cash Flow Statement
- 47 Notes to the Financial Statements
- 73 Parent Company Independent Audit Report
- 74 Parent Company Balance Sheet
- 75 Notes to the Parent Company Financial Statements
- 80 Shareholders' Information
- 82 Financial Summary
- 83 Corporate Directory

Highlights

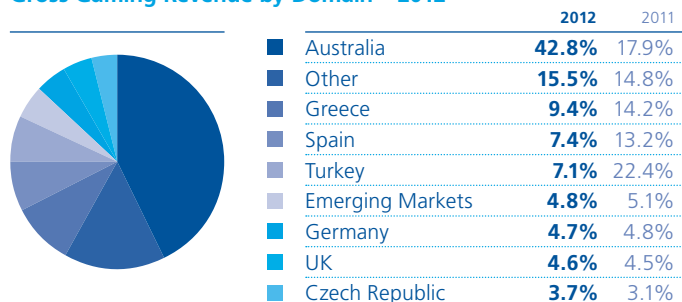
Gross Gaming Revenue by Product – 2012



Sports Revenue Breakdown – 2012



Gross Gaming Revenue by Domain – 2012



Group Financial Highlights for the year

	2012 £m	2011 £m
Amounts wagered	2,349.2	2,053.9
Total revenue	188.9	206.3
EBITDA ¹	56.8	51.4
Adjusted operating profit ¹	32.2	38.1
Operating (loss)/profit	(39.1)	24.4
Adjusted diluted EPS ¹ (p)	5.3	6.3
Diluted EPS (p)	(6.8)	3.9
Dividend per share (p)	1.7	1.7

1. Adjusted to exclude exceptional items of £71.6m (2011: £10.8m), share option charge and amortisation of acquired intangible assets

Group

- Amounts wagered up 14%
- 80% of revenue derived from regulated and/or taxed territories
- Centrebet acquisition completed 31 August 2011
- Disposal of Turkish language website completed 21 November 2011
- Final dividend of 1.1p making a total for the year of 1.7p (2011: 1.7p)

Australia

- Australia's leading fixed odds internet and phone bookmaker by amounts wagered
- Amounts wagered online up 82% (like for like up 11%)
- Integration of Centrebet successfully completed with realised synergies of £15m p.a. £5.2m higher than originally planned
- New mobile apps for both brands and new Centrebet website launched in June
- Amounts wagered on mobile up 339% now accounting for 28% of revenue and 40% of players

Europe and Emerging Markets

- Amounts wagered down 30% (like for like down 9%)
- In:play continues to produce industry leading margins of 9.7%
- New in:play Console launched offering enhanced user experience
- Mobile penetration in UK and Spain now up to 30%
- Spanish, Danish, Maltese, Italian licences obtained
- Betting taxes rose by a net £9.4m
- European cost base reduced with £15m annualised costs removed

Chairman's statement



Peter Dicks
Chairman

This has been a year of significant change and progress for the Group. In particular, in August 2011 the acquisition of the Australian focused Centrebet business was completed, making the Company the largest fixed odds internet and phone bookmaker by amounts wagered in the country. This was followed in November by the disposal of our Turkish language website. These corporate transactions, together with the passing of online gaming laws in two of our largest markets, Greece and Spain, have seen our revenue mix shift decisively towards licensed and taxed jurisdictions. The Group's revenue derived from regulated and/or taxed countries has risen to a current run rate of over 80%.

I am also pleased to announce a strong set of financial results for the year with amounts wagered up 14% to £2,349m and EBITDA increasing 11% to £56.8m despite some significant challenges encountered during the year.

Based on our experience of the regulated Australian market, an initial reduction in profitability resulting from the implementation of taxes is more than offset in the medium term. New opportunities resulting from the increased ability to advertise, improved trustworthiness and better payment processing efficiency, combined with an existing strong brand presence, provide an enhanced platform for medium-term profit growth. As a result the Group is in a stronger position to capitalise on stable, well regulated and growing markets.

The long-term prognosis for the industry remains positive as the size of the online fixed odds sports betting market increases each year due to more customers being able to access the product through increased broadband penetration and the growth in smartphones and tablets. Although this growth can be disguised by the short-term impact of regulation or economic recession, it is still evident in certain countries or channels. The mobile channel is currently demonstrating significant growth in our largest market, Australia, with the percentage of revenue derived from mobile increasing from 5% last year to 28% in July 2012.

In Australia the acquisition and integration of Centrebet was completed on schedule with higher synergy benefits realised than originally planned. Online sports betting remains a very attractive growth market as customers turn away from retail, tote products. The division now accounts for over half of Group revenue on a proforma basis and is currently the key driver and component of the Group's profits.

In Europe, the disposal of the Turkish language website, the passing of online regulations in our two largest markets, Greece and Spain and the current economic difficulties have warranted the investment of significant management time. The business has undertaken a restructuring programme resulting in a reduction in fixed costs of £15m p.a., which leaves a cost base that is expected to produce a profit at budgeted revenue levels.



The Emerging Markets division has had an excellent year and continues to provide the Group with the benefits of operating across a broad geographic base. The medium-term possibilities presented by the division are significant as customers increasingly take up our fixed odds sports betting offering in Africa and South America.

Our overall strategy of providing a first class sports betting product and offering customers an unprecedented number of betting opportunities at all times of the day, remains unchanged. Sports betting remains our core focus as it offers the greatest scope to differentiate our product from competitors and provides significant barriers to new entrants. Our long-term trading strategy has been consistently executed, leveraging our proprietary best-in-class trading technology resulting in the delivery of an outstanding trading performance with best in class margin. To provide a comprehensive suite of products for our customers, we supplement the core sports offering with casino, games and poker products bought in from the leading suppliers in the industry.

Finally, I am pleased to announce that the Board has proposed a final dividend of 1.1p (2011: 1.1p). This brings the total dividend for the year to 1.7p (2011: 1.7p).

“The Group is now well positioned to capitalise on stable, well regulated growing markets.”



Ho

Chief Executive's review

Andrew McIver
Group Chief Executive



Sportingbet is one of the world's leading online gaming operators with divisions focused on Australia, Europe and Emerging Markets. The Group's Australian division is based in Darwin and Sydney, operating under a licence provided by the Northern Territory Government. The European operation is based in the Channel Islands and Malta, operating under licences provided by the Alderney Gambling Control Commission, Spain, Italy, Denmark and Malta. This is supported by an operational centre in Dublin providing customer services and administrative support. In total the Group now employs over 690 people.

Betting on sports is at the heart of the Sportingbet business, accounting for 76% (2011: 71%) of Group gross gaming revenue. Football has been our main product for many years accounting for 46% of gross gaming revenue, however the reshaping of the Group has resulted in a better diversified revenue stream with 33% coming from Australian horse-racing. The commitment to offering a wide range of betting markets remains with over 31 sports covered.

In:play, betting whilst the event is happening, remains a very significant component of revenue in our European and Emerging Markets business accounting for 61% of the amounts wagered. Our in:play margin of 9.7% (2011: 9.9%) continues to be the highest in the industry as a result of our experienced trading team, bespoke technology and wide product offering.

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 18% of Group gross gaming revenue whilst poker makes up the remaining 6%. These products are not offered to our Australian customers due to regulatory constraints.

Outlook

The Group has had a solid start to the new financial year in line with our expectations.

With over 80% of our revenue coming from regulated countries we are confident that the increased advertising opportunities, improved payment processing and stable business platform provided by our regulated market presence will drive profitable growth in the medium term.

Whilst the economic outlook remains challenging, our robust position gives us confidence for the current financial year.

“Betting on sports is at the heart of the Sportingbet business, accounting for 76% of Group gross gaming revenue.”



Europe



	2012	2011	+/-
Sports actives	426,016	429,154	-1%
Sports bets	72.8m	78.9m	-8%
Sports bets/active	171	184	-7%
Sports bet size	£11.28	£15.01	-25%
Yield per sports active	£160	£277	-42%
Casino and games bets	587.7m	581.4m	+1%
Casino and games bet size	£2.57	£2.43	+6%

The European business (incorporating the financial results for the Emerging Markets Division) has experienced a year of change with the disposal of the Turkish language website and the implementation of new regulatory and tax regimes in some of its markets, including two of its largest, Spain and Greece. In addition, the difficult economic conditions across much of Europe have depressed trading. These factors have seen the amount wagered on sports decrease by 31% to £814.0m (2011: £1,174.6m). NGR also fell to £103.7m (2011: £166.8m) down 38%, although this was also partly due to new gambling taxes paid during the year of £11.3m. Underlying NGR at constant currency, taking into account the disposal of Turkey and the increases in taxes fell by 12%. However during the period our Spanish website was also closed for two months due to a court injunction which accounted for 3% of this decrease.

Greece, which accounted for 5% of Group amounts wagered, had a particularly tough year due to economic conditions and the passing of the online gaming bill in August 2011. Amounts wagered fell by 21% following a decrease of a similar size in 2011 of 22%. NGR fell by a larger percentage, 37%, largely due to

the imposition of the 30% gaming duty. Greek tax, net of our partner's share, has been paid or accrued totalling £7.2m in the period. Our business remains the online market leader in the country.

Our Spanish business, which operates under the brand name Miapuesta, accounted for 6% of Group amounts wagered. It was a difficult year for the business as it encountered several headwinds. The introduction of a 25% NGR tax in the May 2011 online gaming bill were compounded by difficult economic conditions and a two month enforced closure of the website due to an injunction from a Spanish land based casino operator. Despite the closure of the website and the regulatory ban preventing the contacting of previous customers, the opening of the new licensed website on 5 June has proved the resilience of our market leading brand. By September 2012 the business had recovered ahead of our expectations with around 50% of the sportsbook actives levels seen in the previous year. Casino and games has seen a more pronounced fall in the initial period of 85% in NGR, which we are unlikely to see significantly improve due to the product restrictions introduced by the regulatory regime.

The continued introduction of regulation in many of our European markets is a development we welcome as it provides greater certainty for the continuity of future income streams and increased consumer protection. Although the initial impact is to reduce profits as gaming duty is absorbed and product restrictions are implemented, there is also evidence from countries such as Italy and Australia that the market size increases substantially post regulation. If this is the case in countries such as Greece and Spain, where our brands have enjoyed a market leading position over the last few years, we are well positioned to recover profitability in the medium term.

One of the difficult aspects of regulation is that it absorbs management and IT resources. This has been particularly the case over the last year as Spain, Denmark and Italy have all awarded licenses to the Group. However, as IT resources have been freed they have been redirected towards improving the product and customer experience. Our new and improved In:play Console was rolled out with enhancements including improved navigation, content and personalisation features.

In January 2012 we acquired two Danish companies for a total of £8m which compliment our existing Sportingbet and Centrebet brands. Although the Danish market is relatively small, we believe that the regulatory regime introduced is fair and gives the Group a strong possibility of showcasing our products and building a strong market position.

In November 2011 our Turkish language website, which had accounted for 26% of European and Emerging markets revenue in the first quarter, was sold. The Group's strategy has been to move towards increasing the proportion of regulated earnings and it was recognised that the Turkish market was unlikely to licence in a suitable manner for the foreseeable future.

The European cost base has been restructured to reflect the significant loss of income from the Turkish disposal and the implementation of gaming duty in some markets as mentioned above. The fixed cost base has been reduced by £15m p.a., approximately 25% of the 2011 total, for a cash outflow of £5m. The restructuring was completed in July 2012 and the current cost base is suitable for the scale of the business and its planned revenue.

The economic recession felt in our largest European markets has impacted the number of sports active, which fell by 1%. However, by providing markets to bet on every minute of every day we limited the fall in the number of sports bets placed to 8% at 72.8m (2011: 78.9m) and the number of bets per customer fell to 171 (2011: 184). Both the average bet size and the yield per sports active decreased, to £11.28 (2011: £15.01) and £160 (2011: £277) respectively.

Once again the European business produced an industry leading sports margin of 8.3% (2011: 10.0%). In-play betting in our European business accounted for 66% of the value of bets placed during the year and a gross margin of 9.7%. The development of our in-play service continued during the

year, with the number of events offered rising by 14% to 67,548. The number of markets per event has also risen with derivative programmes, which improve the accuracy and consistency of returns, being rolled across several sports in addition to those already used in our football product.

The Emerging Markets division saw NGR fall 12% (1% at constant currency) as the 2011 Copa America comparatives were high and our South American businesses had no comparable competition in this financial year. Our licensed South African business recorded growth in amounts wagered of 117% which is the fourth consecutive year that growth has exceeded 100%.

Looking forward to the coming financial year we expect to see our competitive position and market share further enhanced by the release of a licensed mobile betting product in South Africa in the first quarter. The mobile penetration rate in South Africa is rapidly approaching the 100% mark. With the recent introduction of significantly lower-cost mobile broadband services the expectation is for a significant increase in the number of high speed data subscribers capable of accessing our products and services via mobile devices.

Mobile usage has risen to around 15% to 30% in our more mature domains, with the take up varying widely from country to country depending on smartphone penetration. Those customers using smartphones tend to spend more across both online and mobile channels. We now have a Sportingbet or Miapuesta application in the Apple App Store in every regulated market.

Casino and games gross revenue fell by 20% to £37.8m (2011: £47.5m). Our industry leading product range led to a 1% increase in the number of bets, but the difficult economic conditions and regulatory restrictions in markets such as Greece and Spain caused a 6% decrease in the average bet size.

Poker gross revenue decreased to £11.3m (2011: £17.7m) in challenging market conditions, exacerbated by the significantly larger liquidity offered by a market dominant competitor. Towards the end of the year we launched a multi-room solution for Poker to give Paradise Poker customers the widest available range of tables, tournaments, features and promotions. Our casino and games and competitive poker product remain an essential part of our offering, creating a "one stop shop" proven to increase customer loyalty.



Australia

No.1 for online gambling



	2012	2011	+/-		2012	2011	+/-		2012	2011	+/-
Internet				Telephone				Mobile			
Sports bets	39.2m	26.4m	+49%	Sports bets	1.5m	1.4m	+8%	Sports bets	7.7m	0.9m	+710%
Sports bet/active	262	341	-23%	Sports bet/active	50	77	-35%	Sports bet/active	85	55	+54%
Sports bets size	Aus\$34	Aus\$26	+34%	Sports bets size	Aus\$445	Aus\$427	+4%	Sports bets size	Aus\$37	Aus\$43	-14%
Sports margin (post tax)	6.8%	6.8%	-	Sports margin (post tax)	2.6%	2.5%	+5%	Sports margin (post tax)	8.5%	8.3%	+2%

Australia is one of the world's largest sports betting markets and one of the most advanced in terms of regulation and tax following market liberalisation in late 2008. Since 2008 Sportingbet has been able to compete on a level playing field with the incumbent tote operators and has consequently experienced an internet NGR CAGR of 34% supported by a CAGR of 31% in the number of actives, as customers have moved online to bet on fixed odds. Due to the stability of the regulatory regime, the size of the market and its growth rates, the Australian market is one of the most attractive in the world, hence the Group further consolidated its position in the market through the acquisition of Centrebet on 31 August 2011. The integration of Centrebet and Sportingbet operations was completed by the end of June 2012. In the latest independent report on the market for the year ended June 2011, the internet and phone channels to market accounted for 27% of the total Australian sports betting market. The Sportingbet and Centrebet brands account for 36% of this growing segment of the market, or 10% of the overall Australian sports betting market.

Amounts wagered in Australia increased by 82% from £820m to £1,493.1m resulting in a pre-gaming duty margin of £101.1m (2011: £47.0m). The underlying like for like growth rates were impressive with amounts wagered up 11% and NGR up 31%, continuing the strong growth rates experienced over the last few years. Market data suggests that the customers who use our products tend to be satisfied, loyal, high value and frequent visitors to the site which reflects the breadth of our product offering.

After accounting for gambling taxes and product fees of £19.1m (2011: £9.9m), the post tax margin increased by 120% from £37.2m to £82.0m at a margin of 5.5% (2011: 4.9%). The rise in margin is driven by the change in business mix as customers continued to move towards higher margin mobile and internet products. Mobile revenue, which generates a margin of 9.8%, rose 369% driven by an increase of 214% in the number of actives. Revenue from customers betting over the internet continued to grow strongly with actives up 6% and NGR rising 18%. These two channels to market now account for 78% of total revenue and have more than offset the decrease experienced in the low margin legacy telephone business, which fell 1% and now accounts for just 22% of revenue.

The integration of Centrebet was completed in line with the original time schedule. Both the Sportingbet and Centrebet brands have been retained and are continuing to be aimed at different sectors of the market. The support functions, such as trading, customer service, IT and finance have been integrated to achieve maximum synergies, whilst at the same time ensuring that the product remains the most advanced fixed odds racing and sports experience in Australia. The original estimate of the synergies was £9.8m. As the integration progressed more synergies were identified than were originally envisaged, especially in areas such as IT and management. The final level of synergies obtained were £15m p.a., which equates to around one third of Centrebet revenue. The cash cost of obtaining the synergies was slightly higher than planned at £8m rather than the initial estimate of £5m.

Both brands are now operating out of the same office locations and the Centrebet brand has been transferred onto the Sportingbet proprietary owned IT platform for both the website and the mobile products. At acquisition the combined headcount of the two companies was 341 with Centrebet having 225 staff. After the full integration of IT and restructuring of all departments, Sportingbet Group Australia now comprises 216 staff.

During the year Sportingbet successfully recovered GST of Aus\$9.1m from the Australian Tax office relating to overseas wagers. This amount has been included within exceptional items.

In May, a court case in New South Wales upheld the validity of product fees being based on a turnover percentage of amounts wagered rather than as a percentage of NGR. As a result Victoria changed to a turnover based tax and Queensland increased its tax rate resulting in an expected rise in tax payable of around Aus\$6m in the financial year 2012-13.

There is the medium-term possibility of significantly increasing profitability if the Australian Government regulates to allow betting in: play, online casino, games and poker. The Productivity Commission report in January 2010 recommended regulation of all products and the present Government has initiated a review of the Interactive Gaming Act. The final results of the consultation process and any proposed changes to the draft law have not yet been published.

Key performance indicators

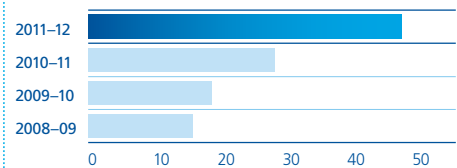
Key performance indicators (“KPIs”) enable us to understand what is driving our financial performance and give us a better understanding of how customers are engaging with us.



Number of sports bets

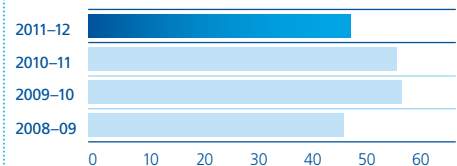
The number of sports bets is a KPI showing us how many bets are placed during a given period. We can then break these results down to track number of bets per active, per country and per product. Such analysis allows us to monitor engagement, ensuring our customer interaction is second to none.

Australia million



Australia has seen a significant increase largely from the acquisition of Centrebet, which accounted for 27% of the sports bets in 2011-12. Sports bets in the core Australian business continued to increase at 22% as the benefits of mobile and marketing campaigns were implemented post the relaxation on advertising regulations in September 2008.

Europe and Emerging Markets (excl Turkey) million

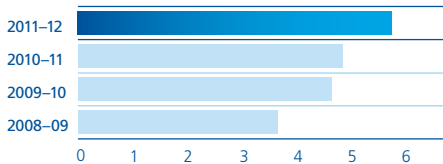


Sports bets experienced a 15% decrease on prior year due principally to the current economic difficulties which is highlighted by the 33% and 9% decreases in Spain and Greece respectively. However, continual investment in mobile betting shows an increase in Sports bets on mobile of 159% on prior year.

Sports net gaming revenue margin ("NGR")

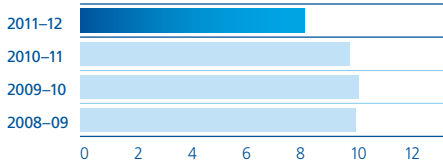
NGR is the amount retained by Sportingbet from bets placed by our customers net of promotional bonuses. Being able to see our NGR percentage year on year for each of our individual products allows us to make decisions on how best to develop these products and improve the customer experience.

Australia %



The increase in margin % over the past four years reflects the move from telephone to internet and mobile betting, which generates a margin of 9.8%. This move has taken away business from its traditional higher, but less frequent staking telephone customers, to more low but frequent staking bettors.

Europe and Emerging Markets %

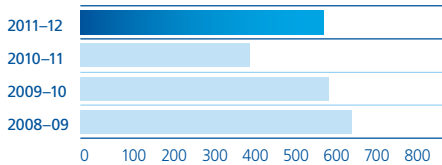


Despite a challenging economic climate our world class trading team has continued to provide an industry leading sports NGR %. Their expertise, combined with our sole ownership of our technology sets us apart from the competition and puts us in good stead for the future.

