

29 November 2006

Leisure & Gaming

Year End	Revenue (US\$m)	PBT* (US\$m)	EPS* fd (c)	DPS (c)	PE (x)	Yield (%)
12/05p	607.2	11.5	17.9	0.0	0.9	0.0
12/06e	625.0	6.0	8.5	0.0	1.8	0.0
12/07e	225.0	4.5	4.2	0.0	3.7	0.0
12/08e	350.0	9.0	8.1	0.0	1.9	0.0

Note: *PBT and EPS are normalised, excluding exceptional costs (estimated at US\$110m in 2006, of which US\$2m cash) and share option charges. All figs in US\$, £1=US\$1.94

Investment summary: Betting on BetShop

Post the sale of its US-facing operations Leisure & Gaming comprises BetShop (acquired June 2006). BetShop is expanding rapidly and has good growth potential in a liberalising Italian market. While it may face increased competition from new larger market entrants, it may also represent an attractive acquisition target. Rapid growth in affiliate shops underpins our profit forecast for 2007.

Sale of US-facing operations

Leisure & Gaming's (LNG) sale of its US-facing operations on 13 October for a nominal US\$1 was an enormous disappointment, forced on the company by the unexpected passing in the US of the *Unlawful Internet Gambling Enforcement Act* (UIGEA). The only alternative was closure, at an estimated cost of US\$6m.

Reorganisation puts LNG on sound financial footing

The US-facing businesses accounted for more than 80% of our forecast 2007 profits and cash flows. To put the group on a sound financial footing management has successfully secured releases from previous earn-out obligations and escrowed funds such that it has successfully paid down outstanding debt and has refinanced the company. BetShop is growing rapidly and its franchise model means that it should be strongly cash generative. We expect current net debt of US\$2m to be largely eliminated during 2007.

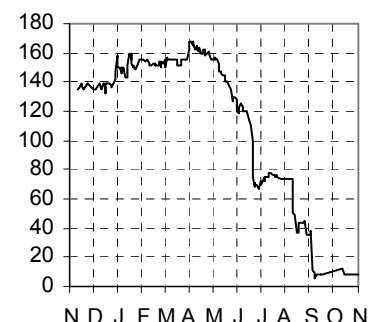
Valuation: Returning from suspension

LNG's 8p suspension price reflected financial concerns relating to the servicing of debt, now successfully resolved. Going forward the P/E should reflect BetShop's good growth prospects and established position in the Italian market, although its relatively short record means our forecasts are somewhat tentative. Considerable M&A activity is also expected in the sector over the short to medium term.

Price 8p*
Market Cap £5m*

*at suspension, trading resumes 29 November.

Share price graph



Share details

Code LNG
Listing AIM
Sector Travel & Leisure
Shares in issue 64.4m

Price

52 week High 167.0p Low 5.5p

Balance Sheet (Dec '06e)

Debt/Equity (%) 8
NAV per share (c) 37
Net borrowings (\$m) 2.0

Business

Post the sale of its US-facing business L&G comprises BetShop, a European sportsbetting business with an online operation and over 900 branded franchised shops, mainly in Italy.

Valuation

	2005	2006e	2007e
P/E relative	12%	21%	12%
P/CF	N/A	3.1	2.8
EV/Sales	0.0	0.1	0.0
ROE	25%	12%	18%

Geography based on revenues

UK	Europe	US	Other
5%	95%	0%	0%

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Investment summary: Betting on BetShop

Company description: European gaming business

Leisure & Gaming (LNG) disposed of its US-facing online gambling businesses on 13 October 2006 just ahead of the US *Unlawful Internet Gambling Enforcement Act* (UIGEA) becoming law. LNG's continuing business is BetShop, a European betting and gaming business which was acquired in June 2006. BetShop has good growth potential in a liberalising Italian market.

Valuation

LNG shares have fallen sharply in 2006 in line with the rest of the online gambling sector as a result of the US regulatory situation, culminating in the passing of UIGEA. The disposal of the US-facing businesses removed over 80% of projected earnings and cash flow. The 8p suspension price also reflected financial concerns relating to the servicing of debt, but these have now been successfully resolved and the valuation should increasingly reflect BetShop's growth and potential now that trading has resumed.

Sensitivities

BetShop has a short public record and our forecasts are partly based on its earn-out targets, although it failed to achieve its 2006 target because of losses over the World Cup. It has little presence outside Italy and faces increased competition in Italy from large operators such as Ladbrokes, with large marketing budgets. To date, however, it appears to have been very successful in growing a sizeable affiliate shop network in a relatively short space of time. There are regulatory risks in Europe despite the EU's support for the principle of cross-border gambling, and there remains a remote US regulatory risk. There are also normal operational risks such as reliance on the internet and normal betting and gaming margin fluctuations.

Financials

Our 2006 forecast includes a six-month contribution from BetShop (acquired on 23 June) and 9½ months of the US-facing businesses (up to their disposal on 13 October). The disposal accounts for the sharp reduction in forecasts (particularly as it occurred just as the important NFL season was getting underway). Our forecasts for 2007 and 2008 assume that BetShop achieves results slightly above its minimum earn-out targets, with strong growth driven by the rapidly expanding network of affiliated shops. The forecasts do not at this stage include potential upside from likely new licence wins.