Sports yield per active

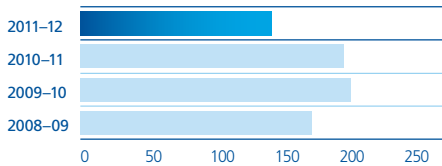
This KPI is a good indicator of how much our customers bet and the amount of profit we make once their winnings have been paid. Essentially, sports yield is the net gaming revenue per active sports betting customer.

Australia £



This is a good reflection of the higher margin that mobile offers and the move away from telephone. Mobile activities rose 214% which drove a 369% increase in mobile revenue.

Europe and Emerging Markets (excl Turkey) £

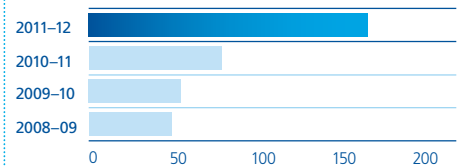


Once again, the results are very much reflective of the climate in which we find ourselves in Europe over the past couple of years. Spain and Greece, which account for a combined 17% of NGR, were big drivers of the decrease in yield per active.

Active sports customers

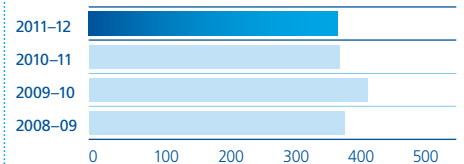
This is simply the number of customers placing at least one real-money sports bet in the period.

Australia thousands



The 109% rise in active sports customers includes the acquisition of Centrebet. On a like for like basis, there has been an 11% increase and this is a measure of our success at recruiting and retaining customers. The significant increases year on year reflects the benefits of TV advertising which began in the second half of the 2009-10 year, along with the investments to improve both online and mobile offerings.

Europe and Emerging Markets (excl Turkey) thousands



Sports actives were 1% down on 2010-11 despite the closure of the Spanish website and the regulatory ban preventing the contacting of previous customers.

Corporate social responsibility

We are dedicated to achieving a number of non-financial objectives and recognise the importance of all stakeholders in our business. Developing responsible betting and gaming practices to protect vulnerable customers is a key part of this commitment. We strive to provide a safe and supportive working environment for our employees and recognise the importance of supporting the local communities in which we operate.

Social Responsibility Committee

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

The Committee is chaired by Non-Executive Director, Brian Harris and its other members are Non-Executive Director, Chris Moss, and the Company's General Counsel and Company Secretary, Daniel Talisman, who also acts as the Committee's Secretary. The Board intends to review the composition of all committees (including the Social Responsibility Committee) following the release of the Company's financial year results on 3 October 2012. The Committee met five times during the last financial year. The Head of Compliance 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.

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

Customers are at the very core of our business and we focus on building customer relationships centred on trust, integrity and loyalty. We continuously strive to enhance the quality of our services for the benefit of our customers and our policy on social responsibility lies very much at the heart of this approach. We believe that to serve our customers better and in order to behave responsibly towards them we need to know who they are. Accordingly our customer policies are founded on the tenet of "Know Your Customer".

To enable us to get to know our customers we use URU and Aristotle as independent third party suppliers who provide us with online age and identity verification services. Customers' registration details are verified against third party suppliers' databases to ensure that they are over 18 years old. These databases utilise data harvested from a variety of global governmental and corporate official records containing known individuals aged over 18 only.

Our efforts to know our customers extend beyond collecting documentary evidence of people's identities. We seek to understand each customer's individual requirements and concerns by closely researching their patterns of behaviour. By building profiles of our customers, their gaming activities and preferences we can target customers with appropriate marketing strategies. This lies at the heart of our Customer Relationship Management policies.

Monitoring the different ways in which customers spend money and what they spend it on provides us with an overall understanding of their motivation for gambling. For almost all of our customers online gambling is an entertainment pastime, and our products, promotions and culture make their relationship with us an enjoyable experience. There is always however a small minority of potential customers, who may be either under-age gamblers or players who are addicted to gambling that result in the need for comprehensive systems and procedures to safeguard their interests as well as our own.

We also commit significant time and investment to identifying organisational and software driven solutions to identifying fraud. With multi-player environments such as poker, we are particularly vigilant about the risk of collusion or irregular fund movements between participants. We have designed systems to highlight unusual or concerning patterns of play. We recognise however that nothing can ever be entirely secure against determined offenders, but we are nevertheless focused on mitigating such risks as much as possible.

Employees

Our Board is of the firm belief that our success is due to the quality and commitment of our workforce. The Company's employee management priorities, including its remuneration and reward strategies, are based on recruiting and retaining the best people in the industry and on implementing and encouraging working

practices that improve productivity, drive high performance, optimise costs, develop talent and enhance employee engagement.

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. 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.

Annually we have a mechanism in the form of a survey to gain feedback from employees and "test" the level of engagement within the organisation. The results of these surveys are used throughout the year in order to raise Sportingbet's engagement with staff. 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. We aim to create a working environment in which all people are able to give of their best, there is no bullying and harassment or discrimination, and all decisions are based on merit.

Health and safety policy

A key component of our corporate responsibility policy is to provide safe and healthy working conditions for our employees. We have adopted a health and safety policy to implement this ambition which covers:

- identifying hazards in the workplace, assessing the risks associated with them, and implementing appropriate preventive and protective measures;
- safeguarding the health and safety of visitors, contractors and of any members of the general public who could be affected by our activities;
- ensuring the workplaces under our control are maintained in a safe condition, without risks to health, and with safe means of access;
- providing and maintaining safe equipment with procedures in place for reporting faulty equipment;
- providing all employees with sufficient information, instruction and training to enable them to work safely and to raise standards of health and safety in the workplace for themselves and their colleagues;
- establishing and implementing safe methods of work;
- maintaining procedures to be followed in the event of an emergency; and
- ensuring adequate resources are made available to fulfil this policy.

The Board is ultimately responsible for health and safety. Specific local managers have delegated responsibilities for the day to day operation of the health and safety policy in their own locations.

Corporate social responsibility

Group Finance Director, Jim Wilkinson, is responsible for ensuring compliance with this policy and for health and safety in all the Company's offices. He is competent to advise and assist the Board in the discharge of their duties under this policy.

Regulators and trade bodies

We speak to the relevant industry regulators on a regular basis and we seek to deal with them in an open and transparent manner whenever necessary. We recognise that working alongside our regulators in a co-operative manner helps us achieve our corporate responsibility objectives and ultimately our business objectives. We believe that the gaming industry must demonstrate its commitment to self-regulation and we are supportive of the role that the industry's trade associations play.

We are an active member of the Remote Gambling Association ("RGA") holding a seat on its Executive Committee and we are represented on various RGA sub-committees. We have signed up to the RGA's Codes on Social Responsibility and Age Verification, the provisions of which we endorse. We are members of the European Sports Security Association ("ESSA"), Europe's leading sports integrity monitoring organisation. ESSA protects and promotes sporting integrity in three ways. First, by acting as an early warning system to alert sports governing bodies and regulators of any suspected illegal betting among its membership. Second, by working with partners in sports and other sporting

stakeholders to implement educational campaigns and other grass-roots activities aimed at tackling the problem of match fixing. Third, by acting as a leading voice in international dialogue aimed at finding a lasting solution to the problem of corruption in sport. We are also a member of Gamcare and advertise the charity on our website.

We invest time and resources in meeting and communicating with officers and politicians of governments, and national online gaming licensing authorities. Our 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 society from unscrupulous operators.

Community liaison

We believe that it is important to support and contribute to the local communities around the Group's various geographical locations. Accordingly, in order to encourage a socially integrated work environment, we have invested in the local communities in which we operate.

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 sponsoring the Guernsey Football Club, the Rising Stars Fund that supports Guernsey's elite athletes, Guernsey Table Tennis, the Channel Islands Athletics Club and local events such as the Sportingbet

Channel Islands Sports Personality of the Year Awards and the Inaugural Guernsey Community Foundation Awards which celebrates individuals and companies that contribute to the Guernsey community.

In Antigua, where the Group 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 we support 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, we have sponsored three of its employees to act as members and to join youth leaders on this scheme, and we are working with West Midlands police and community groups in the area to encourage other companies to join the "Braveheart" programme.

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 Company has also made

donations to the following organisations and charities: the Island Academy International School in Antigua; HEROS (Homing Ex-Racehorses Organisation Scheme), Friends of Israel Sport Centre for the Disabled and sponsorship of a Lords Taverners' celebrity cricket event in the Channel Islands.

Environmental management

Although, as with many online businesses, Sportingbet causes a relatively low level of environmental damage, we nevertheless monitor our impact on the environment and we take environmental management seriously. We believe that minimising the Group's impact on the environment goes hand in hand with operating efficiently and reducing waste. This approach also minimises the risk of reputational damage to the Group.

We are committed to bringing about continuous improvement in reducing our adverse environmental impact by reducing our employees' reliance on transport where necessary, and in certain areas of consumption and waste management.

Our environmental policy includes:

- complying with all relevant national and regional legislation as a minimum standard;
- complying with codes of practice and other requirements such as those specified by regulators;
- promoting practical energy efficiency and waste minimisation measures;
- requiring each office to recycle its paper waste;



Mobile App

The fastest growth area within the business, our mobile Sports betting solution is available in 14 domains worldwide. It has been developed both as a mobile website (to support almost all mobile devices) and natively, where it's deployed in numerous Apple App stores from the UK to Australia.



Corporate social responsibility

- encouraging the use of public transport and environmentally friendly modes of transport where this is practicable; and
- providing a shared inter-office IT network and communications technology that reduces the need for business travel.

In order to achieve this Sportingbet:

- ensures employees are trained and motivated to conduct their activities in an environmentally responsible manner;
- reviews the policy on a regular basis to take into account any new developments in environmental management; and
- allocates sufficient management resources to ensure effective implementation of the environmental policies.

Facilities for recycling office waste are in place at our offices. During 2011–2012 our offices recycled waste paper, spent toner and ink cartridges, obsolete computer hardware, printers and mobile phones.

The Head of Compliance is responsible for the implementation and monitoring of the environmental policy. The environmental policy is reviewed by the Social Responsibility Committee.

Responsible business accreditation

Recognising the importance of having responsible business practices at the core of our operations, the Social Responsibility Committee engaged GoodCorporation Limited in February 2012 to assess our policies, procedures and operations.

This is the start of a programme to gain GoodCorporation accreditation – a globally recognised kite mark for responsible business practice, endorsed by the Institute of Business Ethics. To achieve accreditation, GoodCorporation developed a bespoke framework of standards that address the interests of all our stakeholders including employees, customers and suppliers as well as the community and environment in which we operate. The framework also includes criteria focusing on responsible gaming controls. Following GoodCorporation's initial assessment, we are implementing a comprehensive programme of operational enhancements to policies and practices in every area of the framework, to meet accreditation requirements.

Financial review

Amounts wagered for the year ended 31 July 2012 grew by 14% to £2,349.2m (2011: £2,053.9m), earning net gaming revenue ("NGR") of £185.7m (2011: £204.0m), down 9% on the prior year. At constant currency and taking into account our exit from Turkey, the introduction of gaming duty in some of our largest markets and the acquisition of Centrebet, NGR was down 2% on a like for like basis.

Amounts wagered on Australian sports betting grew by 82% to £1,493.1m (2011: £822.0m), earning post betting tax NGR of £82.0m (2011: £37.2m). On a like for like basis the underlying growth in amounts wagered and NGR was 11% and 31% respectively.

Amounts wagered on sports betting in Europe and Emerging Markets fell by 31% to £814.0m (2011: £1,174.6m), earning NGR of £61.6m (2011: £109.5m) down 44% year on year. On a like for like basis European sports NGR was down 12% reflecting the difficult economic conditions across our main markets.

Casino and gaming contributed a further £34.5m, and poker £7.6m, to both amounts wagered and NGR (2011: £44.0m and £13.3m respectively).

As a percentage of amounts wagered, the European and Australian sports NGR were 7.6% and 5.5% respectively (2011: 9.3% and 4.5%). However, amounts wagered and NGR are stated after a deduction for customer bonuses of £18.9m (2011: £20.3m). Without the bonus deduction the equivalent numbers would have been 8.3% and 5.8% (2011: 10.0% and 4.9%).

Costs (excluding exceptional items, share option charge and amortisation) in the year were £156.7m (2011: £168.2m), accounting for 83.0% of total revenue (2011: 81.5%).

Operating profit (before exceptional items, share option charge and amortisation) for the year decreased 15% to £32.2m (2011: £38.1m).

Earnings before interest, tax, depreciation and amortisation (before exceptional items and share option charge) increased 11% to £56.8m (2011: £51.4m).

Operating loss after other income from the Turkish language website disposal of £10.7m (2011: nil), exceptional costs of £71.6m (2011: £10.8m), share option charge of £7.6m (2011: £1.2m) and amortisation of acquired intangible assets of £1.8m (2011: £1.7m) was £39.1m (2011: £24.4m profit).

Net finance cost was £6.4m (2011: £0.6m).

Corporation tax credit of £0.1m (2011: £3.1m payable) was receivable mainly in relation to the Australian business. This was mitigated this year by the integration costs, however as no losses will be carried forward a full tax rate is expected to be paid in future years.

Exceptional costs totalled £71.6m (2011: £10.8m). Further details are given in note 4. Of these costs, £53.4m has resulted in a cash outflow this year and a further £4.6m will be cash outflows in future periods.

Adjusted basic earnings per share (before exceptional items, share option charge and amortisation) was 5.5p (2011: 6.6p). Diluted earnings per share (before exceptional items, share option charge and amortisation) was 5.3p (2011: 6.3p). Basic Group statutory earnings per share was (6.8)p (2011: 3.9p).

As at 31 July 2012, the Group had £42.4m (2011: £180.2m) of cash and liquid resources on its balance sheet. After taking into account £29.0m (2011: £22.7m) of customer liabilities and £8m of bank loans, net cash at the period end stood at £5.4m (2011: £29.9m).

Management of principal risks

Risk governance and responsibilities

The Board has overall responsibility for risk management and considers the risk process as an integral part of strategic planning.

The Executive Directors make recommendations on the overall approach to risk management and identify the principal risks and uncertainties.

The Audit Committee is responsible for assessing the scope and effectiveness of the process established to identify, assess, manage and monitor risks.

Risk management process

The Board routinely monitors risks that

could materially and adversely affect the Group's ability to achieve strategic goals, financial condition and results of operations.

The Board considers the following impact areas in assessing risks:

- Legal and regulatory
- Marketplace
- Technology
- Customers
- Reputation
- Employees

The Board is supported by executive management personnel within the above mentioned areas of the business who collectively play a key role in risk

management and regularly report to the Board through the Audit Committee. The risk management processes are reviewed formally by the Audit Committee annually.

Principal risks and uncertainties

The risks outlined here are those principal risks and uncertainties that the Executive Directors consider material to the Group. 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.

Marketplace

Risk	Description	Mitigation
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. As a result, 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 if 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.

Legal and Regulatory

Risk	Description	Mitigation
Increasing regulation in online gambling	The regulatory position on online gambling is changing rapidly; many countries are reviewing their position, especially in Europe, and are drafting new legislation. These will affect the tax paid in many jurisdictions however it will also have the potential to open the market to a greater number of customers. There is a risk that the new regulations could inhibit revenues or result in having to withdraw from markets to avoid breaching regulations.	We are working to identify countries that are looking to introduce new regulations and where possible we become actively involved in shaping their new regulations and educating them in the technicalities of implementing gaming bills. At the same time we are aligning our internal processes and infrastructure to ensure we are well placed to meet the requirements of the new regulatory regimes. We are also monitoring our global strategy on a country by country basis to ensure the Group's balanced portfolio remains so in the face of these changes. In addition, the Group limits its regulatory risk from any one country by accepting wagers from a large number of jurisdictions.

Risk	Description	Mitigation
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 risk by obtaining multiple licences. Betting activities are licensed in Australia, Spain, UK, Denmark, Alderney, South Africa, Italy and Malta. The Board believes 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.

Technology

Risk	Description	Mitigation
Dependence on advanced information systems (technology changes)	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.

Management of principal risks

Technology		
Risk	Description	Mitigation
Over-reliance on third parties	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 vulnerability to problems with the products and services they provide. Any adverse event affecting the Group's relationship with key suppliers 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 the dependency on the current suppliers and is performing a number of functions internally previously undertaken by third parties.
Customers		
Risk	Description	Mitigation
Fraud	As an online business, the Group experiences fraudulent activity on customer accounts in the form of deposits from stolen credit cards and debit cards. These amounts are written off as a loss to the business. Although the direct financial impact of these transactions is small (well under 1% of total deposits from cards), we are at risk of temporarily losing the ability to process credit & debit card transactions in some territories if the percentage of disputed transactions there exceeds the thresholds that are laid down by the card schemes. Losing the ability to process card transactions can reduce our ability to acquire and retain customers.	The Group has a Risk Management department whose role is to monitor transactions for signs of fraudulent activity and to carry out Know-Your-Customer procedures. Fraud detection and prevention software is used by the Risk Management team. The Group sources multiple payment service providers to mitigate the risk of losing any single funding channel.

Customers

Risk	Description	Mitigation
Money laundering	As an online business that has no face-to-face contact with customers, the Group faces the possibility of reputational damage if there was a serious incident of a customer using our service to carry out money laundering or terrorist financing. Such an incident could have a damaging effect on the brand and on the attitudes of customers, regulators, and business partners towards the Group.	The Group's Risk Management department monitors customer activity for signs of money laundering, and carries out Know-Your-Customer procedures, in order to minimise the risk of money laundering.

Reputation

Risk	Description	Mitigation
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.

Employees

Risk	Description	Mitigation
Loss of key personnel (retention)	Sportingbet is positioned in the very competitive B2C space. Many of our employees have skill sets which are very attractive not only to our competitors but in the "e" space in general.	Being a relatively small organisation it is easier to identify key retention issues by employee. A range of solutions are in place to manage such risks. Interventions for specific risks range from Braveheart type initiatives to increased responsibilities, key projects as well as ensuring that base pay is competitive.

Risk	Description	Mitigation
Failure to attract quality staff (acquisition)	Given the industry sector we operate in approximately 20% of potential candidates for jobs will decide the gaming sector is not for them.	<p>Our Head of Resourcing has built up excellent relationships with key head-hunters and recruitment agencies. As a result they work hard on our behalf when looking for candidates. Even with the threat of acquisition many candidates see this as a career advancing opportunity, by learning new skills in the event of a takeover/merger.</p> <p>In the absence of equity we are being creative in relation to notice periods and exclusivity clauses to ensure offers are converted to acceptances in the current climate.</p>

Board of Directors



1 Peter Dicks
Chairman and
Non-Executive Director

Peter Dicks, aged 70, 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.

2 Andrew McIver
Group Chief Executive

Andrew McIver, aged 49, 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.

3 Jim Wilkinson
Group Finance Director

Jim Wilkinson, aged 46, 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.

4 Marie Stevens
Non-Executive Director

Marie Stevens joined Sportingbet as Non-Executive Director in September 2012. Marie has extensive experience in the gaming industry, having spent ten years within Ladbrokes, latterly as Head of the Group Legal department. Subsequent to this, Marie spent four years as a member of the Gaming Board for Great Britain and has also been a member of the International Association of Gaming Regulators. She was Non-Executive Director and then Chairman of 888 Holdings plc at the time of its IPO and is currently the chair of the Global Leaders in Law.

5 Brian Harris
Senior Independent
Non-Executive Director

Brian Harris, aged 66, joined Sportingbet as a Non-Executive Director in 2003. The founder and senior partner of a London law firm with an international clientele, he has acted for foreign governments, multi-national corporations, national airlines, high net worth individuals and privately owned companies. He is actively involved in sporting charity work for the disabled.

6 Chris Moss
Non-Executive Director

Chris Moss, aged 58, joined Sportingbet as a Non-Executive Director in September 2011. Chris has over 25 years' marketing, brand and product management experience. He started his marketing career at Virgin Atlantic in 1985 and rose to the position of Marketing Director. He then joined Microtel, and was responsible for founding and launching the Orange brand name. Subsequent to this role he joined Lloyds Bank and TSB as Brand Director. More recently as CEO he launched 118118. He also runs a brand consultancy called Famoss, and is Chairman of Untap.it, a not-for-profit social enterprise.

7 Rory Macnamara
Non-Executive Director

Rory Macnamara, aged 57, joined Sportingbet as a Non-Executive Director in June 2011. Rory qualified as an ACA with Price Waterhouse before joining Morgan Grenfell, later Deutsche Morgan Grenfell, in 1981 as an investment banker. Over the following 17 years he advised clients on a wide range of corporate finance issues and became Head of the Advisory/M&A division in 1995 and Deputy Chairman the following year. In 1999 Rory joined Lehman Brothers as Head of UK Coverage and led teams advising a number of major UK and international clients. In 2001 he became an independent consultant working with Lehman Brothers on M&A projects and with other companies on their business development and financial and acquisition strategies. Besides this extensive corporate finance experience he also brings to Sportingbet a significant understanding of public company management from the many boards he has joined over the last ten years.

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 UK Corporate Governance Code ("Code") issued by the Financial Reporting Council other than as set out below and in the sections headed "Audit Committee" and "Remuneration Committee".

All the Non-Executive Directors (other than Brian Harris) 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. As Brian Harris has served on the Board for more than nine years he is not considered to be independent as defined by the Code. Following the Board refreshment process described in more detail below, Brian Harris will resign as a Director with effect from 31 December 2013. This process has been ongoing since the Company's settlement with the US Department of Justice on 20 September 2010 – a watershed which has improved the Company's ability to attract Non-Executive Directors of suitable quality and experience. The Nomination Committee has been mindful of delivering a staggered refreshing of the composition of the Board so that all Board Directors have an appropriate period of time to share know-how and develop an empathy with the rhythms of the business and the industry. It is with this backdrop that the Board explains certain areas of Code non-compliance.

First, that for part of the financial year ended 31 July 2012 at least half of the Board, excluding the Chairman, was not made up of independent Non-Executive Directors (provision B.1.2 of the Code) and second, that both the Audit and Remuneration Committees do not currently consist of three independent Non-Executive Directors (provisions C.3.1 and D.2.1 of the Code). The Board has been engaged in a detailed process with external consultants to appoint a suitably qualified independent Non-Executive Director to the Board. As a result Marie Stevens was appointed to the Board with effect from 5 September 2012. Marie Stevens brings considerable experience and expertise and complements the balance of skills of the other members of the Board. Therefore, following the resignations of Nigel Payne and Sean O'Connor with effect from 16 December 2011 and the appointment of Marie Stevens, half of the Board members, excluding the Chairman, are independent Non-Executive Directors in line with provision B.1.2 of the Code. After Brian Harris leaves the Board on 31 December 2013, three of five Board members (excluding the Chairman) will be independent as defined by the Code. With a new independent Non-Executive Director, the Board is now able to revisit the composition of the Audit and Remuneration Committees in order to comply with the Code and intends to do so following the release of the Company's financial year results on 3 October 2012.

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 Nomination Committee has undertaken a comprehensive review of Board composition and performance and as a result Marie Stevens has been appointed a Non-Executive Director and Rory Macnamara has replaced Brian Harris as Senior Independent Director as announced by the Board on 29 May 2012. The process is ongoing as the Nomination Committee will continue to look for suitably qualified and experienced individuals in line with provision B2 of the Code. Previous annual reviews have consistently found that the size, composition and expertise of the Company's Non-Executive Directors have been appropriate for the Company's requirements.

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 Brian Harris) 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.

The Chairman is primarily responsible for the running of the Board, and ensures that all Directors receive all 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 12 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.

Information and professional development

All new Directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management and advisers and visits to the Group's operational locations, as well as training and advice on their responsibilities as necessary. The Board calendar is planned to ensure that Directors are briefed on a wide range of topics. From time to time, the Board receives detailed presentations from non-Board members on matters of significance. Financial plans, including budgets and forecasts, and regulatory updates are regularly discussed at Board meetings. Directors are also given the opportunity to visit different parts of the Group and discuss aspects of the business with employees, and regularly meet the heads of the Group's main departments. As well as internal briefings, Directors attend appropriate external seminars and briefings.

Individual Directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a Director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring Board processes and procedures are appropriately followed and support effective governance and decision making. Directors also have access to independent and professional advice at the Company's expense, where they judge this to be necessary to discharge their responsibilities as Directors.

All Directors, in accordance with the Code, submit themselves for re-election 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).

Board Committees

The Board delegates clearly defined powers to its Audit, Remuneration and Nomination Committees whilst the Company's Social Responsibility Committee, as reported on pages 12 to 16, 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.

The Company announced a number of changes to the composition of the Audit, Remuneration and Nomination Committees with effect from 16 December 2011 (being the date Nigel Payne and Sean O'Connor resigned from the Board). As a result of these changes the Company fully complied with the provisions of the Code relating to the composition of the committees of the Board at that time. As of 24 January 2012 Brian Harris ceased to be independent for the purposes of the Code due to his length of service on the Board. However, following the appointment of Marie Stevens on 5 September 2012, the Board will be able to revisit the composition of the Audit and Remuneration Committees in order to comply with the Code and intends to do so following the release of the Company's financial year end results on 3 October 2012.

Audit Committee

The Audit Committee is currently chaired by Rory Macnamara (who has recent and relevant financial experience for this role, as indicated on page 23). Its other members are Chris Moss and Brian Harris. The Company recognises that Brian Harris is not considered to be independent but believes that the Committee will benefit from his continued presence while Rory Macnamara and Chris Moss continue to familiarise themselves with their roles after being appointed to the Board last year.

The Company believes that an Audit Committee with a membership of three independent Non-Executive Directors reflects the size and needs of the business (as defined by the Code) going forward. The Company recognises that for part of the financial year ended 31 July 2012 it did not and does not currently 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 appointment of Marie Stevens and the resignation of Brian Harris referred to above reflects the steps taken by the Company to comply with this provision.

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. The Committee's Secretary is Daniel Talisman, the Company Secretary. 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 Audit Committee is also responsible for assessing the objectivity and independence of the external auditors where they also provide non-audit services to the Company. The independence of the external auditors is safeguarded as described under "External Audit" below. In the current financial year, non-audit fees totalling £0.1m were paid to the external auditors. This related to two major transactions the Company undertook during the latest financial year – namely, the disposal of the Company's Turkish language website and the convertible bond issued by the Company in July 2012. The Audit Committee's view was that the current auditors were the most suitable supplier of the non-audit services due to their skills and experience. The Committee considers that there are appropriate safeguards in place to ensure the continued objectivity and independence of the Company's auditors.

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 Rory Macnamara. Brian Harris, Peter Dicks and Chris Moss are its other members. The Committee's Secretary is Daniel Talisman, the Company Secretary. The Company recognises that provision D.2.1 of the Code requires the Committee to be made up of three independent Non-Executive Directors. Since 24 January 2012, Brian Harris has not been considered to be independent but the Company believes that the Committee will benefit from his continued presence while Rory Macnamara and Chris Moss continue to familiarise themselves with their roles after being appointed to the Board last year.

The Remuneration Committee meets when necessary during the year (and met seven times during the last financial year) and considers the terms of employment and overall remuneration for the Executive Directors, including pension rights and any compensation payments. 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.

Corporate Governance Statement

Nomination Committee

The Nomination Committee is chaired by Peter Dicks and its other members are Rory Macnamara, Chris Moss and Brian Harris. As this Committee consists of a majority of independent Non-Executive Directors it fully complies with provision B.2.1 of the Code.

The Committee's Secretary is Daniel Talisman, the Company Secretary. The Committee meets formally at least twice a year (and met twice during the latest 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.

Appointments to the Board are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender diversity. 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.

The annual review process carried out by the Board, and appointments both during the financial year and afterwards, including the appointment of new qualified independent Non-Executive Directors to the Board referred to in more detail above, have been in line with that policy, have reinforced the diverse composition of the Board and are designed to ensure the Committee is meeting these responsibilities. The Board endorses the aims of the Davies' Report entitled "Women on Boards" and when considering appointments in the future will, with the support of the Nomination Committee, aim to build on its foundations.

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, led by the Senior Independent Director, considered the performance of the Chairman, taking into account the views of the Executive Directors.

Communication with investors

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

All shareholders have at least 20 working days' notice of the Annual General Meeting at which all Directors are introduced and available for questions. The Executive Directors endeavour to meet the Company's larger institutional shareholders at the time of the Company's quarterly results announcements and the Senior Independent Director, Brian Harris (from 24 March 2011 until 29 May 2012) and Rory Macnamara (since 29 May 2012) have been available to shareholders throughout the year. Both the Chairman and Mr Macnamara engaged with the Company's larger institutional shareholders and took into account their views in determining the terms of the Sportingbet Plc 2011 Long-Term Incentive Plan which was adopted at the Company's Annual General Meeting on 16 December 2011.

Accountability and audit

(a) Internal control

The Group has complied with provision C.2.1 of the Code and the FRC Internal Control Guidance both for the year ended 31 July 2012 and up to the date of approval of the Annual Report and Financial Statements. 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.
- The Board continues to review the appropriateness and adequacy of systems and control and risk management in relation to the financial reporting process on an ongoing basis. The Group uses standard reporting packages to compile financial information from subsidiaries in preparing monthly consolidated management information.
- 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 management 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.

The Board has considered the need for an internal audit function but has decided that this is not justified at present. However, it will keep the decision under review on at least an annual basis.

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.

In accordance with its duties, the Audit Committee made recommendations to the Board on the appointment of external auditors, approved their remuneration and also approved their terms of engagement. The Audit Committee has also established a policy regarding the appointment of auditors to perform non-audit services for the Group and will keep this under continual review. 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.

Board and Committee attendance

	Possible meetings	Number	Meetings attended
Peter Dicks	Board	12	11
	Remuneration	7	7
	Nomination	2	2
Brian Harris	Board	12	12
	Remuneration	7	7
	Nomination	2	2
Andrew McIver	Board	12	12
Sean O'Connor	Board	5	4
	Audit	1	1
	Remuneration	3	2
Nigel Payne	Board	5	5
	Audit	1	1
	Remuneration	3	3
Jim Wilkinson	Board	12	12
Rory Macnamara	Board	12	12
	Audit	2	2
	Remuneration	4	4
	Nomination	2	2
Chris Moss	Board	11	11
	Audit	1	1
	Remuneration	4	4
	Nomination	2	2

Directors' Report

The Directors submit their Annual Report and Financial Statements of the Group for the year ended 31 July 2012.

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 43 and show a loss after taxation for the year of £45.4m (2011: £20.7m profit). The Directors recommend payment of a final dividend of 1.1p per ordinary share (2011: 1.1p). An interim dividend of 0.6p (2011: 0.6p) was paid on 6 June 2012, meaning a total dividend for the financial year of 1.7p (2011: 1.7p).

Review of the business and future developments

A more detailed review of the business and future developments is given in the Business Review on pages 4 to 9.

Directors

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

P Dicks	Chairman and Non-Executive
A Mclver	Executive
J Wilkinson	Executive
N Payne	Non-Executive ¹
S O'Connor	Non-Executive ¹
B Harris	Senior Independent Non-Executive ²
R Macnamara	Senior Independent Non-Executive ³
C Moss	Non-Executive
M Stevens	Non-Executive ⁴

1. Left Board on 16 December 2011.

2. Up to 29 May 2012.

3. From 29 May 2012.

4. From 5 September 2012.

All Directors currently on the Board 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 31 to 38 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 31 to 38.

Auditor

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

Related party transactions

Transactions with related parties are disclosed in Note 23 of the Group Financial Statements.

Corporate governance

The Board's statement on Corporate Governance appears on pages 24 to 27 and policies in relation to employees appear on pages 12 to 16.

Charitable donations

During the year, the Group donated £120,962 to a number of charities. This figure includes donations to the Island Academy International School in Antigua, HEROS (Homing Ex-Racehorses Organisation Scheme), the Steve Bull Foundation, Fighting Blindness, Help the Hospices and John Peck.Com. Included in this total was a donation of £15,000 to the Friends of Israel Sport Centre for the Disabled, of which Brian Harris is the founder.

Directors' indemnity

Details of the Directors' indemnity insurance can be found in the Remuneration Report.

Purchase of own shares

The Company was granted authority at the Extraordinary General Meeting in December 2011 to purchase its own shares up to a limit of 10% 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 19. At 2 October 2012 the issued share capital stood at 667,095,640.

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.

Use of financial instruments

Information on the use of financial instruments by the Group is contained in Note 18.

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 2012 the Company had a trade creditor balance of £nil (2011: £nil). Group trade payables represented 35 days of purchases (2011: 28 days).

Substantial shareholdings

As at the opening of dealing on 2 October 2012 the following Shareholders hold, or control, interests in 3% or more of the Company's voting rights:

	Number of shares	Voting rights %
Majedie Asset Management	61,146,840	9.17
UBS Global Asset Management	58,379,211	8.75
Marathon Asset Management	50,817,051	7.62
Fidelity Worldwide Investment	44,991,481	6.74
Bonaire Investment Holdings Ltd	44,497,096	6.67
Legal & General Investment Management	36,015,732	5.40
DBS Advisors Ltd	35,857,703	5.38
Capital Research & Management	32,600,000	4.89
BlackRock	26,662,292	4.00

Going concern

The Directors have considered the implications of the potential impact of regulatory uncertainties discussed in Note 22. 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 19 December 2012. The Notice of the Meeting is set out in a separate explanatory circular. The Notice contains special business, including the renewal of authority to the Board to allot shares and the disapplication 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 the Notice of Meeting in accordance with the Notes contained in the Notice of Meeting.

Significant agreements

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 offer becoming fully unconditional, and the effects of any such agreements.

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% 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, the Remuneration 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 to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"), and the Parent Company Financial Statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

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

Directors' Report

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions which disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements and the Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to the auditors

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

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 Annual 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

2 October 2012

Company registration number: 3534726

Remuneration Report



Rory Macnamara
Remuneration Committee Chairman

Dear Shareholder

I joined the Sportingbet Remuneration Committee as its Chairman on 16 December 2011. This is the first time, therefore, that I have the pleasure of presenting to you, on behalf of the Board, the Directors' remuneration report. We will be asking for approval of this report for year ending 31 July 2012 at our Annual General Meeting in December 2012.

In 2011 we radically reviewed our remuneration policies. For five years following Sportingbet's exit from the US market and the resulting impact on profits and share price, Sportingbet remuneration policy has been focused on retention of key executives while we rebuilt the Company's business and stabilised its finances. Having achieved this turnaround, we decided last year that it was time to refocus remuneration to support long-term value creation.

Central to this change in policy was the decision to ensure that long-term rewards were appropriately performance-based and compliant with best practice codes (the previous retention plans were partly based on service only) and to this end we sought and obtained approval at last year's AGM for a new Long-Term Incentive Plan (the 2011 LTIP).

We consulted at length on the plan with major shareholders and voting agencies beforehand and, whilst the vote in favour of the new plan was 75.6% of shares participating (excluding abstentions) and the vote approving the remuneration report for 2011 was 86.1%, some of our shareholders expressed certain reservations about the design and communication of the new plan (particularly the absence of a performance schedule) and concerns about other aspects of remuneration policy. We also recognise that shareholders were making allowances for Sportingbet's recent move from AIM to a Premium Listing and the time it takes to achieve the more rigorous corporate governance demands of the latter.

The report below describes in detail how we have set about meeting shareholder concerns. We have, for example, now produced a full performance schedule for the 2012 grants under the 2011 LTIP. This was initially delayed whilst market forecasts were reset following the acquisition of Centrebet in Australia and the disposal of the Company's Turkish-language business in late 2011. Where we have been unable to meet commonly-voiced concerns or the provisions of the UK Corporate Governance Code, we have provided our rationale and explained how we believe we comply with the underlying Code principles.

In 2011–12, the Executive Directors again received no increase in salary and no increase is planned for 2012–13. The Company exceeded the base target for operating profit for 2011–12, and the Committee awarded the Executive Directors an annual bonus at the basic level for the plan. During the year, the Executive Directors were both awarded performance-related grants under the 2011 LTIP with a potential value of 150% of salary. Awards were also made to a number of senior managers whose roles were influential in delivering against Group strategy.

In the past year, the UK Government has been consulting on improvements to the disclosure and governance of Directors' remuneration in listed companies. This has culminated in the drafting of new legislation which replaces the current Directors' remuneration reporting rules entirely and introduces new shareholder voting powers for a forward-looking policy report and an implementation report. The new rules will apply to companies reporting with year ends after 31 October 2013. Sportingbet will comply with these rules fully in our report for the year ending 31 July 2014. However, the Committee has decided to include in this year's report one aspect of the new reporting model that we feel will be helpful to shareholders – we have added additional columns in the remuneration table to allow the "single figure of total remuneration for each director" to be reported.

I am grateful for the time provided to both me and my predecessor, Peter Dicks, by major shareholders and shareholder institutions and for your continuing support. If any shareholder wishes to contact me in relation to the Company's Director and senior executive remuneration arrangements, please contact me at the Company's address via the Company Secretary.

Rory Macnamara
Chairman of the Remuneration Committee
2 October 2012

Remuneration Report

Introduction

This Remuneration Report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts & Reports) Regulations 2008 (the Regulations) and with the requirements of the United Kingdom Listing Authority listing rules.

To meet the requirement of the Regulations the report is divided into Unaudited Information and Audited Information. The Company's auditors are required to report to the Company's members on the auditable part of the Directors' Remuneration Report, and state whether in their opinion that part of the Directors' Remuneration Report has been properly prepared in accordance with the 2006 Companies Act.

UNAUDITED INFORMATION

Compliance with Corporate Governance Code

The Remuneration Committee believes that the Company complies with the Main Principles of Section D (Remuneration) of the UK Corporate Governance Code (the "Code"). In four respects remuneration policy departs from the provisions of the Code, namely:

- Notice periods of more than 12 months in the case of a change of control.
- The absence of performance conditions for the Long-term Cash Plan and part of vesting under the 2009 Share Plan.
- A shorter vesting period for part of the first year's grant under the 2011 LTIP.
- The absence of specific measures to encourage longer-term share-holding by Directors.
- The absence of specific clawback arrangements for annual bonuses.

In accordance with the Code and the requirements of the UK Listing Rules, this report explains in the relevant section below the details of the policy and the Committee's reasons for adopting it.

Remuneration Committee

The Remuneration Committee currently comprises three members, all of whom are considered by the Board to be "independent" taking into account Provision B.1.1 of the Code. As promised in last year's report, the Company has revisited the composition of the Committee in order to comply fully with the Code. On 16 December 2011, Rory Macnamara joined the Committee and took over its chair from Peter Dicks, who remains a member with Brian Harris. Chris Moss also joined the Committee. On the same date, Sean O'Connor and Nigel Payne resigned from the Board.

Terms of reference

The terms of reference of the Remuneration Committee have been set by the Board, and 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 the performance-related pay elements of the 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 remuneration of the Chairman is set by the Board as a whole as is that of the Non-Executive Directors. No Director is present when his own remuneration is discussed.

Committee advisers

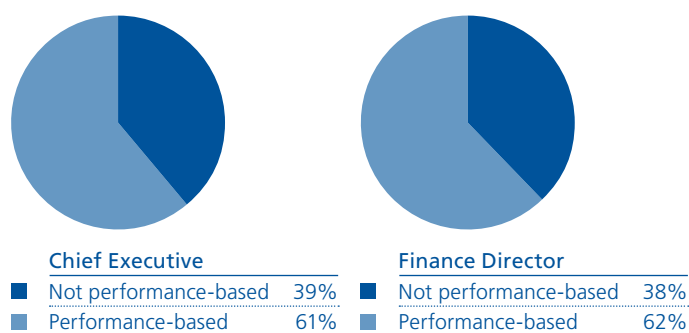
During the year, the Remuneration Committee has taken advice internally from Ruth Smee, Group Head of Human Resources and Daniel Talisman, Company Secretary. External advice on the design of the 2011 LTIP was provided by MM&K, the executive remuneration consulting firm which conducted the remuneration market and policy review during the previous financial year. No other service was provided to the Company or Group by MM&K, which was appointed by the Committee.

Remuneration objectives and policy in the past and coming years

Executive Director and senior management remuneration in Sportingbet is designed to support the business strategy of the Company and its long-term success. As reported last year, in 2011 the Board changed the focus from retaining key executives following the exit from the US market (caused by the enactment of the Unlawful Internet Gambling Enforcement Act in 2006) to one of "value creation" – essentially, shareholders and Directors share in the added value generated from the successful implementation of the Company's strategy. This change reflected management's success in turning around the Company's fortunes. As reported last year, the Remuneration Committee accepted the advice of MM&K to honour remuneration arrangements (essentially long-term share and cash plans) which pre-dated the Company's move to the Official List in 2010 and which may not have been compliant with the Combined Code on Corporate Governance (as was then in force).

It remains an objective to pay Directors and senior management competitively. This is characterised, broadly, as an “upper quartile” position in their relevant labour markets for both fixed and total remuneration. Our business in global online betting and gaming remains subject to uncertainty whilst a number of the Company’s competitive markets determine whether or not to introduce licence-issuing, regulated regimes and, if so, the form of such regulation and the corresponding tax rate. As a result, the Company continues to participate in a declining number of markets which are yet to introduce licences. The remuneration package needs to recognise this level of risk which is carried by the executives as well as the Company. Our policy is now to ensure that remuneration packages for executives are strongly performance-linked, so that high levels of remuneration are only received if shareholders have benefited and the executives have achieved exceptional performance. The proportion of performance-based remuneration in the total remuneration of the Executive Directors is shown in Chart A below. The Committee views projections of total remuneration in different performance scenarios to ensure that the total figure paid is not excessive and is justified by performance.

Chart A: Total remuneration of Executive Directors at achievement of target



The previously awarded long-term retention elements, which were not performance-linked, have been paid out or vested in this financial year and it is not intended to repeat them.

The timescale and measures of the incentive programme have been chosen to provide the right emphasis on value creation and alignment with shareholders. In particular, the vesting of the new LTIP depends on cumulative EBITDA per share achievement, normally over three years (EBITDA per share is believed by the Committee to be the key driver of share value – a two or three year horizon is appropriate for the nature of the business) and the plan’s provision of performance shares through the mechanism of “nil cost” share options provides executives with a strong interest in the Company share price for up to ten years from the date of grant.

Remuneration policy: components of remuneration

Base Salary

2012–13 policy changes: no change from last year

The Committee considers the particular labour markets in which the Executive Directors and members of senior management work, taking into account as appropriate the role, the competitive nature of the industry and company/division size. Decisions on base salary are made taking into account the individual’s performance and contribution and salary increases elsewhere in the Group. The Executive Directors received no increase in salary in the 2011–12 financial year, compared with an average employee increase of 2%. The Committee has also proposed no increase in salary for the 2012–13 financial year.

Annual Bonus

2012–13 policy changes: the Company is consulting with shareholders on the performance measures to be used

Executive Directors and senior managers participate in a Company annual bonus plan at different levels of opportunity depending on seniority. The payment to an Executive Director for achievement of a basic target is 75% of salary. No payment is made for performance below basic target. The maximum payment, for achievement of a stretch target is 100% of salary. The principal performance measure is operating profit against target. The KPIs included in the Company’s Business Review are not used as targets in the annual bonus plan. These are leading indicators of performance and a number of uncertainties in the Company’s markets make them currently unsuitable as bonus targets. In awarding payments, the Remuneration Committee may apply discretion, taking into account industry developments and the Company’s response to them, including changes of policy towards business strategy and risk.

For 2011–12 the basic target was originally set as an operating profit of £37m, and the stretch target as an operating profit of £41m. These targets were revised upwards during the year to £41m and £45m respectively, to reflect the acquisition and the disposal which had been made and analysts’ forecasts. Actual performance was £42m. The Committee decided to award a payment at the basic target level of 75% of salary.

In accordance with the provisions of the UK Corporate Governance Code, the Committee has considered part deferment of bonus to be paid in cash or shares. It has concluded that immediate payment of bonus is necessary for the competitive and motivational impact and that an interest in the Company’s shares is provided adequately by the long-term incentive plans. Moreover, it does not believe at present that deferment is necessary to provide an opportunity of clawback in the circumstances of misstatement or misconduct because of the low risk of these occurring in this business.

Bonuses in termination payments are determined by the Remuneration Committee on a case by case basis taking into account the recent performance of the Company and the Director.

Remuneration Report

Long-term incentive plans

2012–13 policy changes: grants will now only be made under the 2011 LTIP approved at the 2011 AGM. In March 2012, the Remuneration Committee added a secondary measure of Earnings per Share to underpin the cumulative EBITDA measure, introduced graduated vesting (rather than cliff vesting) and published the full cycle performance vesting targets. This policy will continue for plan grants in the coming year.

In recent years, the Company has operated a number of long-term cash and share plans. Their focus was primarily but not exclusively, aimed at retention in the special circumstances following the enactment of the Unlawful Internet Gaming Enforcement Act in the US in 2006. All of these are closed to further grants and all outstanding grants will have vested (or lapsed) by the end of the 2012–13 financial year. Options granted under these closed plans which have vested but remain exercisable are shown in the Audited Information section later in this report.

Two long-term plans were open during the financial year 2011–12 and are now closed:

Sportingbet Restricted Share Plan 2009 (2009 Share Plan)

The 2009 Share Plan was adopted on 22 July 2008 and awards of nil cost options were granted to the Executive Directors and the Group's senior management team on 20 January 2009. The plan is now closed and final vesting will be determined following the release of the Company's results for the 2011–12 financial year.

The plan was introduced at a time when retention was the main priority of the long-term remuneration arrangements. In consequence, the vesting of awards was based only partially on performance, the rest being paid for loyalty (continued service). In addition, the options vested over three years rather than at the end of three years. Whilst these aspects of the plan are not in line with the provisions of Schedule A of the UK Corporate Governance Code, the awards were made before the Company had obtained a Premium Listing and was bound by the Code. In any case, the Committee believed the 2009 Share Plan was strongly in the interests of shareholders at the time of its introduction and initial grant because of the retention effect.

Plan structure

Entitlements under the 2009 Plan comprised a loyalty element and a performance element in equal proportions.

The maximum amount vesting from a grant was 120% salary. This amount vested over a period of three years in a series of tranches (see Chart B). The participant was required to be employed at the relevant year-end date to receive either element in the vesting tranche.

Chart B: Sportingbet Plc 2009 Share Plan vesting schedule

2009 Plan: Vesting	Proportion of total award to be released
At end of Year 2009–10	
Loyalty element	10%
Performance element	10%
At end of Year 2010–11	
Loyalty element	15%
Performance element	15%
At end of Year 2011–12	
Loyalty element	25%
Performance element	25%
Total	100%

The performance condition was based on the extent to which growth in the Company's earnings before interest, tax and amortisation ("EBITA Growth") exceeded RPI Growth over a financial year of the Company. At the time of the plan's design, the Committee felt that EBITA was the principal driver of value in the Company.

For the performance tranche in a particular year to be exercisable in full, EBITA Growth had to exceed RPI Growth by 15% per financial year compound since grant. A minimum payment of 50% of the performance tranche would be awarded for 5% growth per annum, with intermediate levels calculated on a straight line basis. In 2010–11 an EBITA of £38.1m was achieved, which represented a compound growth of 8.5% above RPI. As a result 66.9% of the performance element was paid out.

2008 Cash-Based Long-Term Incentive Plan (2008 Cash Retention Plan)

In 2008, the Remuneration Committee reviewed the remuneration and benefits packages of certain key employees. As a result, the 2008 Cash Retention Plan was established and offered to the Executive Directors and a small number of key employees in order to retain such individuals. The Plan paid a cash sum in August 2012 based on the relevant employee's gross salary, subject to continued employment in the Group up to and including 31 July 2012. The amount paid to Andrew McIver was £500,000 and to Jim Wilkinson was £293,500. These figures are included in the long-term incentive vested figures shown in the Audited Information section of this report. The absence of a performance condition was not in line with the provisions of Schedule A of the UK Corporate Governance Code but the award was made before the Company had obtained a Premium Listing and was bound by the Code. The Committee believed its use was in the interests of shareholders at the time of the plan's introduction and initial grant because of its additional retention effect.

In line with the advice received from the specialist external consultants, MM&K, awards made in good faith prior to the Company's move to the Official List in May 2010 have been honoured. Following the recommendations of MM&K and to ensure compliance with the Code and investor guidelines, the Company will not adopt similar schemes in the future. The only long-term incentive plan now in operation is the 2011 LTIP described below, which is entirely performance based.

Sportingbet Plc 2011 Long-Term Incentive Plan (2011 LTIP)

This plan was approved by shareholders at the Annual General Meeting on 16 December 2011 and the first grants under the plan were made on 10 April 2012.

The purpose of the 2011 LTIP is to provide an incentive for Executive Directors and selected key executives to out-perform in the achievement of value drivers and, as a reward, to receive an interest in ordinary shares in the Company. This interest is structured as an option which is exercisable over a period of seven years from vesting with a discretionary award of past dividends at exercise, maintaining attention to total shareholder return and creating alignment with shareholders' interests.

The 2011 LTIP provides performance shares in the form of nil/nominal cost options which normally vest after three years depending on the achievement of two Company performance conditions. The normal maximum grant has a face value of the shares of 150% of salary, with 200% available for grants in exceptional circumstances such as recruitment. Under the 2012 grant, Andrew McIver was awarded a maximum of 1,986,755 shares; Jim Wilkinson was awarded a maximum of 1,192,053 shares.

The principal performance measure is earnings before interest, tax, depreciation and amortisation of goodwill (EBITDA) per share – i.e. operating cash flow adjusted for year-end accruals. The Committee believes that in a business where the major operational investment is in marketing, cash flow drives the value of the Company, as it creates the strength to grow organically and by acquisition, provides a cushion against risk and creates potential for cash returns to shareholders. In order to reduce the risk of creating higher but diluted earnings by increasing equity, EBITDA targets are set on a per share basis.

At the time of the AGM last year, the Company's business forecasts contained a number of uncertainties owing to external factors, which made it impossible to include the performance vesting schedule with the scheme rules. By March 2012, the picture had clarified and the Committee finalised the vesting schedule for the 2012 grant. This is shown in Chart C below. The Committee retains the discretion to vary these conditions during the performance cycle to maintain the level of challenge and to determine the extent to which the measure has been achieved following the approval of audited accounts for the final year of the performance cycle. Forecasting in the industry is inexact. The alternative to applying discretion in this way is either to set targets on a shorter timescale such as a year or to set a much wider performance range in the performance schedule. The Committee considers that a tightly defined three-year target range, with responsibly-applied discretion, is preferable to either of these alternatives.

Transitional arrangement: in order to provide continuity of reward and retention effect from the previous two long-term incentive plans, 50% of the first year's grant will vest after two years (subject to Company performance). Schedule A of the UK Corporate Governance Code expects vesting to occur in no less than three years "in normal circumstances". However, the Committee believes that this transitional arrangement is justifiable in the circumstances and in the interests of shareholders.

Chart C: Sportingbet Plc 2011 LTIP: grant vesting schedule 2011–12

	Two Year Vesting		Three Year Vesting	
	EBITDA £m	Vesting ¹	EBITDA £m	Vesting ¹
Threshold	112.6	12.5%	177.4	12.5%
Target	121.8	37.5%	192.0	37.5%
Stretch	124.7	50.0%	199.7	50.0%

1. Percentage of total grant vesting. Pro-rated between these levels.

A secondary measure of Earnings per Share provides an underpin to the use of EBITDA. For the 2012 grant, the Committee has set an EPS target of 4.9p for the final year of the two-year vesting element and 5.4p for the final year of the three-year vesting element. If EPS is 80% of this target or below, only half the amount earned by EBITDA performance will vest; at target the full amount will vest, with straight line vesting between these levels.

The Committee currently intends to make grants early in 2013 for the new three year cycle starting in 2012–13. As happened for the grants made in 2012, we will communicate the targets to shareholders when they are known.

Pensions and benefits

2012–13 policy changes: no change from last year.

The Company makes employer contributions of 20% of Andrew McIver's salary and 17% of Jim Wilkinson's salary to their personal pension schemes and this policy will continue for 2012–13. There are no Company pension arrangements in place.

Executive Directors' benefits in kind comprise death-in-service cover of four times salary and private health insurance within the Group scheme.

Service contracts

All Directors have service contracts/engagement letters. These contracts do not have a fixed period. The Company's policy 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 by the Company, save that where a payment is made in lieu of notice and the executive commences new employment during such a period, they are required to repay the Company any prorated amounts.

In the event of termination or constructive dismissal following a sale or reconstruction of Sportingbet each of the Executive Directors is entitled to the equivalent of 24 months' salary, bonus, pension contributions and other benefits payable under his respective service contract. This entitlement is not in accordance with provision D.1.5 of the UK Corporate Governance Code. The contracts were drawn up before the Company had obtained a Premium Listing, at a time when it was not bound by the Code. The Board does not believe there would be a benefit to shareholders, on balance, in renegotiating the contracts at this time.

Remuneration Report

Peter Dicks and Brian Harris have contracts for services dated 1 February 2008 and 28 February 2003 respectively. Both have a termination period of 12 months' notice. Rory Macnamara and Chris Moss have contracts for services dated 26 June 2011 and 19 October 2011 respectively. Both are terminable on six months notice after the initial period of three years.

By way of a variation agreement dated 17 January 2007 between Sportingbet and Sean O'Connor, and by way of a side letter dated 8 January 2007 from Sportingbet to Peter Dicks, in the event of the sale or reconstruction of Sportingbet (or any Sportingbet Group company), both Sean O'Connor and Peter Dicks are entitled to be paid a sum in cash equivalent to the difference between £0.44 and the price per ordinary share in Sportingbet agrees at completion of such sale or reconstruction of Sportingbet, multiplied by 500,000.

In December 2006 and in the case of Jim Wilkinson on 1 February 2008, and on 14 September 2011 in the case of Rory Macnamara and Chris Moss, 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 continued to be in place as at 31 July 2012.

Termination agreement

Sean O'Connor and Nigel Payne, who stood down at the 2011 AGM, each received a payment of six months fees under the terms of their contracts.

Performance Graph

Chart D below shows the cumulative total shareholder return ("TSR") index of the Company for the period over the past five financial years, compared with:

1. The FTSE 250 total return Index and
2. The FTSE 250 Leisure and Travel total return index

These comparators were chosen by the Committee because the Company has been a constituent of both indices since its admission to the Official List on 14 May 2010.

TSR is essentially share price growth plus reinvested dividends. The TSR index shows the current value of an investment of £100 made on 1 May 2010 with dividends reinvested.

Chart D. Total Shareholder Return Comparison



Non-Executive Directors' remuneration policy.

In year-ending 31 July 2012, the Chairman, Peter Dicks received a fixed fee of £160,000 of which £40,000 was satisfied by the issue of Sportingbet shares (see below). This is unchanged for the coming year. Other Non-Executive Directors receive a basic fee of £75,000 per annum (unchanged) with additional fees for the responsibilities of Senior Independent Director or committee chair.

Up to 2011 it was the Company's policy that a proportion of Non-Executive Directors' fees was paid in Sportingbet shares, to be retained until they cease to be a Director of the Company. The Committee decided that this was not an appropriate policy for a Premium-listed company and, by agreement the arrangement with Mr Dicks and Mr Harris, terminated on 31 July 2012. The newer Non-Executive Directors were appointed without this share-payment arrangement.

External directorships

Executive Directors are allowed to hold external directorships but neither currently does.

AUDITED INFORMATION

The reported figures below show remuneration receivable for 2011–12 and not necessarily paid during the year. Thus the bonus figures are those earned for performance in 2011–12 though they were paid after the year-end; similarly, share and cash payments under the restricted share and long-term cash plans which vested on 31 July 2012 are included although they were not paid out until after the year end.

1. Directors' emoluments

£000	Notes	Salary/fees	Annual bonus	Benefits	Total emoluments 2012	Pension	Payment from 2008 cash retention plan	Value of options released under 2009 Share Plan	Total remuneration 2012	Total remuneration 2011
Executive Directors										
	1	570	375	10	955	50	500	155	1660	938
		315	225	1	541	54	294	85	975	492
Non-Executive Directors										
	2	160	–	–	160	–	–	–	160	160
	2	120	–	–	120	–	–	–	120	120
	3	46	–	–	46	–	–	–	46	90
	3	45	–	–	45	–	–	–	45	88
		75	–	–	75	–	–	–	75	6
		68	–	–	68	–	–	–	68	–
		1,399	600	11	2,010	104	794	240	3,148	1,894

1. Annual bonus based on agreed base salary of £500,000.

2. Included within salary/fees is an annual share award valued at £40,000 which formed part of the Non-Executive remuneration.

3. Nigel Payne was paid consultancy fees in addition to his emoluments, details of which are available at Note 23 to the Financial Statements. Sean O'Connor was also paid consultancy fees which are reflected in his emoluments and details of which are available in Note 23. Both Sean O'Connor and Nigel Payne resigned from the Board on 16 December 2011.

2. Interests of Directors in shares in the Company

	Notes	As at 31 July 2012	As at 1 August 2011
Executive Directors			
Andrew McIver	1	3,070,100	2,834,481
Jim Wilkinson	2	1,246,259	972,787
Non-Executive Directors			
Peter Dicks	3	699,622	416,878
Brian Harris	4	476,775	294,031
Rory Macnamara		–	–
Chris Moss		–	–

1. Andrew McIver received an interest in 490,871 shares on 1 December 2011, following the release of an award under the 2009 Share Plan. 255,252 shares were sold to meet the tax liability of this award.

2. Jim Wilkinson received an interest in 269,979 shares on 1 December 2011, following the release of an award under the 2009 Share Plan. 140,389 were sold to meet the tax liability of this award.

3. Peter Dicks received interests in 72,163 shares on 4 August 2011, 48,485 shares on 29 February 2012 and 62,096 shares on 31 July 2012, each tranche forming part of his Non-Executive remuneration. Peter Dicks further purchased 100,000 shares on 27 October 2011.

4. Brian Harris received interests in 72,163 shares on 4 August 2011, 48,485 shares on 29 February 2012 and 62,096 shares on 31 July 2012, each tranche forming part of his Non-Executive remuneration.

Remuneration Report

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

	Scheme and Year of Award	No. of shares subject to award at 1 August 2011	Granted during the year	Exercised during the year	Lapsed during the year	No. of options at 31 July 2012	Exercise price (p)	Earliest exercise date	Expiry of exercise period
Executive Directors									
Andrew Mclver	2009 Share Plan	1,567,653	–	490,871	–	1,076,781	Nil or par	1/11/11	1/12/12
	LTIP 2011	–	1,986,755	–	–	1,986,755	Nil or par		
Jim Wilkinson	2009 Share Plan	862,208	–	269,979	–	592,229	Nil or par	1/11/11	1/12/12
	LTIP 2011	–	1,192,053	–	–	1,192,053	Nil or par	1/08/13	1/08/14

Non-Executive Directors

No Non-Executive Director, including the Company Chairman, had an interest in share options or share plans at the beginning of or throughout the year.

Further details about these plans and any performance conditions attaching to the awards are provided in the unaudited section of this report.

4. Details of awards exercised during the year to 31 July 2012

Director	Scheme and Year of Award	Date of Exercise	Total number of shares acquired on exercise	Number of shares sold on exercise	Market price per share on exercise	Total value of shares on exercise (less exercise price if applicable)
Andrew Mclver	2009 Share Plan	1/12/12	490,871	255,252	0.32	£154,625
Jim Wilkinson	2009 Share Plan	1/12/12	269,979	140,389	0.32	£85,043

Note: the number of shares sold on exercise of the 2009 Share Plan by the above Directors was in each case to cover income tax and employee national insurance charges arising on exercise and dealing costs.

Regulatory Developments 2012

General

The multi-jurisdictional nature of the Group's provision of betting and gaming services remains subject to an ever-evolving, complex and unpredictable approach by nation states worldwide. However, the last 24 months have seen the increasing establishment of regulatory regimes which are prepared to license private (i.e. non-state sponsored) gambling operators to provide the types of services supplied by the Group in their domestic markets: markets that were hitherto the exclusive preserve of national monopoly providers.

In some cases (such as Italy) such regimes can be seen as "permissive" in the dual sense that they offer to operators not just the opportunity to obtain a licence in the territory, but also a system of tax and regulation which is attractive to business. In other cases (such as France, and Germany outside of Schleswig-Holstein) the regimes offer less attractive conditions for business despite their readiness to license private gambling operators; hence, these markets can be said to be "permissive" only by way of comparison with the exclusions that went before.

Policy

The Group continues to provide its services only from jurisdictions where it is licensed and regulated. Therefore, the Group's position, in its place of supply (and where the local regulator and applicable local laws deem the gambling transaction to take place) is explicitly legal.

In order to provide its worldwide gambling services, during the 2011–2012 financial year the Group has maintained licences in Alderney, Antigua and Barbuda, Australia, Denmark, Italy, Malta, Spain, South Africa and the UK.

However, it is also increasingly necessary to obtain licences from regulatory authorities not just in the places from whence the Group's services are supplied (that is, hosted and served – as mentioned above) but also in the markets such services are targeting. This reflects the general trend – in the licensing of electronic gambling – for regulators to assume jurisdiction based upon the "point of consumption" of the gambling, and not to permit unregulated access to their domestic markets on the basis of the lawfulness of the offering at its (foreign) "point of origin".

Some recent developments

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

- the confirmation that the UK Government intends to license and tax the provision of online gambling services on a "point of consumption" basis from late 2014;
- the implementation of new licensing regimes in EU jurisdictions such as Denmark and Spain and the announcement of an increase in permitted activity in Italy (e.g. online slots from December 2012);
- the continued move towards the opening of the national gambling market to private operators in a number of other EU jurisdictions, including Bulgaria, Cyprus, Germany and Greece, albeit on terms that vary in their attractiveness to private operators;
- confirmation that the European Commission (the "Commission"), as indicated in a speech in July by the Internal EU Commissioner, Michel Barnier, intends to promote a degree of gambling regulatory harmony within the European Union. Whilst this will not lead to a pan-EU licensing framework, it may lead to more or less commonality in technical, compliance and social responsibility standards;

- ongoing attempts to impose indirect taxes (via "product fees") on gambling operators by certain States in Australia and similar debates in the UK given that the horse-racing levy (the "Levy") continues to be subject to attempts to replace it with another form of payment; and
- moves by some individual US states to license certain types of electronic gambling, primarily poker.

The European Union ("EU")

EU Member States are subject to scrutiny from the European Commission and, as "guardian" of the Treaty on the Functioning of the European Union ("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 acting 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, coupled with certain national court decisions declaring domestic legislation to be incompatible with EU law, has led to a domestic review of prohibitive legislation in a number of jurisdictions, including France, Italy and Germany.

However, the European Court of Justice ("ECJ") has, in the course of the last three years, delivered a series of judgements which ostensibly have supported the notion that Member States may establish whatever regulatory environment they choose provided they do so in such a way that is non-discriminatory, consistent and proportionate to the aim of controlling gambling and protecting their citizens.

Nonetheless, where jurisdictions have or are in the process of implementing licensing regimes, the Commission has yet to take any affirmative action where such licensing systems are arguably discriminatory, either in terms of the barriers to entry or in relation to the level of tax (or bond security) licensees are expected to pay. Germany and Greece are in this category. Both jurisdictions may yet be challenged by the Commission, but in the meantime, whilst the introduction of a licensing regime seems to be the necessary salve to ward off infringement proceedings, there appears to be no obvious blueprint for a licensing regime that will pass muster with the Commission.

Despite the absence of any harmonising directive at EU-level, the Commission does, however, appear to be taking steps towards introducing a degree of common regulatory practice, at an EU level, which may lead to a degree of harmonisation of online gambling regulation as between Member States. Following the publication of a Green Paper last year, Michel Barnier, the Internal EU Commissioner has confirmed that an action plan to instigate the "regulation and supervision of online betting and gambling" will be published in Autumn 2012. The action plan is likely to deal with protection of consumers, prevention of fraud and the issue of sports integrity. The Commission also wishes to promote regulatory co-operation between Member States and wishes to establish a pan-EU enforcement capability to help curb the "grey" market. However, the Commission recognises that such initiatives will be hampered by Member States continuing to preside over non-compliant regulatory regimes and has stated it plans to tackle such infringements of the TFEU. In that regard, the industry awaits the Commission's next move.

Regulatory Developments 2012

Spain

The first online gambling licences were granted in Spain in early June 2012 and the regime became fully operational shortly thereafter. The new licensing regime embraces a range of betting and gaming activities with further licensing of online slots anticipated later in 2012. The Group has obtained general licences (covering betting, other games and contests) and seven singular licences (covering poker, baccarat, roulette, blackjack, supplementary games, sport fixed-odds betting and other fixed-odds betting). In the months preceding the liberalisation of the gambling market, licence applicants were required to pay retrospective taxes dating back some four years. For some operators the sums were not insignificant and ran into the tens of millions of euros. The Group voluntarily settled its tax claim but, along with other operators, will assess its ability to challenge the imposition of retrospective taxation by the Spanish tax authorities now that licences have been issued.

United Kingdom

The Gambling Act 2005 does not currently impose any restrictions on operators transacting with British citizens. It does, however, prevent overseas operators advertising in the UK unless they are regulated in certain specified (“whitelisted”) jurisdictions.

The Group holds a licence granted by the Alderney Gambling Control Commission and is therefore permitted to advertise in the UK under regulations passed pursuant to the Gambling Act, which permit UK advertising for Alderney licensees on the basis of Alderney’s “whitelisted” status.

In March 2010, the Department for Culture, Media and Sport (“DCMS”) initiated a consultation regarding the regulation of remote gambling in UK. The consultation also looked at whether operators who transact with UK citizens should be required to obtain a licence from the UK Gambling Commission. In July 2011, the UK Government announced its intention to proceed with such plans.

In March 2012, the Chancellor announced the intention to tax online gambling operators on a “point of consumption basis”, meaning that any operator transacting with a UK citizen will need to pay gambling duties to the UK tax authorities. The industry was recently consulted and a number of stakeholders have threatened to challenge the compatibility of the proposals with the UK’s obligations under the TFEU. Subject to any such challenges, it is anticipated that the requirement for the Group to hold a UK licence and pay corresponding tax in the UK will have crystallised by late 2014.

Germany

Following certain ECJ cases, including Carmen Media (Case C-46/08), which determined that there was incompatibility between Germany’s TFEU obligations and its domestic gambling laws, wide speculation as to the unenforceability of the Interstate Treaty on Gambling (“Treaty”) prompted a review of the gambling regulatory regime in the context of the expiry of the Treaty on 1 January 2012.

A new version of the Treaty was produced and the Commission expressed its concerns about the incompatibility of that draft with Germany’s TFEU obligations. The new Treaty received further critical comments from the Commission but was, nonetheless, ratified by 15 of Germany’s 16 states and entered into force on 1 July 2012. It provides for the award of up to 20 online sports betting licences but prohibits online casino and poker. The Hesse Ministry of Interior Sports initiated a European-wide tender for licences in August 2012 with a deadline of 4 September 2012 for submissions, which was subsequently extended to 12 September 2012.

At the time the draft Treaty was receiving comments from the Commission, the parliament of the State of Schleswig-Holstein passed its own Gambling Act which came into force on 1 January 2012. This Act licenses most gambling activities and a number of sports betting licences have now been granted. Parliamentary elections in May 2012 resulted in a change of government in Schleswig-Holstein and the new administration was not as supportive of the State’s new licensing regime. Therefore, following a cabinet meeting in July 2012, Schleswig-Holstein announced its intention to abolish its Gambling Act and became the 16th State to ratify the Treaty. A subsequent parliamentary meeting failed to resolve how and when the Gambling Act would be removed from the statute books and until such time, Schleswig-Holstein’s Gambling Act will remain in force. Further sports betting licences were granted in late August. A federal tax on sports betting activities of 5% (levied on the value of bets made (i.e. stakes)) has been in place since July 2012. The tax is uniform across Germany (and also applies in Schleswig-Holstein until its licensing regime is formally withdrawn) and impacts any operator transacting with German citizens regardless of that operator’s location. Operators are taking different stances with respect to Germany; some are paying the tax and preparing for the implementation of the licensing regime; others are refusing to pay and have announced that they will challenge the requirement in the European courts.

Greece

Greece has been the subject of several challenges by the Commission and, in September 2012, an opinion published by ECJ advocate general Ján Mazák heavily criticised the position of monopoly provider (OPAP). In July 2011 Greece implemented a new law which envisages an online gambling licensing regime. Whilst all the underlying regulations have yet to be promulgated, those operators who wanted to obtain a licence were required to register to pay tax during the period prior to the licensing regime being initiated, and in some cases, as far back as 2010. Games of chance were excluded from the scope of available licences as they were exclusively reserved for the monopoly. However, Mazák’s opinion clearly finds the national legislation incompatible with Articles 49 and 56 of TFEU and as a result opines that the proposed legislation cannot apply during any transitional period. Although a final ECJ judgment is expected later this year, Mazák’s opinion is likely to form the basis of the final court ruling.

Italy

Italy is a fully regulated market and its licensing regime is set to develop further with the introduction of online slots in December 2012. New regulations for remote bingo are also anticipated this year (subject to comments from the European Commission) as well as the proposals to regulate betting exchanges and betting on virtual events.

Proposals made by Italian regulator, AAMS, suggest further amendments may be made to the current regime in Italy which would see online fixed odds betting taxed on a gross profits rather than turnover basis. Furthermore a process is under way to enhance betting operators' offerings by augmenting the official list of events and markets on which bets can currently be struck (the "palinsesto").

The Group currently holds a provisional licence which does not entitle it to offer its services to Italian customers until such time as the licence agreement has been signed by AAMS, the Italian regulator. Once active, the licence permits fixed-odds and totalizer betting, pool betting, sports and horse race betting, casino games (with the exclusion of slots), skill games, bingo and tournament and non-tournament card games.

Denmark

Following a positive decision from the Commission in connection with a formal state aid investigation in September 2011, the new Danish licensing regime became live on 1 January 2012 with licences available for land-based and online betting and online casino and poker. Horse race betting, lottery, bingo, keno and scratch cards remain under the ambit of the monopoly provider.

The Group has been issued with a one year temporary licence. As the application process was rushed in order for licences to go live in early 2012, not all aspects of applications were considered and provisional licences were granted until all aspects of the applications have been reviewed. Assuming that the licensing authority determines that the Group is suitable for regulation, a full licence will be granted for a period of five years from 1 January 2013.

Rest of the World

Australia

The Group holds online betting licences in the Northern Territory and provides betting services throughout Australia. It blocks Australians from accessing any of the Group's gaming products. It has been held, as a result of various court cases that holding a sports betting licence in one Australian state entitles the licensee to advertise and supply into all others.

A recent consultation process resulting from a review of the Interactive Gambling Act 2001 by Australia's Department of Broadband, Communications and the Digital Economy recommended certain amendments to the current legislation. If implemented, the amendments would materially alter the online gambling market. Licensing of online tournament poker, relaxation of current in-play betting restrictions and additional sanctions and penalties for supplying gambling services without the requisite licence are some of the recommendations. However, it is important to note that it was only an interim report that proposed these amendments and there has been notable opposition to some of the proposals which could push back any developments until after the elections in November 2013.

Race fields legislation exists in every Australian state except the Northern Territory. The race fields legislation has been subject to ongoing legal challenge, principally on the basis that there exists anti-competitive discrimination between bookmakers and the incumbent tote monopolies in breach of the Australian Constitution. The matter finally reached the High Court in March 2012 whereby the judge dismissed appeals by two operators and held that the race field regime imposed an equal burden on all operators and was therefore valid.

United States

The US continues, generally, to prohibit online gambling.

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 and rumours and counter-rumours regularly circulate. Increasing pressure from consumers and lobby groups has led to legislative proposals being put forward.

To date, these proposals have resulted in changes to the existing prohibitive landscape, notably the introduction of an online poker regulatory environment in Nevada and the recent passage of permissive regulations in Delaware. Several other States' bills are in process, notably in New Jersey and Illinois, although many recent State initiatives have failed at some stage during the legislative process.

The likelihood of a Federal bill (which would almost certainly be a poker-only bill) being introduced continues to be the subject of conjecture.

Asia

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

Blocked territories

In the last 12 months, the Group has taken, notably, the decision to block wagers from Norway and Turkey. As such, the Group currently blocks wagers from the following jurisdictions:

- Guadeloupe
- France
- French Guyana
- Netherlands
- Hong Kong
- India
- Indonesia
- Israel
- La Reunion
- Martinique
- Norway
- Pakistan
- Philippines
- Saudi Arabia
- Singapore
- Thailand
- Turkey
- UAE
- United States of America

Independent Audit Report

For the year ended 31 July 2012

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 2012 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statements and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, 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 and express an opinion on 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/private.cfm.

Opinion on financial statements

In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 July 2012 and of its loss 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 matters 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 and;
- the information given in the Corporate Governance Statement set out on pages 24 to 27 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review:

- the Directors' Report, set out on page 29, 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 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board of Directors' remuneration.

Other matter

We have reported separately on the Parent Company Financial Statements of Sportingbet Plc for the year ended 31 July 2012 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

2 October 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2012

Continuing operations	Notes	Core £m	Other £m	Year ended	
				31 July 2012 £m	31 July 2011 £m
Amounts wagered	3	2,349.2	–	2,349.2	2,053.9
Net gaming revenue	2	185.7	–	185.7	204.0
Other operating revenue		3.2	7.0	10.2	2.3
Total revenue	3	188.9	7.0	195.9	206.3
Administrative expenses before exceptional items, share option charge and amortisation of acquired intangible assets		(156.7)	–	(156.7)	(168.2)
Group operating profit before exceptional items, share option charge and amortisation of acquired intangible assets	3	32.2	7.0	39.2	38.1
Gain on Turkey deferred contingent consideration	21	–	3.7	3.7	–
Other administrative expenses:					
Exceptional items	4	(71.6)	–	(71.6)	(10.8)
Share option charge	6	(0.9)	–	(0.9)	(1.2)
Amortisation of acquired intangible assets	12	(9.5)	–	(9.5)	(1.7)
Total administrative expenses:		(238.7)	–	(238.7)	(181.9)
Group operating (loss)/profit		(49.8)	10.7	(39.1)	24.4
Finance income	8	2.2	–	2.2	0.5
Finance costs	8	(8.6)	–	(8.6)	(1.1)
(Loss)/profit before taxation	5	(56.2)	10.7	(45.5)	23.8
Taxation	9	0.1	–	0.1	(3.1)
(Loss)/profit for the year		(56.1)	10.7	(45.4)	20.7
(Loss)/profit attributable to the owners of the Parent		(56.1)	10.7	(45.4)	20.7
Other comprehensive income:					
Amounts initially taken to equity as a result of applying hedge accounting		(0.8)	–	(0.8)	(0.4)
Amounts reclassified from equity to profit or loss to match the hedged items		(0.4)	–	(0.4)	(1.2)
Exchange differences on translation of foreign operations		(5.7)	–	(5.7)	1.9
Total comprehensive income for the year attributable to the owners of the Parent		(63.0)	10.7	(52.3)	21.0
(Loss)/profit per ordinary share					
Basic	10			(6.8)p	3.9p
Diluted	10			(6.8)p	3.9p

The Notes on pages 47 to 72 form part of these Financial Statements.

Consolidated Balance Sheet

For the year ended 31 July 2012

	Notes	As at	
		31 July 2012 £m	31 July 2011 £m
Non-current assets			
Goodwill	11	101.7	41.8
Other intangible assets	12	111.0	33.2
Property, plant and equipment	13	26.4	26.2
Deferred tax asset	9	1.1	1.2
		240.2	102.4
Current assets			
Trade and other receivables	14	19.8	16.3
Cash and cash equivalents	15	42.4	180.2
Derivatives	18	0.5	–
		62.7	196.5
Current liabilities			
Trade and other payables	16	(106.8)	(60.4)
Interest bearing loans and borrowings	16	(7.1)	(6.0)
Derivatives	16	(1.9)	(0.2)
		(115.8)	(66.6)
Net current (liabilities)/assets		(53.1)	129.9
Non-current liabilities			
Interest bearing loans and borrowings	16	(69.0)	(53.8)
		(69.0)	(53.8)
Net assets		118.1	178.5
Equity			
Issued share capital	19	0.7	0.7
Share premium		60.7	60.0
Reserves		56.7	117.8
Total equity		118.1	178.5

The Notes on pages 47 to 72 form part of these Financial Statements. These Financial Statements were approved by the Board and authorised for issue on 2 October 2012.

J Wilkinson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2012

	Issued share capital £m	Share premium account £m	Other reserves £m	Equity portion of convertible bond £m	Profit and loss account £m	Foreign exchange reserve £m	Total £m
As at 1 August 2010	0.5	59.9	–	–	30.8	1.5	92.7
Employee share options	–	0.1	–	–	(0.7)	–	(0.6)
Issue of shares	0.2	–	62.3	–	–	–	62.5
Equity portion of convertible bond	–	–	–	10.3	–	–	10.3
Share option charge	–	–	–	–	1.2	–	1.2
Dividends paid	–	–	–	–	(8.6)	–	(8.6)
Transactions with owners	0.2	0.1	62.3	10.3	(8.1)	–	64.8
Profit for the year	–	–	–	–	20.7	–	20.7
Hedge accounting	–	–	–	–	(1.6)	–	(1.6)
Foreign currency exchange	–	–	–	–	–	1.9	1.9
Total comprehensive income for the year	–	–	–	–	19.1	1.9	21.0
As at 1 August 2011	0.7	60.0	62.3	10.3	41.8	3.4	178.5
Employee share options	–	0.7	–	–	(0.3)	–	0.4
Equity portion of convertible bond	–	–	–	1.9	–	–	1.9
Share option charge	–	–	–	–	0.9	–	0.9
Dividends paid	–	–	–	–	(11.3)	–	(11.3)
Transactions with owners	–	0.7	–	1.9	(10.7)	–	(8.1)
Loss for the year	–	–	–	–	(45.4)	–	(45.4)
Hedge accounting	–	–	–	–	(1.2)	–	(1.2)
Foreign currency exchange	–	–	–	–	–	(5.7)	(5.7)
Total comprehensive income for the year	–	–	–	–	(46.6)	(5.7)	(52.3)
As at 31 July 2012	0.7	60.7	62.3	12.2	(15.5)	(2.3)	118.1

The decrease in Group equity of £60.4m (2011: increase of £85.8m) is wholly represented by the movements shown in equity reserves and share capital in Note 19 and the statement above.

Other reserves represent amounts relating to the premiums arising on the issue of shares under the provisions of section 612 of the Companies Act 2006.

On 9 June 2011, 154,761,904 ordinary shares were issued and placed at a price of 42p per share. The net proceeds after costs were £62.5m. The placing utilised a cash box structure, whereby the cash box entity issued redeemable preference shares in consideration for the receipt of the cash proceeds (net of issue costs) arising from the placing. The Company's ordinary shares were issued as consideration for the transfer to it of the shares, which it did not already own, in the cash box entity. As a result, in the opinion of the Directors, the placing qualified for merger relief under section 612 of Companies Act 2006 so that the £62.3m excess of the value of the acquired shares in the cash box entity over the nominal value of the ordinary shares issued by the Company was credited to the Company's other reserves.

The equity portion of the convertible bond reserve represents the equity portion of the £80m (2011: £65m) of fixed rate 7% convertible bonds (Note 16) after deduction of transaction costs of £0.7m (2011: £0.5m) attributable to the equity component.

All Group equity is attributable to the owners of the Parent.

Consolidated Cash Flow Statement

For the year ended 31 July 2012

	Notes	Year ended	
		31 July 2012 £m	31 July 2011 £m
Group (loss)/profit after taxation		(45.4)	20.7
Depreciation		3.9	5.2
Software amortisation		9.9	8.1
Other amortisation		9.5	1.7
Impairment of property, plant and equipment and software		18.7	–
Share option charge		0.9	1.2
Finance cost		6.4	0.6
Taxation		(0.1)	3.1
Operating cash flows before movements in working capital		3.8	40.6
(Increase)/decrease in receivables		(0.8)	(0.9)
Increase/(decrease) in payables		3.1	(8.7)
Cash generated by operations		6.1	31.0
Income tax paid		(1.5)	(2.1)
Net cash from operating activities		4.6	28.9
Purchases of property, plant and equipment	13	(8.9)	(4.1)
Purchases of software	12	(17.0)	(20.9)
Acquisitions	21	(108.6)	(0.1)
Interest paid		(6.4)	(0.8)
Cash used in investing activities		(140.9)	(25.9)
Loans		4.0	–
Exercise of share options		(0.1)	(0.7)
Issue of shares		0.5	61.8
Finance leases		(1.4)	0.7
Dividends paid		(11.3)	(8.6)
Issue of convertible loan notes		12.9	62.0
Net cash from financing activities		4.6	115.2
Net increase in cash and cash equivalents in the year		(131.7)	118.2
Cash and cash equivalents at beginning of year		180.2	58.9
Effect of foreign exchange rate changes		(6.1)	3.1
Cash and cash equivalents at end of year	15	42.4	180.2

The Notes on pages 47 to 72 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

The financial information provided is for the Group's financial year ending 31 July 2012.

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

The IFRS Financial Statements have been drawn up on the basis of accounting policies consistent with those applied in the Financial Statements for the year to 31 July 2011.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these Financial Statements. The effect of adopting the above standards and interpretations is not material to Group profit or to total equity in the current or prior year. Prior year information has not been restated, therefore an additional comparative Balance Sheet has not been presented.

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:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

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, with the exception of IFRS 9 which will impact the measurement of financial instruments and future hedges.

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 consideration transferred 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 profit or loss in the period of acquisition.

Contingent and deferred consideration arising as a result of acquisitions is stated at 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 profit or loss.

Notes to the Financial Statements

1. Accounting policies continued

Amounts wagered

Amounts wagered do not represent the Group's statutory revenue. They represent 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.

Revenues

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.

Other operating revenue

Other operating revenue is comprised of revenues for B2B services, including payment processing, trading and IT services, which is measured at the fair value of the consideration received recognised as revenue in the period in which services are performed.

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred in 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 profit or loss and is not subsequently reversed. Goodwill arising on earlier acquisitions prior to IFRS conversion 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 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
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Methods of amortisation, residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting 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:

Belmond International Limited – marketing contract	20% on cost
Danbook – customer list and software	25% on cost
Scandic – customer list and software	25% on cost
Centrebet – customer list and software	25% 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	25–33% on cost
Leasehold improvements	10% on cost
Motor vehicles	25% on cost
Computer equipment	20–33% on cost
Freehold buildings	2% on cost

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting 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 reporting 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 (or cash-generating unit) 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.

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.

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 profit or loss within 'Other administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Other administrative expenses' in the profit or loss.

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.

Notes to the Financial Statements

1. Accounting policies continued

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 profit or loss over the period of 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 reporting 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.

Convertible bonds

The net proceeds received from the issue of convertible bonds are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity and is not remeasured. The liability component is carried at amortised cost.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The finance cost on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

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 cash flow techniques or by reference to market prices supplied by banks. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the variability of cash flows (cash flow hedge).

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

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

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

Hedge accounting

The Group designates certain derivatives as either a cash flow hedge, where exposures to variability in cash flows attributable to either a particular risk associated with a recognised asset or liability or highly probable purchase are hedged; or hedges of net investments in foreign operations (net investment hedges), where exposures to changes in fair value or future cash flows of the investment are hedged.

For those instruments designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

1. Accounting policies continued

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 profit or loss.

Amounts accumulated in equity are reclassified from equity to profit or loss 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 that has been recognised in other comprehensive income at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified from equity to profit or loss.

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 the 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 profit or loss.

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 profit or loss at an average rate are taken to reserves.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss 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 reporting 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 reporting date. Deferred tax is charged or credited in the profit or loss, 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. Current and deferred tax that relates to items recognised directly in equity is also recognised directly in equity.

Notes to the Financial Statements

1. Accounting policies continued

Employee benefits

Pension costs

For defined contribution arrangements the amount charged to the profit or loss 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 profit or loss 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 reporting 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 or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit or loss 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 profit or loss 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.

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 reporting date, and are discounted to present value where the effect is material.

Use of judgements and estimates

The preparation of financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying judgements 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 periods of revision and future periods if the revision affects both current and future periods.

1. Accounting policies continued

In preparing these consolidated financial statements, estimates and judgements have been made by management concerning the accrual of betting taxes, identification of dates of change of control for business combinations, the fair value of consideration and assets acquired, discount and growth rates used in impairment reviews, capitalisation, amortisation and impairment of fixed assets, the classification of exceptional items and the cost of comparable financing for convertible bonds.

Critical judgements in applying the Group's accounting policies

Revenue recognition

Net gaming revenue is measured after the deduction of gaming taxes. Tax rates differ by product, domain and territory in which the Group operates. In territories where the regulatory position is uncertain, judgement is exercised over the extent to which gaming taxes accrue.

Business combinations

The Group has made a number of corporate transactions during the year. Further details are given in Note 21. Judgement is exercised over the date control passes, the nature of the entity acquired or disposed of and the fair value of consideration and assets acquired or disposed.

Impairment reviews

As noted in Note 11, management consider that the Group has two CGUs, Europe and Australia.

Fixed asset capitalisation, amortisation and impairment

Development expenditure is capitalised to the extent it meets the criteria described in the intangible and tangible asset Notes on pages 61 and 62. Judgement is exercised over the useful life of assets capitalised (given technological and regulatory developments) and when assets previously capitalised become impaired.

Exceptional items

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

Classification of convertible bonds

The terms of convertible bond instruments, including all conditions under which an adjustment to the conversion price can be made. Where, in management's judgement such terms are all considered to be anti-dilutive to the bond holder, the instrument is recognised as a compound financial instrument in accordance with the requirements of IAS 32.

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 calculate the allowance by reference to player terms and conditions in assessing the likelihood of balances being reclaimed.

Key sources of estimation uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value-in-use of the CGU to which the goodwill has been allocated. The value in use calculation involves an estimate of the future cash flows of the CGUs and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated using the current one-year budget forecast extrapolated for future growth rates. The estimated growth rates are based on past experience and knowledge of individual sector's markets. Changes in estimates of the growth rate could result in variations to the carrying value of goodwill. The Directors consider that no reasonably foreseeable changes in the estimates of growth rates or discount rates could affect the carrying value of goodwill.

Amortisation of non-current assets

Determining the period over which tangible and intangible assets are amortised over required an estimate of their useful lives. This includes non-current assets capitalised in current and previous periods together with the intangible assets acquired through business combinations during the year.

Fair value of proceeds on disposal of businesses

During the year, the Group disposed of its Turkish Language website business. In arriving at a fair value for the proceeds of the business, this requires estimation over timing and quantum of those payments, movements in foreign exchange rates, the regulatory environment in Turkey and the credit status of the counterparties.

Share-based payments

Management applies valuation techniques to calculate the fair value of share option charges. Note 20 provides information on the choice and valuation technique and assumptions made.

Measurement of convertible bonds

The finance cost of convertible bonds is calculated using an effective interest rate, which is at a premium to the coupon rate. This effective rate is calculated based on the estimate of the cost of a similar instrument without conversion feature.

Notes to the Financial Statements

2. Net gaming revenue

	2012 £m	2011 £m
Gaming revenue	204.6	224.3
Promotional bonuses	(18.9)	(20.3)
Net gaming revenue	185.7	204.0

3. 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 (loss)/profit information and certain asset and liability information regarding the Group's operating segments for the years ended 31 July 2012 and 31 July 2011.

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

	2012						Total £m
	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	Core £m	Other £m	
Amounts wagered	770.3	1,493.1	85.8	–	2,349.2	–	2,349.2
Total revenue	95.8	83.6	9.5	–	188.9	7.0	195.9
Depreciation and amortisation of software	(10.8)	(3.0)	–	–	(13.8)	–	(13.8)
Administrative expenses before exceptional items, share option charge and amortisation of acquired intangible assets	(80.8)	(48.8)	(5.3)	(8.0)	(142.9)	–	(142.9)
Group operating profit/(loss) before exceptional items, share option charge and amortisation of acquired intangible assets	4.2	31.8	4.2	(8.0)	32.2	7.0	39.2
Gain on Turkey deferred contingent consideration		–	–	–	–	3.7	3.7
Other administrative expenses:							
Exceptional items	(44.9)	(19.5)	–	(7.2)	(71.6)	–	(71.6)
Share option charge	(0.2)	–	–	(0.7)	(0.9)	–	(0.9)
Amortisation of acquired intangible assets	(2.0)	(7.5)	–	–	(9.6)	–	(9.6)
Total administrative expenses	(138.7)	(78.8)	(5.3)	(15.9)	(238.7)	–	(238.7)
Operating (loss)/profit	(42.9)	4.8	4.2	(15.9)	(49.8)	10.7	(39.1)
Finance income/(cost)	7.1	1.1	–	(14.6)	(6.4)	–	(6.4)
Taxation	(0.3)	0.4	–	–	0.1	–	0.1
(Loss)/profit for the year	(36.1)	6.3	4.2	(30.5)	(56.1)	10.7	(45.4)
Balance Sheet information							
Non-current assets	625.5	394.8	–	(780.1)	240.2	–	240.2
Current assets	29.6	33.2	–	–	62.7	–	62.7
Total liabilities	(101.4)	(83.4)	–	–	(184.9)	–	(184.8)
Expenditure incurred to acquire property, plant and equipment and intangible assets	15.2	10.7	–	–	25.9	–	25.9

	2012						Total £m
	Sports betting £m	Casino gaming £m	Poker rake £m	Other operating revenue £m	Core £m	Other £m	
Amounts wagered	2,319.0	37.8	11.3	–	2,368.1	–	2,368.1
Promotional bonuses	(11.9)	(3.3)	(3.7)	–	(18.9)	–	(18.9)
Net amounts wagered	2,307.1	34.5	7.6	–	2,349.2	–	2,349.2
Revenue	155.5	37.8	11.3	3.2	207.8	7.0	214.8
Promotional bonuses	(11.9)	(3.3)	(3.7)	–	(18.9)	–	(18.9)
Total revenue	143.6	34.5	7.6	3.2	188.9	7.0	195.9

UK customers make up £9.4m of the £188.9m total revenue in 2012.

3. Operating segments continued

	2011				
	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	Total £m
Amounts wagered	1,125.5	822.0	106.4	–	2,053.9
Total revenue	158.6	37.1	10.6	–	206.3
Depreciation and amortisation of software	(11.4)	(1.8)	–	(0.1)	(13.3)
Administrative expenses before exceptional items, share option charge and amortisation of acquired intangible assets	(108.2)	(26.4)	(7.1)	(13.2)	(154.9)
Group operating profit/(loss) before exceptional items, share option charge and amortisation of acquired intangible assets	39.0	8.9	3.5	(13.3)	38.1
Other administrative expenses:					
Exceptional items	(1.2)	–	–	(9.6)	(10.8)
Share option charge	(0.5)	(0.2)	–	(0.5)	(1.2)
Amortisation of acquired intangible assets	(1.7)	–	–	–	(1.7)
Total administrative expenses	(123.0)	(28.4)	(7.1)	(23.4)	(181.9)
Operating profit/(loss)	35.6	8.7	3.5	(23.4)	24.4
Finance cost	0.8	0.5	(0.1)	(1.8)	(0.6)
Taxation	(0.2)	(2.9)	–	–	(3.1)
Profit/(loss) for the year	36.2	6.3	3.4	(25.2)	20.7
Balance Sheet information					
Non-current assets	404.7	7.5	–	(309.8)	102.4
Current assets	174.5	22.0	–	–	196.5
Total liabilities	(114.8)	(5.6)	–	–	(120.4)
Expenditure incurred to acquire property, plant and equipment and intangible assets	22.3	2.7	–	–	25.0

	2011				
	Sports betting £m	Casino gaming £m	Poker rake £m	Other operating revenue £m	Total £m
Amounts wagered	2,009.0	47.5	17.7	–	2,074.2
Promotional bonuses	(12.4)	(3.5)	(4.4)	–	(20.3)
Net amounts wagered	1,996.6	44.0	13.3	–	2,053.9
Revenue	159.1	47.5	17.7	2.3	226.6
Promotional bonuses	(12.4)	(3.5)	(4.4)	–	(20.3)
Total revenue	146.7	44.0	13.3	2.3	206.3

UK customers make up £10.0m of the £206.3m total revenue in 2011.

Notes to the Financial Statements

4. Exceptional items

	Notes	2012 £m	2011 £m
Property, plant, equipment and software impairment	(a)	18.7	–
Spanish tax settlement	(b)	14.7	–
Costs arising on exit from Turkey	(c)	18.1	4.4
Costs arising on acquisition and integration of Centrebet	(d)	16.8	6.4
Other		3.3	–
Total		71.6	10.8

(a) Following the disposal of the Turkish language website and acquisition of Centrebet, an impairment charge was recognised on assets no longer in use. This charge did not have a cash impact.

(b) The Spanish tax authority contacted all major online gaming operators and made clear that, in its opinion, any online operator that has ever accepted revenues from Spanish customers has an obligation to pay Spanish taxes under two laws, one dating from 1966 and the other from 1977. This charge represents the settlement to the tax authorities in respect of those obligations.

(c) The Group incurred various transaction, professional and bad debt costs upon exit from Turkey.

(d) During the year, the Group completed the acquisition of Centrebet. Over the course of the year, the Company incurred costs in integrating the business with the existing Sportingbet business.

5. (Loss)/profit before taxation

	2012 £m	2011 £m
Net foreign exchange gains	7.2	–
Depreciation of property, plant and equipment	3.9	5.2
Amortisation of software	9.9	8.1
Auditors' remuneration:		
Audit services	0.1	0.1
Audit of subsidiaries pursuant to legislation	0.3	0.3
Other assurance services	0.1	–
Transaction support services	–	0.8

6. Share option charge

	2012 £m	2011 £m
Share option charge	0.9	1.2
Total	0.9	1.2

7. Staff costs

	2012 No.	2011 No.
The average monthly number of employees (including Executive Directors) was:		
Europe	456	517
Australia	234	113
Total	690	630
	2012 £m	2011 £m
Employee costs (including Executive Directors) were as follows:		
Wages and salaries	37.0	33.1
Social security costs	3.5	3.3
Pension costs	2.9	2.2
	43.4	38.6

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

	2012 £m	2011 £m
Directors' remuneration		
Short-term employee benefits	3.0	1.3
Post employment benefits	0.1	0.1
Share-based payments	0.2	0.4
Total	3.3	1.8

Further disclosures on the remuneration of each individual Director are given in the Remuneration Report on pages 31 to 38.

8. Net finance costs

	2012 £m	2011 £m
Bank loans and overdrafts	(1.4)	(0.9)
Convertible loan interest	(7.1)	–
Finance lease interest	(0.1)	(0.2)
	(8.6)	(1.1)
Finance income	2.2	0.5
Total	(6.4)	(0.6)

Notes to the Financial Statements

9. Taxation

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

	2012 £m	2011 £m
Note 9(a) Analysis of charge in the period		
Current tax:		
UK corporation tax on losses of the period	–	–
Overseas taxation	(0.2)	2.9
Adjustments to overseas taxation in respect of previous periods	–	(1.0)
Total current tax	(0.2)	1.9
Deferred tax:		
Current year movement to deferred tax	0.1	1.2
Total deferred tax (Note 9(c))	0.1	1.2
Tax on profit on ordinary activities (Note 9(b))	(0.1)	3.1
Note 9(b) Factors affecting the tax charge for the period		
(Loss)/profit on ordinary activities before tax	(45.5)	23.8
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 27% (2011: 27%)	(12.1)	6.5
Effects of:		
Expenses not deductible for tax purposes	8.5	2.1
Effect of lower tax rates on overseas earnings	–	(8.7)
Difference between fixed assets and capital allowances	–	0.2
Tax losses arising in year	5.9	3.1
Other timing differences	(2.4)	(0.2)
Adjustments to tax charge in respect of previous periods	–	–
Tax charge for the period (Note 9(a))	(0.1)	3.1
Note 9(c) Provision for deferred tax (deferred tax asset)		
Other temporary differences	–	–
Provision for deferred tax at 27% (2011: 27%)	–	–
As at the beginning of the year	(1.2)	(2.0)
Arising on revaluation of intangible assets	4.2	–
Losses carried forward not utilised	(2.2)	–
Other temporary differences	(1.9)	0.8
As at the end of the year (deferred tax asset)	(1.1)	(1.2)

UK deferred tax assets in respect of accelerated capital allowances of £nil, trading losses of £26.8m (2011: £23.6m) and non-trading loan relationship deficits of £3.6m (2011: £2.8m) 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.

A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. On 5 July 2011 a further cut in the main UK corporation tax rate from 26% to 25% was substantively enacted, with the reduction to take effect on 1 April 2012. The deferred tax balance has therefore been recognised at 25%.

In addition to the change in rate of corporation tax disclosed above, further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the Balance Sheet date and, therefore, are not included in these Financial Statements.

10. Earnings per share

	2012 Total	2011 Total
(Loss)/profit per ordinary share		
Basic	(6.8)p	3.9p
Diluted	(6.8)p	3.9p
Adjusted earnings per ordinary share (before exceptional items, share option charge and amortisation)		
Basic	5.5p	6.6p
Diluted	5.3p	6.3p

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

The Group has adjusted its earnings per ordinary share to exclude exceptional items, share option charge and amortisation.

	2012 £m	2011 £m
Basic earnings	(45.4)	20.7
Exceptional items	71.6	10.8
Share option charge	0.9	1.2
Amortisation	9.5	1.7
Adjusted earnings	36.6	34.4

After taking into account the dilutive effects of convertible bonds, which do not impact the loss per share in 2012, the diluted earnings are £(45.4)m (2011: £21.7m). The adjusted diluted earnings, which take into account the dilutive effects of convertible bonds in both years, are £43.6m (2011: £35.4m).

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

	2012 No.	2011 No.
Weighted average number of shares in issue	664,872,028	524,559,273
Employee share schemes	23,102,765	16,360,174
Convertible loan notes	141,876,233	18,373,559
Fully diluted weighted average number of shares in issue	829,851,026	559,293,006

Due to the Group's loss per share in 2012, the fully diluted weighted average number of shares in issue is only used in the calculation of adjusted diluted earnings per share.

As at 31 July 2012 the Group had the following shares in issue and potentially dilutive shares:

	2012 No.	2011 No.
Number of shares in issue	667,095,640	660,543,128
Employee share schemes	23,102,765	16,360,174
Convertible loan notes	167,539,266	128,968,253
Fully diluted number of shares in issue	857,737,671	805,871,555

Notes to the Financial Statements

11. Goodwill

	£m
Cost	
As at 1 August 2010	243.2
Exchange movements	0.4
As at 1 August 2011	243.6
Additions	58.8
Exchange movements	1.1
As at 31 July 2012	303.5
Impairment losses	
As at 1 August 2010	201.7
Exchange movements	0.1
As at 1 August 2011	201.8
Exchange movements	–
As at 31 July 2012	201.8
Net book value	
As at 31 July 2012	101.7
As at 31 July 2011	41.8

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

Subsequent to the annual impairment test for 2012, the carrying amount of goodwill is allocated to the following cash-generating units:

	2012 £m	2011 £m
Europe	25.0	17.8
Australia	76.7	24.0
Total	101.7	41.8

The recoverable amounts for the cash-generating units above are determined based on internal discounted cash flow evaluation to determine value in use. The cash flow evaluation is based on actual operating results and one year cash flows going into perpetuity stated in the key assumptions.

In determining value in use, management prepare a detailed budget on a bottom up basis with reviews conducted for each business unit. Management consider the key assumption in preparing budgeted projections to be the growth in net gaming revenue, set at 1.6% for the coming year, calculated based on past experience and expected changes in the online gaming market. The budget only takes into account known factors at the time of its construction and does not take into account the impact of any changes in regulation not yet finalised or passed into law.

In extrapolating the budgeted projections to calculate value in use, management consider the key assumptions to be the selection of growth and discount rates. The discount rate is recalculated each year by taking into account prevailing risk free rates, equity risk premium, market risk rate and beta. The result this year was a lower discount rate, with both the Australian and European cash-generating units calculated at 10.6% (2011: 12.5%) due principally to a lower beta in both territories.

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%, which is appropriate for both cash-generating units. The growth rate applied is based on past experience. Future cash flows are projected assuming no changes to the current regulatory environment.

Determining whether goodwill is impaired requires an estimation of the value in use of each cash-generating unit based on the key assumptions above. Neither a 1% decrease in the long-term growth rate nor a 5% increase in the discount rate would have led to an impairment of the acquired intangible assets and goodwill in the current year.

12. Other intangible assets

	Software £m	Brands £m	Customer list £m	Other £m	Total £m
Cost					
As at 1 August 2010	36.0	–	–	14.0	50.0
Additions	20.9	–	–	–	20.9
Disposals	–	–	–	–	–
Exchange movements	0.3	–	–	–	0.3
As at 1 August 2011	57.2	–	–	14.0	71.2
Acquisitions	10.9	60.3	19.9	0.2	91.2
Additions	17.0	–	–	–	17.0
Disposals	(16.1)	–	–	(5.3)	(21.4)
Exchange movements	0.2	–	–	–	0.2
As at 31 July 2012	69.2	60.3	19.9	8.9	158.3
Amortisation and impairment losses					
As at 1 August 2010	18.7	–	–	9.5	28.2
Charge for the year	8.1	–	–	1.7	9.8
Disposals	–	–	–	–	–
Exchange movements	–	–	–	–	–
As at 1 August 2011	26.8	–	–	11.2	38.0
Charge for the year	13.4	–	4.2	1.8	19.4
Impairment	11.3	–	–	–	11.3
Disposals	(16.1)	–	–	(5.3)	(21.4)
Exchange movements	–	–	–	–	–
As at 31 July 2012	35.4	–	4.2	7.7	47.3
Net book value					
As at 31 July 2012	33.8	60.3	15.7	1.2	111.0
As at 31 July 2011	30.4	–	–	2.8	33.2

The £8.9m (2011: £14.0m) of other intangible costs includes £nil (2011: £5.3m) capitalisation of the Superbahis URL and contract, £8.7m relating to the Belmond International Limited marketing contract, and £0.2m from the acquisition of Danbook Limited.

Included in software net book value is £7.9m of software development for regulated markets. The remaining amortisation period as at 31 July 2012 ranges from between four to five years depending on the launch date of the software specific to an individual market.

Amortisation of software of £9.9m (2011: £8.1m) is charged to administrative expenses in the profit or loss. Other amortisation of £9.5m (2011: £1.7m) are charged to other amortisation within other administrative expenses. Impairment charges of £11.3m (2011: £nil) are included as exceptional items (Note 4).

Notes to the Financial Statements

13. 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 2010	7.3	0.2	22.4	14.1	44.0
Additions	0.7	–	3.4	–	4.1
Disposals	(1.5)	–	–	1.2	(0.3)
Exchange movements	–	–	0.5	–	0.5
As at 1 August 2011	6.5	0.2	26.3	15.3	48.3
Acquisitions	0.6	–	1.8	–	2.4
Additions	2.6	–	6.2	0.1	8.9
Disposals	(0.6)	–	(9.5)	(0.2)	(10.3)
Exchange movements	0.2	–	0.2	(0.2)	0.1
As at 31 July 2012	9.9	0.2	25.0	15.1	49.6
Depreciation					
As at 1 August 2010	3.9	0.1	11.8	1.1	16.9
Charge for the year	0.9	–	3.9	0.4	5.2
Disposals	(0.1)	–	–	0.1	–
Exchange adjustments	–	–	–	–	–
As at 1 August 2011	4.7	0.1	15.7	1.6	22.1
Charge for the year	0.9	0.1	2.6	0.3	3.9
Impairment	0.6	–	6.7	0.1	7.4
Disposals	(0.6)	–	(9.5)	(0.2)	(10.3)
Exchange adjustments	0.2	–	0.1	(0.2)	0.1
As at 31 July 2012	5.8	0.2	15.6	1.6	23.2
Net book value					
As at 31 July 2012	3.5	–	9.4	13.5	26.4
As at 31 July 2011	1.8	0.1	10.6	13.7	26.2

The net book value of computer equipment held under finance leases amounts to £1.5m (2011: £2.9m).

The net book value of assets held under mortgages amount to £6.8m (2011: £6.9m).

14. Trade and other receivables

	2012 £m	2011 £m
Trade receivables	10.3	12.8
Provision for impairment of trade receivables	(3.3)	(4.2)
Trade receivables, net	7.0	8.6
Other receivables	7.5	2.3
Prepayments and accrued income	5.3	5.4
Total	19.8	16.3

Trade receivables that are less than 30 days past due are not considered impaired. As of 31 July 2012, trade receivables of £7.0m (2011: £8.6m) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

14. Trade and other receivables continued

The ageing analysis of these trade receivables is as follows:

	2012 £m	2011 £m
Up to two months past due	3.5	4.8
Two to six months past due	1.0	2.4
Over six months past due	2.5	1.4
Total	7.0	8.6

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:

	2012 £m	2011 £m
As at 1 August	4.2	4.9
Provision for impaired receivables	2.0	0.1
Receivables written off during the year as uncollectable	(3.0)	(0.8)
As at 31 July	3.2	4.2

The provision for impaired receivables has been included in "administrative expenses" in the profit or loss. 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.

15. Cash and cash equivalents

	2012 £m	2011 £m
Cash	38.0	98.8
Short-term cash deposits	4.4	15.0
Restricted cash	–	66.4
Total	42.4	180.2

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

Notes to the Financial Statements

16. Liabilities

a) Current liabilities

	2012 £m	2011 £m
Bank loans	6.0	4.0
Finance leases	1.1	2.0
Trade payables	13.4	11.0
Other payables	0.2	0.1
Customer liabilities	26.9	20.9
Tax and social security	11.2	2.0
Accruals and deferred income	53.0	24.6
Derivatives	1.9	0.2
Open bets	2.1	1.8
Total	115.8	66.6

£4.0m (2011: £nil) of bank loans relate to the financing of the purchase of Danbook Limited and Scandic Bookmakers Limited. The loan bears an interest rate of 3% above LIBOR repayable in two instalments; £2.0m in January 2013 and £2.0m in January 2014.

The remaining bank loan of £4.0m (2011: £4.0m) is repayable in December 2012. 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 gains and losses recognised in revenue. Management's assessment of the exposure to significant changes in the 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 period end.

b) Non-current liabilities

	2012 £m	2011 £m
Bank loans	2.0	–
Finance leases	0.4	1.1
Convertible bonds due 2016	66.6	52.7
Total	69.0	53.8

On 8 June 2011, the Group issued £65.0m of 7% fixed rate convertible bonds, raising cash of £62.0m net of issue costs. On 25 May 2012, the Group issued a further £15.0m of 7% fixed rate convertible bonds, raising cash of £13.3m net of issue costs. The equity portion of the convertible bond issue is included within reserves.

The £80m (2011: £65m) of bonds are convertible into ordinary shares of the Company at a conversion price of £0.504 on 8 June 2016 unless otherwise redeemed.

Interest is payable semi annually in arrears.

Interest on the debt proportion, after the deduction of issue costs of £2.5m, will be charged to the profit or loss using an effective rate of 12.63% on the June 2011 bond issue and 15.11% on the May 2012 bond issue.

17. Leases

a) Obligations under finance leases

	2012 £m	2011 £m
Minimum lease payments:		
Within one year	1.0	2.2
Within two to five years	0.5	1.0
	1.5	3.2
Future finance charges	–	(0.1)
Present value of lease obligations	1.5	3.1
	2012 £m	2011 £m
Present value of minimum lease payments:		
Within one year	1.1	2.0
Within two to five years	0.4	1.1
	1.5	3.1
Accounts due for settlement within one year	1.1	2.0
Accounts due for settlement after more than one year	0.4	1.1
Total	1.5	3.1

The Group has entered into three separate lease arrangements for the purchase of computer hardware and other associated assets, each commencing on August 2010, December 2010 and January 2012. The lease terms for all these arrangements were three years. As at 31 July 2012, the average life outstanding on each lease was: ten months for the lease commencing in August 2010; one year and two months for the lease commencing in December 2010; and two years and five months for the lease commencing January 2012. The average effective borrowing rate for the above leases were 4.8%, 2.8% and 3.2% respectively. The Group's obligations under these finance leases are secured by the lessor's charges over the leased assets themselves as well as fixed and floating charges over the current assets of Sportingbet Plc and three of the Group's subsidiaries.

b) Commitments under operating leases

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

	2012 £m	2011 £m
Payments under operating leases	1.6	2.0

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

	2012 £m	2011 £m
Within one year	2.2	1.9
Within two to five years inclusive	6.6	3.7
In more than five years	6.7	2.1
Total	15.5	7.7

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

Notes to the Financial Statements

18. 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. Interest on the convertible bond is at a fixed coupon rate of 7%. 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 liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

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

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

	31 July 2012			Total £m
	One year or less £m	Two to five years £m	Five years and over £m	
Financial liabilities				
Trade payables	24.8	–	–	24.8
Customer liabilities	26.9	–	–	26.9
Bank loans	6.0	2.0	–	8.0
Convertible bond	5.6	96.8	–	102.4
Finance leases	1.1	0.4	–	1.5
Sports betting open positions	2.1	–	–	2.1
Total	66.5	99.2	–	165.7

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 2011			Total £m
	One year or less £m	Two to five years £m	Five years and over £m	
Financial liabilities				
Trade payables	13.1	–	–	13.1
Customer liabilities	20.9	–	–	20.9
Bank loans	4.0	–	–	4.0
Convertible bond	4.6	83.2	–	87.8
Finance leases	2.0	1.1	–	3.1
Sports betting open positions	1.8	–	–	1.8
Total	46.4	84.3	–	130.7

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.

18. Financial instruments continued**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 the first 80% of its exposure one quarter ahead, 80% two quarters ahead, 70% three quarters ahead and 60% 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 over highly probable forecast euro sales.

Amounts initially taken to other comprehensive income under designated cash flow hedges totalled a gain of £1.1m (2011: £0.4m loss) of which a loss of £0.4m (2011: £1.2m gain) has been reclassified to the profit or loss on the completion of designated hedge relationships. Remaining hedges continue to be highly effective.

The Group also enters into forward contracts to hedge against its net investment in Australian operations. The Group has hedged against currency movements between sterling and the Australian dollar for up to one year ahead. Amounts initially taken to other comprehensive income under designated hedges of a net investment in foreign operations totalled a loss of £1.9m (2011: nil).

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

	Net foreign currency monetary assets					Total £m
	Euro £m	US dollars £m	Australian dollars £m	Brazilian real £m	Other currencies £m	
2012						
Sterling	5.3	2.6	0.1	1.8	2.5	12.4
	5.3	2.6	0.1	1.8	2.5	12.4
2011						
Sterling	15.8	5.1	2.5	2.2	3.7	29.3
	15.8	5.1	2.5	2.2	3.7	29.3

Carrying values

The carrying amounts of the Group's financial instruments are set out 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 profit or loss		Loans and receivables	
	2012 £m	2011 £m	2012 £m	2011 £m
Financial assets as per Balance Sheet				
Trade and other receivables	–	–	14.5	10.9
Cash and cash equivalents	–	–	42.4	180.2
Derivatives	0.5	–	–	–
	0.5	–	56.9	191.1

	Assets at fair value through the profit or loss		Financial liabilities at amortised cost	
	2012 £m	2011 £m	2012 £m	2011 £m
Financial liabilities as per Balance Sheet				
Trade and other payables	2.1	1.8	40.5	32.0
Interest bearing loans and borrowings	–	–	74.6	56.7
Derivatives	1.9	0.2	–	–
	4.0	2.0	115.1	88.7

Notes to the Financial Statements

18. 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 Australian dollars.

The following table illustrates the sensitivity for 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 Australian dollars/sterling rate. It assumes a +/- 0.9% movement in the sterling/euro exchange rate for the year ended 31 July 2012 (2011: +/- 0.5%) and a +/- 0.2% movement for the sterling/Australian dollars exchange rate (2011: +/- 1.0%).

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

If sterling has strengthened against the euro and Australian dollar by 0.9% (2011: 0.5%) and 0.2% (2011: 1.0%) respectively then this would have had the following impact:

	2012			2011		
	Euro £m	Australian dollar £m	Total £m	Euro £m	Australian dollar £m	Total £m
Net profit	(0.2)	–	(0.2)	(0.1)	(0.1)	(0.2)
Equity	(0.2)	(0.1)	(0.3)	(0.1)	(0.3)	(0.4)

If sterling had weakened against the euro and Australian dollar by 0.9% (2011: 0.5%) and 0.2% (2011: 1.0%) respectively then this would have had the following impact:

	2012			2011		
	Euro £m	Australian dollar £m	Total £m	Euro £m	Australian dollar £m	Total £m
Net profit	0.2	–	0.2	0.1	0.1	0.2
Equity	0.2	0.1	0.3	0.1	0.3	0.4

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. Following the issue of £65m of convertible bonds in June 2011, the primary capital risk to the Group is the level of indebtedness. The convertible bond includes a financial covenant, which limits the Group's indebtedness (excluding the bonds themselves) to £35m without the prior approval of an Extraordinary Resolution of Bondholders. As at 31 July 2012, the Group had £8.0m (2011: £4.0m) of bank loans which £4.0m are secured on the Group's land and buildings.

Details of the Group's dividend policy are disclosed on page 51 of this Annual Report.

19. Share capital

	2012 £000	2011 £000
Authorised:		
1,000m (2011: 1,000m) ordinary shares of 0.1p each	1,000	1,000
Allotted, issued and fully paid:		
As at 31 July 2011: 660,543,128 shares of 0.1p each	661	502
Issues of ordinary shares: nil shares	–	155
Other share issues in respect of exercised share options: 6,552,512 shares	7	4
As at 31 July 2012: 667,095,640 shares of 0.1p each	667	661

On 9 June 2011 154,761,904 ordinary shares were issued by way of a Firm Placing and Placing and Open offer at a price of 42p per new share and the issue of £65m in nominal value of Convertible Bonds to raise £65m. Sportingbet raised, through the New Issue and the Convertible Bond issue, gross proceeds of £130m.

19. Share capital continued

At 31 July 2012 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)
January 2004	539,375	January 2007–January 2011	49
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
January 2009	7,119,301	November 2010–November 2012	–
August 2009	265,669	November 2010–November 2012	–
August 2010	174,700	July 2011–July 2013	–
November 2010	539,750	July 2011–July 2014	–
January 2011	114,733	July 2011–July 2012	–
April 2012	13,956,089	July 2013–July 2014	0.1

As at 31 July 2012 there were 22,954,617 options or awards over ordinary shares outstanding, 4,847,818 of which relate to Directors, details of which can be found in the Remuneration Report on pages 31 to 38.

Of the share options detailed above 784,375 relate to the Executive Scheme, 8,214,153 relate to the 2009 Restricted Share Plan and 13,956,089 relate to the 2011 plan.

20. Share-based payments

The Company operates five equity-settled share-based remuneration schemes for employees across the Group, as listed in Note 19. 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 satisfy certain performance criteria. The terms of these schemes are discussed in more detail in the Remuneration Report on pages 31 to 38.

	2012		2011	
	Weighted average exercise price (p)	No.	Weighted average exercise price (p)	No.
Outstanding at the beginning of the year	2.7	16,063,878	2.3	19,181,226
Granted during the year	0.1	14,259,484	–	1,489,665
Forfeited during the year	–	–	–	–
Exercised during the year	–	(4,584,996)	–	(3,997,878)
Lapsed during the year	–	(2,783,749)	–	(609,135)
Outstanding at the end of the year	2.5	22,954,617	2.7	16,063,878
Exercisable at the end of the year	68.0	784,375	50.1	2,021,625

The exercise price of options outstanding at the end of the year ranged between 0p and 131p (2011: 0p and 131p) and their weighted average contractual life was 380 days (2011: 406 days).

Of the total number of options outstanding at the end of the year, 784,375 had vested and were exercisable (2011: 2,021,625).

The weighted average share price (at the date of exercise) of options exercised during the year was 36.7p (2011: 60.8p).

The weighted average fair value of each option granted during the year was 35.2p (2011: 58.1p).

Notes to the Financial Statements

20. Share-based payments continued

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.

	2012	2011
Equity-settled		
Options pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (p)	36.71p	61.70p
Exercise price (p)	nil	nil
Weighted average contractual life (days)	547	724
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.

	2012 £m	2011 £m
The share-based remuneration expense comprises:		
Equity-settled schemes	0.9	1.2

21. Acquisitions and disposals

(a) Acquisition of Centrebet International Limited

On 31 August 2011, the Group completed the acquisition of 100% of the equity instruments of Australian based business, Centrebet International Limited, for £118.6m (Aus\$183.6m) taking control of the business on this date. The fair value of consideration as at 31 July 2012 comprised the following:

The fair value of net assets acquired and the acquired intangible assets are as follows:

	£m
Fair value of consideration transferred	118.6
Recognised amounts of identifiable net assets:	
Non-current assets	
Other intangible assets	82.0
Property, plant and equipment	2.4
	84.4
Current assets	
Trade and other receivables	7.7
Cash	18.7
	26.4
Current liabilities	
Trade and other payables	(33.2)
Interest bearing loans and borrowings	(6.4)
Deferred tax liability	(4.2)
	(43.8)
Net current assets	(17.4)
Identifiable net assets	67.0
Goodwill on acquisition	51.6

Consideration transferred

The acquisition of Centrebet was settled in cash amounting to £118.6m. Acquisition-related costs amounting to £16.7m are not included as part of consideration transferred and have been recognised as an expense in the profit or loss as part of exceptional items.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to £7.7m, comprised of gross contractual amounts of £8.4m less provision for impaired receivables. As at the acquisition date, the Group expects the total £7.7m to be collected.

21. Acquisitions continued**Goodwill**

Goodwill of £51.6m is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Centrebet's workforce and expected cost synergies.

Contingent liabilities

The fair value of trade and other payables includes £9.3m in respect of a potential regulatory challenge of previous tax charges relating to certain of Centrebet's activities prior to acquisition. After taking independent advice the Group intends to defend the position taken by the previous owners that the most probable outcome will be that no additional tax is payable. Whilst the potential liability of £9.3m could become due in the next 12 months, management believe that it is likely that this contingent liability will be resolved over the next two to three years.

Contribution to Group results

Centrebet recorded total revenue of £34.5m and incurred a loss of £4.7m for the 11 months to 31 July 2012, primarily due to integration costs. Before integration costs, Centrebet contributed £13.1m of profit. If Centrebet had been acquired on 1 August 2011, Group revenue for the year would have increased by £3.1m and Group loss for the year would have increased by £2.3m

(b) Acquisition of Danbook Limited and Scandic Bookmakers Limited

On 31 January 2012, the Group completed the acquisition of 100% of the equity instruments of Danbook Limited for £3.3m and Scandic Bookmakers Limited for £5.7m. The fair value of consideration as at 31 July 2012 comprised the following:

The fair value of net assets acquired and the acquired intangible assets are as follows:

	Danbook £m	Scandic £m
Fair value of consideration transferred		
Amount settled in cash	1.8	5.3
Amount settled in shares	0.2	0.3
Fair value of deferred consideration	1.3	–
	3.3	5.7
Recognised amounts of identifiable net assets:		
Non-current assets		
Other intangible assets	0.4	0.8
	0.4	0.8
Current assets		
Trade and other receivables	–	0.2
Cash	0.7	1.4
	0.7	1.5
Current liabilities		
Trade and other payables	(0.1)	(1.5)
	(0.1)	(1.5)
Net current assets	0.6	–
Identifiable net assets	1.0	0.8
Goodwill on acquisition	2.3	4.9

Consideration transferred

The acquisition of Danbook was settled in cash and shares amounting to £2.0m. The purchase agreement included an additional cash consideration of £1.3m, payable once the IT integration has been completed. The acquisition of Scandic was settled in cash and shares amounting to £5.7m. Acquisition costs relating to both acquisitions amounted to £0.8m. This was not included as part of consideration transferred and have been recognised as an expense in the profit or loss, as part of exceptional items.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the total business combination of Danbook and Scandic amounted to £0.2m, which was also the gross contractual amount. As at the acquisition date, the Group expects the total £0.2m to be collected.

Goodwill

Total Goodwill of £7.2m is primarily related to growth expectations, expected future profitability.

Contribution to Group results

Danbook and Scandic contributed profits of £0.2m each, providing a combined total profit of £0.4m for the six months to 31 July 2012. If Danbook and Scandic had been acquired on 1 August 2011, Group revenue for the year would have increased by £0.9m and loss before tax would have increased by £0.2m.

Notes to the Financial Statements

21. Acquisitions continued

(c) Disposal of Turkey

On 21 November 2011, the Group disposed of its Turkish language website business to East Pioneer Corporation BV ("East Pioneer"). GVC Holdings Plc entered into a service contract and guarantee with East Pioneer on the same date.

The terms of the disposal agreement are complex. At the disposal date, the Group entered into two agreements with East Pioneer. The Sale and Purchase agreement ("SPA") details the business assets disposed and the terms of consideration to be received. The Transitional Services Agreement ("TSA") details the terms of B2B services, such as trading and IT, that will be provided after the disposal date.

At the disposal date, the carrying value of the net assets disposed, principally internally generated intangible assets such as the customer list, was £nil. No Goodwill was allocated to the Turkish language website business on disposal.

No consideration was payable in cash on the date of disposal. Under the terms of the SPA, the Group has entered into a deferred contingent consideration arrangement which sets a cash receivable of £125m from East Pioneer, in respect of both the B2B services to be provided under the terms of the TSA and any deferred contingent consideration for the sale of the business under the SPA. All cash receivable is contingent on a percentage of the future revenues, after certain adjustments set out in the SPA, generated by East Pioneer.

At the date of disposal, the Group has assessed that the fair value of the deferred contingent consideration receivable for the sale of the business is £nil, principally due to uncertainty in the regulatory environment in which East Pioneer operates. The deferred contingent consideration asset is measured initially at fair value and thereafter at amortised cost, in line with the Group's accounting policies for financial assets.

Subsequent to the disposal date, the Group has received a total of £10.7m from East Pioneer under the terms of the SPA and TSA. Of the amounts received, £7.0m represents other operating revenue for the provision of B2B services under the TSA and £3.7m represents profit on the adjustment of the carrying amount of the deferred contingent consideration asset, following revision of the Group's assessment of estimated receipts for the sale of the business.

At 31 July 2012, the Group had total amounts receivable under the deferred contingent consideration agreement of £1.4m, held within other receivables, all of which relates to amounts receivable for B2B services provided to East Pioneer in the year. The Group has assessed the fair value of future cash receipts under the deferred contingent consideration arrangement, taking into account projections over the future duration of the arrangement, expectations of future trading performance and known regulatory and bad debt risks, concluding that the fair value of deferred contingent consideration in respect of the sale of the business at the reporting date continues to be £nil.

22. Contingencies

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.

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.

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

23. Related parties

Transaction with Non-Executive Directors

Nigel Payne (Non-Executive Director) provided financial consultancy services to the Group amounting to £61,293 (2011: £45,000) via Merlin Financial Advisors LLP.

Sean O'Connor (Non-Executive Director) provided marketing consultancy services to the Group amounting to £24,990 (2011: £60,240) via The Sean O'Connor Consultancy Limited.

Transaction with key management personnel

The Group makes contributions into an Employee Benefit Trust ("EBT") as part of a cash-based long-term incentive plan for certain key employees. Two Directors are beneficiaries of the EBT into which contributions of £nil was made in 2012 (2011: £0.5m).

Parent Company Independent Audit Report

For the year ended 31 July 2012

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 2012 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 and express an opinion on 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/private.cfm.

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 2012;
- 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 matter 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 2012.

Paul Etherington BSc FCA CF

Senior Statutory Auditor

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

2 October 2012

Parent Company Balance Sheet

As at 31 July 2012

	Notes	31 July 2012 £m	31 July 2011 £m
Fixed assets			
Investments	4	221.9	89.1
		221.9	89.1
Current assets			
Debtors	5	55.2	111.4
Cash at bank and in hand	6	–	62.1
		55.2	173.5
Creditors – amounts falling due within one year	7	(12.4)	(19.0)
Net current assets		42.8	154.5
Creditors – amounts falling due after more than one year	7	(72.6)	(52.7)
Net assets		192.1	190.9
Shareholders' funds			
Issued share capital	8	0.7	0.7
Share premium	9	59.6	58.9
Other reserves	9	62.3	62.3
Equity portion of convertible bond	9	12.2	10.3
Profit and loss account	9	57.3	58.7
Equity shareholders' funds		192.1	190.9

The Notes on pages 75 to 79 form part of these Financial Statements. These Financial Statements were approved by the Board and authorised for issue on 2 October 2012.

J Wilkinson
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 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 account for the Company alone.

Valuation of investments

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

Leased assets

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 shares 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.

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 instruments legal form.

Notes to the Parent Company Financial Statements

1. Parent Company accounting policies continued

Convertible bonds

The net proceeds received from the issue of convertible bonds are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity and is not remeasured. The liability component is carried at amortised cost.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The finance cost on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

2. Loss after tax

Company loss after tax for the year amounted to £21.7m. 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

	2012 £m	2011 £m
Employee costs including Directors were as follows:		
Wages and salaries	5.0	2.8
Social security costs	0.2	0.4
Pension costs	0.2	0.2
	5.4	3.4

During the year ten employees were employed by the Company (2011: 14).

There were two (2011: two) 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 31 to 38.

4. Investments

	Shares in subsidiary undertakings £m
Investment in subsidiary undertakings	
As at 1 August 2011	89.1
Acquisitions	132.5
Options issued to employees of subsidiary undertakings	0.3
As at 31 July 2012	221.9

The Company made £132.5m acquisitions in respect of subsidiary undertakings during the year (2011: £nil). Transaction costs relating to the acquisitions were borne by subsidiary undertakings.

4. Investments continued

The following principal subsidiaries were wholly owned at 31 July 2012:

	Activity	Country of incorporation or registration
Sportingbet Australia Pty Limited	Online betting	Australia
Centrebet International Limited	Online betting	Australia
Sportingbet Australia Holdings	Australia holding company	Australia
Interactive Sports (CI) Limited	Online betting	Alderney
Danbook Limited	Online betting	Denmark
Scandic Bookmakers Limited	Online betting	Denmark
Sporting Odds Limited	Online betting	England
Sportingbet Holdings Limited	Group holding company	England
Sportingbet (Management Services) Limited	Administrative services	England
Sportingbet (IT Services) Limited	Software development and IT related services	England
Sportingbet (Product Services) Limited	Project management and web design services	England
Sb Properties (Guernsey) Limited	Investment property holding company	Guernsey
Corvee Limited	Holds brand licence for disposal of Turkish business	Guernsey
Longfrie Limited	Sale vehicle for disposal of Turkish business	Guernsey
MLB Limited	Contract call centre	Ireland
Spread Your Wings Limited	Online betting	Malta
Spread Your Wings Spain Limited	Online betting	Malta
Spread Your Wings Germany 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. Sportingbet Holdings Limited, Spread Your Wings Limited, Spread Your Wings Spain Limited, Spread Your Wings Germany Limited, Corvee Limited and SBT Software Operations (SA) (PTY) Limited are wholly owned subsidiaries of Sportingbet Plc. All other companies listed above are wholly owned subsidiaries of Sportingbet Holdings Limited.

5. Debtors

	2012 £m	2011 £m
Other debtors	0.3	1.1
Prepayments and accrued income	0.4	0.9
Owed by subsidiary undertakings	54.5	109.4
	55.2	111.4

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

	2012 £m	2011 £m
Cash at bank	–	62.1
	–	62.1

Notes to the Parent Company Financial Statements

7. Creditors

a) Amounts falling due within one year

	2012 £m	2011 £m
Bank loans	2.0	4.0
Accruals and deferred income	10.4	15.0
	12.4	19.0

b) Amounts falling due after more than one year

	2012 £m	2011 £m
Bank loans	6.0	–
Convertible bonds due 2016	66.6	52.7
	72.6	52.7

Further description of the convertible bonds is given in Note 16 of the Group Financial Statements.

8. Share capital

	2012 £000	2011 £000
Authorised		
1,000m (2011: 1,000m) ordinary shares of 0.1p each	1,000	1,000
Allotted, issued and fully paid:		
As at 31 July 2011: 660,543,128 shares of 0.1p each	661	502
Issues of ordinary shares: nil shares	–	155
Issues in respect of exercised share options: 6,552,512 shares	7	4
As at 31 July 2012: 667,095,640 shares of 0.1p each	667	661

As at 31 July 2012 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)
January 2004	539,375	January 2007–January 2011	49
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
January 2009	7,119,301	November 2010–November 2012	–
August 2009	265,669	November 2010–November 2012	–
August 2010	174,700	July 2011–July 2013	–
November 2010	539,750	July 2011–July 2014	–
January 2011	114,733	July 2011–July 2012	–
April 2012	13,956,089	July 2013–July 2014	0.1

As at 31 July 2012 there were 22,954,617 options or awards over ordinary shares outstanding, 4,847,818 of which relate to Directors, details of which can be found in the Remuneration Report on pages 31 to 38.

Of the share options detailed above 784,375 relate to the Executive Scheme, 8,214,153 relate to the 2009 Restricted Share Plan and 13,956,089 relate to the 2011 plan.

Further description of share options is given in Note 20 of the Group financial statements.

9. Reserves

	Share premium account £m	Other reserves £m	Equity portion of convertible bond £m	Profit and loss account £m
As at 1 August 2011	58.9	62.3	10.3	58.7
Employee share options	0.7	–	–	(0.3)
Equity portion of convertible bond	–	–	1.9	–
Share option charge	–	–	–	0.9
Dividends	–	–	–	19.7
Loss for the year	–	–	–	(21.7)
As at 31 July 2012	59.6	62.3	12.2	57.3

The movement in Company shareholders' funds of £1.2m (2011: £51.6m) is wholly represented by the movements shown in reserves and share capital in Notes 8 and 9.

10. Related parties

The Company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Disclosures" from the requirement to disclose transactions with Group companies on the grounds that all companies are wholly owned.

Transaction with Non-Executive Directors

Nigel Payne (Non-Executive Director) provided financial consultancy services to the Group amounting to £61,293 (2011: £45,000) via Merlin Financial Advisors LLP.

Sean O'Connor (Non-Executive Director) provided marketing consultancy services to the Group amounting to £24,990 (2011: £60,240) via The Sean O'Connor Consultancy Limited.

Transaction with key management personnel

The Company makes contributions into an Employee Benefit Trust ("EBT") as part of a cash-based long-term incentive plan for certain key employees. Two Directors are beneficiaries of the EBT into which contributions of £nil was made in 2012 (2011: £0.5m).

Shareholders' Information

Registrars

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

Capita Registrars
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Shareholder Helpline: 0871 664 0300 – calls cost 10p per minute plus network extras, lines are open 8:30am–5:30pm Monday–Friday. If calling from overseas: +44 (0) 20 8639 3402
Facsimile: 01484 601512
Email: shareholder.services@capitaregistrars.co.uk

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

www.sportingbet-shares.com

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

(i) 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;

(ii) 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 "shareholder portal" and entering Sportingbet as the Company name. You will need your investor code for this service (which can be found on your share certificate);

(iii) Announcements made to the London Stock Exchange

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

(iv) Direct dividend payments

Dividends can be paid automatically into a shareholder's bank or building society account. There are two primary benefits of this service: a) there is no chance of a shareholder's 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 to complete and post to Capita Registrars;

(v) 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;

(vi) Your shareholding

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

(vii) 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 minute 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.

Lost share certificate

If your share certificate is lost or stolen, you should immediately contact the Shareholder Helpline 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 the Shareholder Helpline.

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 2012 final dividend	19 December 2012
Record date for 2012 final dividend	21 December 2012
Annual General Meeting at 4th Floor, 45 Moorfields, London EC2Y 9AE	19 December 2012
Final dividend payment date for the financial year ended 31 July 2012	17 January 2013

Consolidated dividend tax vouchers

Sportingbet Plc has a consolidated tax voucher ("CTV") service for those shareholders who choose to receive dividends directly into their bank or building society account. Dividend funds will continue to be credited to your chosen account on the dividend payment date, but instead of receiving individual tax vouchers, you will receive a CTV detailing all the dividend payments in the tax year. These will be mailed at or shortly before the end of each tax year.

Choosing to have your dividends paid directly into your bank account and joining the CTV service helps shareholders and Sportingbet Plc reduce their environmental impact. If you would like to receive your dividends paid directly to your bank, please visit the shareholder portal at www.sportingbet-shares.com to download the form or to register your preference online.

If you wish to continue to receive individual tax vouchers for each dividend payment but prefer to receive the dividend electronically to your bank account, please contact our Registrars.

Electronic tax vouchers

By registering your email address and choosing to receive documents electronically, you will be assisting the Company in reducing its environmental impact. Shareholders registering a valid email address will receive notification via email that an electronic tax voucher or electronic CTV is available for download from the shareholder's website at www.sportingbet-shares.com/forms/login.aspx at the time each dividend is paid.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan is a convenient, easy and competitively priced way to build your shareholding by using your cash dividends to buy additional shares in Sportingbet. The service is provided by Capita IRG Trustees Ltd. Capita IRG Trustees Ltd is authorised and regulated by the Financial Services Authority.

For further information about the Dividend Reinvestment Plan, please contact Capita, using the Shareholder Helpline.

Would you prefer to receive your next dividend in a currency other than sterling?

Capita Registrars can now convert your dividend into an alternative currency such as sterling, dollar or Australian dollar, and send you the funds by draft, or if you prefer pay them straight into your bank account. For more information about this service please contact our Registrars at:

Email: IPS@capitaregistrars.com

Telephone: +44 20 8639 3405 (from outside the UK)

Or 0871 664 0385 (from within the UK)

calls cost 10p per minute plus network extras, lines are open 9:00am–5:30pm Monday–Friday

or go to

www.capitaregistrars.com/international

Financial Summary

	Year ended 31 July 2008 £m	Year ended 31 July 2009 £m	Year ended 31 July 2010 £m	Year ended 31 July 2011 £m	Year ended 31 July 2012 £m
Amounts wagered	1,347.8	1,577.2	1,971.3	2,053.9	2,349.2
Net gaming revenue	144.3	163.6	207.5	204.0	185.7
Other operating revenue	–	–	–	2.3	3.2
Total revenue	144.3	163.6	207.5	206.3	188.9
Operating profit before exceptional items, share option charge and amortisation	24.7	31.1	35.4	38.1	32.2
Other administrative expenses:					
Exceptional items	(12.0)	(4.2)	(24.5)	(10.8)	(71.6)
Share option charge	(8.0)	(3.1)	(2.0)	(1.2)	(0.9)
Amortisation	(3.9)	(1.9)	(1.8)	(1.7)	(9.5)
Group operating (loss)/profit	(0.8)	21.9	7.1	24.4	(49.8)
Net finance income/(cost)	0.4	0.4	(0.2)	(0.6)	(6.4)
Profit/(loss) before taxation	1.2	22.3	6.9	23.8	(56.2)
Taxation	(3.5)	(0.5)	(3.0)	(3.1)	0.1
(Loss)/profit for the period	(2.3)	21.8	3.9	20.7	(56.1)
Loss for the period from discontinued operations	(2.0)	(9.4)	–	–	–
Group (loss)/profit for the period	(4.3)	12.4	3.9	20.7	(56.1)
Earnings per share					
Basic	(0.5)p	4.6p	0.8p	3.9p	(6.8)p
Basic adjusted	4.8p	6.5p	6.5p	6.6p	5.5p
Diluted adjusted	4.2p	6.0p	6.2p	6.3p	5.3p

Corporate Directory

Secretary

D Talisman LLB (Hons) FCIS

Registered Office

4th Floor
45 Moorfields
London EC2Y 9AE
Company Number 3534726

Registrars

Capita Registrars
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

Financial Advisers

Lazard & Co. Limited
50 Stratton Street
London W1J 8LL

Stockbrokers

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Daniel Stewart & Company PLC

Becket House
36 Old Jewry
London EC2R 8DD

Solicitors

Nabarro
Lacon House
84 Theobald'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

Notes

www.sportingbetplc.com

Sportingbet Plc
4th Floor, 45 Moorfields
London EC2Y 9AE
Tel: +44 20 7184 1800
Email: investor@sportingbet.com

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, or other financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your ordinary shares, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.



(incorporated and registered in England and Wales under
company registration number 03534726)

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting of Sportingbet Plc to be held at 10.30 a.m. on 19 December 2012 at 4th Floor, 45 Moorfields, London EC2Y 9AE is set out at the end of this document.

A Form of Proxy for use at the annual general meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it to Capita Registrars at The Registry, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to arrive no later than 10.30 a.m. on 17 December 2012.



(incorporated and registered in England and Wales under company registration number 03534726)

Registered Office

4th Floor,
45 Moorfields,
London
EC2Y 9AE

16 November 2012

To the Shareholders of Sportingbet Plc

Notice of Annual General Meeting

Dear Shareholder

I am pleased to be writing to you with details of our annual general meeting which we are holding at 4th Floor, 45 Moorfields, London EC2Y 9AE on 19 December 2012 at 10.30 a.m. The formal notice of annual general meeting is set out on page 5 of this document.

If you would like to vote on the resolutions but cannot come to the annual general meeting, you can appoint a proxy to exercise all or any of your rights to attend, vote and speak at the annual general meeting by using one of the methods set out in the notes to the notice of annual general meeting. Appointing a proxy will not prevent you from attending and voting in person at the annual general meeting.

The purpose of this letter is to explain certain elements of the business to be considered at the meeting.

RESOLUTION 1 – TO RECEIVE THE ANNUAL REPORT AND ACCOUNTS

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 – REMUNERATION REPORT

This resolution is to approve the directors' remuneration report for the year ended 31 July 2012. You can find the remuneration report in the annual report and accounts for the year ended 31 July 2012.

RESOLUTION 3 – FINAL DIVIDEND

A final dividend of 1.1 pence (£0.011) per ordinary share for the year ended 31 July 2012 is recommended for payment by the directors. If you approve the recommended final dividend this will be paid on 17 January 2013 to all ordinary shareholders who are on the register of members at the close of business on 21 December 2012.

RESOLUTIONS 4 AND 5 – REAPPOINTMENT OF AUDITORS

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 auditor.

RESOLUTIONS 6 TO 12

Under the UK Corporate Governance Code all directors are required to be subject to annual election by shareholders. You are therefore asked to re-elect Brian Harris, Jim Wilkinson, Andrew McIver, Peter Dicks, Rory Macnamara and Chris Moss as directors of the Company. In addition, as Marie Stevens was appointed as a director of the Company since the last annual general meeting of the Company, she is standing for election pursuant to the UK Corporate Governance Code.

Biographies of each of the directors seeking reappointment can be found on page 23 of the Company's Annual Report for the year ended 31 July 2012. The Board has confirmed, following a performance review that all directors standing for reappointment continue to perform effectively and demonstrate commitment to their role.

RESOLUTION 13 – ALLOTMENT OF SHARE CAPITAL

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 two hundred and twenty two thousand, three hundred and sixty five pounds (£222,365) representing approximately one third of the Company's issued ordinary share capital (excluding treasury shares) as at 15 November 2012 (the latest practicable date before publication of this letter) during the period up to the conclusion of the next annual general meeting in 2013.

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. The directors confirm that, if this further authority were utilised during the year, they intend to follow the guidance of the Association of British Insurers. 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 14 – DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS

Resolution 14 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 thirty three thousand, three hundred and fifty five pounds (£33,355), representing approximately 5 per cent of the issued ordinary share capital of the Company as at 15 November 2012 (the latest practicable date before publication of this letter).

RESOLUTION 15 – AUTHORITY TO PURCHASE OWN SHARES

Resolution 15 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006 (the "2006 Act"). The authority limits the number of shares that could be purchased to a maximum of 66,709,564 (representing approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 15 November 2012 (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 2013.

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 15 is passed at the annual general meeting the Company will cancel or hold in treasury the shares which it purchases pursuant to the authority granted to it. 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 15 November 2012 (the latest practicable date before publication of this letter), there were warrants and options over 22,554,263 ordinary shares in the capital of the Company representing 3.38 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 3.76 per cent of the Company's issued ordinary share capital (excluding treasury shares).

RESOLUTION 16 – POLITICAL DONATIONS

Resolution 16 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 16 to renew the authority granted by shareholders at the last annual general meeting of the Company. This resolution is often proposed as a precautionary measure by companies so that they do not inadvertently breach the 2006 Act, rather than because they intend to make donations of a high amount. This resolution 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 16 has also been extended to cover any political donations made, or political expenditure incurred, by any subsidiaries of the Company.

RESOLUTION 17 – NOTICE PERIOD FOR GENERAL MEETINGS

It is proposed in Resolution 17 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 17 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.

RECOMMENDATION

The board considers the resolutions are in the best interests of the Company and its shareholders as a whole. The directors unanimously recommend that you vote in favour of the resolutions. The directors intend to vote in favour of the resolutions in respect of their own beneficial holdings which amount in aggregate to 5,492,756 shares representing approximately 0.82 per cent of the existing issued ordinary share capital of the Company (excluding treasury shares).

Yours sincerely



Chairman

NOTICE OF ANNUAL GENERAL 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 19 December 2012 at 10.30 a.m. to transact the following business. Resolutions 1 to 13 inclusive, and 16 will be proposed as ordinary resolutions. Resolutions 14, 15 and 17 will be proposed as special resolutions:

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 2012.
2. To receive and approve the directors' remuneration report for the year ended 31 July 2012.
3. To declare a final dividend for the year ended 31 July 2012 of 1.1 pence (£0.011) per ordinary share.
4. To reappoint 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.
5. To authorise the directors to set the auditor's remuneration.
6. To re-elect Brian Harris as a director of the Company.
7. To re-elect Jim Wilkinson as a director of the Company.
8. To re-elect Andrew McIver as a director of the Company.
9. To re-elect Peter Dicks as a director of the Company.
10. To re-elect Rory Macnamara as a director of the Company.
11. To re-elect Chris Moss as a director of the Company.
12. To elect Marie Stevens as a director of the Company.
13. That the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the 2006 Act in substitution for all existing authorities:
 - 13.1. 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 two hundred and twenty two thousand, three hundred and sixty five pounds (£222,365); and
 - 13.2. 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 two hundred and twenty two thousand, three hundred and sixty five pounds (£222,365) 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 13.1 and 13.2 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

14. 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 13 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:

- 14.1. 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 13.2, 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
- 14.2. the allotment (otherwise than pursuant to paragraph 14.1 above) of equity securities up to an aggregate nominal amount of thirty three thousand, three hundred and fifty five pounds (£33,355),

and shall expire upon the expiry of the authority conferred by Resolution 13 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.

15. 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:

- 15.1. the maximum number of Ordinary Shares authorised to be purchased is of 66,709,564 (representing approximately 10 per cent of the Company's issued ordinary share capital at the date of this notice of meeting);
- 15.2. the minimum price which may be paid for an Ordinary Share is 0.1 pence (exclusive of expenses payable by the Company);
- 15.3. 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:
- 15.3.1. 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
- 15.3.2. the value of an Ordinary Share calculated on the basis of the higher of:
- (a) the last independent trade of; or
- (b) 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.

16. 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 16 has effect are authorised to:

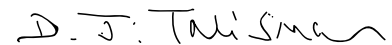
- 16.1. make political donations to political parties or independent election candidates, as defined in the 2006 Act, not exceeding fifty thousand pounds (£50,000) in total;
- 16.2. make political donations to political organisations other than political parties, as defined in the 2006 Act, not exceeding fifty thousand pounds (£50,000) in total; and
- 16.3. incur political expenditure, as defined in the 2006 Act, not exceeding fifty thousand pounds (£50,000) 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:

- 16.4. the authorised sums referred to in paragraphs 16.1, 16.2 and 16.3 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; and
- 16.5. the aggregate amount of the authorised sums referred to in paragraphs 16.1, 16.2 and 16.3 above do shall not exceed fifty thousand pounds (£50,000) in total.
17. 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.

16 November 2012

By order of the board



D Talisman LLB (Hons) FCIS
SECRETARY

Registered office:
4th Floor
45 Moorfields
London
EC2Y 9AE

NOTES

1 ENTITLEMENT TO ATTEND AND VOTE

- 1.1 Only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 17 December 2012 (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.
- 1.2 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.
- 1.3 As at 15 November 2012 (being the last business day before the publication of this notice), the Company's issued share capital consisted of 667,095,640 ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 667,095,640.
- 1.4 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:
 - 1.4.1 to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - 1.4.2 the answer has already been given on a website in the form of an answer to a question; or
 - 1.4.3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- 1.5 Members satisfying the thresholds in section 527 of the 2006 Act can require the Company to publish a statement on its website setting out any matter relating to:
 - 1.5.1 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
 - 1.5.2 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.
- 1.6 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.

2 PROXIES

- 2.1 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.
- 2.2 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.
- 2.3 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:
 - 2.3.1 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
 - 2.3.2 by completing it online at www.capitashareportal.com by following the instructions on screen to submit it; or
 - 2.3.3 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.
- 2.4 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.

- 2.5 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 and the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
- 2.6 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.
- 2.7 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.
- 2.8 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.
- 2.9 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.

3 NOMINATED PERSONS

- 3.1 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 2006 Act ("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.

4 DOCUMENTS ON DISPLAY

- 4.1 A register of directors' interests in the share capital and debentures of the Company and copies of service agreements under which directors of the Company are employed 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.
- 4.2 A copy of this notice, and other information required by section 311A of the 2006 Act, can be found at **www.sportingbetplc.com**

5 ELECTRONIC ADDRESSES

- 5.1 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.

sportingbet plc

4th Floor, 45 Moorfields
London EC2Y 9AE
Company number 03534726