Exhibit 1: Updated forecasts post UIGEA

Note: Figures in US\$ except per share data

	EPS			PBT			EBITDA		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2006E	27.0	8.5	-69%	19.2	6.0	-69%	21.0	7.2	-66%
2007E	31.0	4.2	-86%	26.5	4.5	-83%	28.0	4.9	-83%
2008E	N/A	8.1		N/A	9.0			9.0	

Source: Edison Investment Research

Company description: European gambling business

Post the disposal of its US-facing operations, LNG's continuing business is BetShop, a European betting and gaming business. Additionally it has retained copies of the US-facing operations' valuable software and systems, including the IGW sports software acquired in June and casino software acquired with English Harbour, as well as database records for all non-US customers and various URLs. It also has a small online casino, Acropolis which is likely to be sold or closed.

BetShop's business comprises three operating divisions:

- **BetShop Italia:** a franchised chain of over 900 branded shops and networked retail sports betting outlets across Italy.
- **BetShop.com:** a pan-European online sportsbetting and casino business operating in eight languages.
- **GoalsLive.com:** BetShop's soccer information and results portal for internet and particularly mobile phone users.

BetShop Italia is the biggest of these and accounts for about 74% of the continuing group's net revenue. It had 600 retail sites when it was acquired in June, which has now grown to over 900, with contracts signed for a significant number of further outlets which are awaiting telecoms connections and formalities. Around two-thirds of its current outlets are fully-branded dedicated shops (i.e. mainly sports) and the remainder are non-dedicated 'corners' (typically bars or newsagents with one or more branded terminals).

Both BetShop Italia and BetShop.com offer a very wide range of sports betting options.

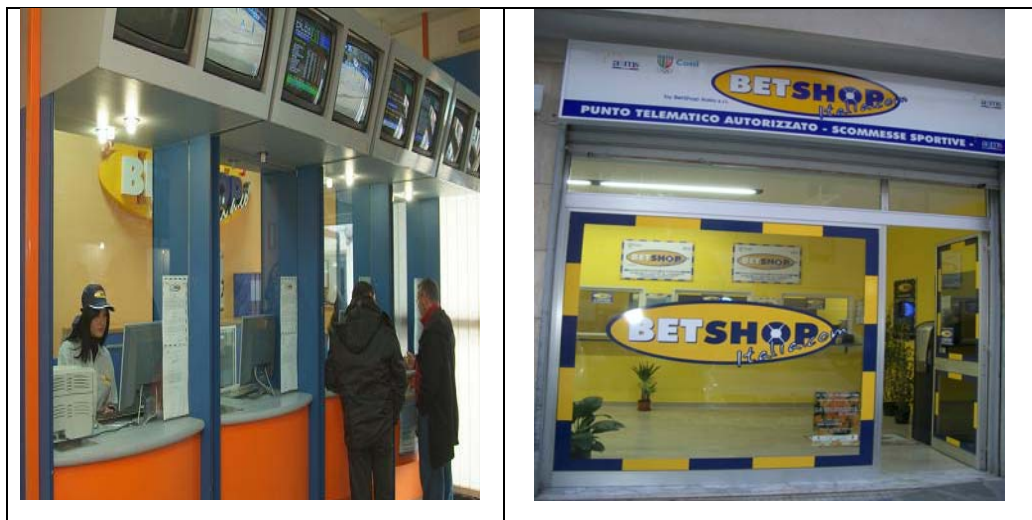
Business strategy and development

BetShop Italia

BetShop's key strength is the sizeable network it has already built up in the liberalising Italian market. Most of its outlets have joined its network within the last 18 months, driving strong revenue growth. This currently makes it a leading independent operator of sports betting shops in Italy, along with Snai and Sisal (although it is dwarfed by Sisal if its entire 12-15,000 lottery and other gaming outlets are included). BetShop has grown rapidly with a relatively modest capital outlay, since each of the shops is owned and operated by the agent, who receives a 30-45% revenue share. In that respect it essentially represents a land-based affiliate network. BetShop MD Gabriel Chaleplis' industry knowledge is a key component of the business' success.

The rapid rate of expansion has been facilitated by a low sign-up cost for agents (typically around €500 per shop). Each of the shops is branded BetShop, with marketing the responsibility of the owner. BetShop has not spent significant amounts on brand marketing, preferring to rely on reputation and word of mouth. At present income is derived from betting on sports and horse-racing but successful new licence wins (below) will greatly expand the available product offering in a number of the outlets.

Exhibit 2: Examples of BetShop's Italian franchise outlets



Source: BetShop

BetShop.com and GoalsLive.com

During 2006 management appears to have focused on growing BetShop Italia rather than marketing the smaller online operation, BetShop.com, whose URL has been blocked in Italy by order of the government since spring 2006 along with all other foreign online gaming sites. (BetShopItalia.com can accept sports bets online because it is licenced by the Italian authorities). However BetShop.com is increasingly being promoted across Europe by BetShop's GoalsLive.com football results portal, through a network of agents and through online marketing.

Additionally, BetShop.com will be marketed to the database of European customers retained following the sale of the US-facing operations. Its software platform will be enhanced by incorporating elements of the US sports, casino and affiliate software, as well as a number of URLs. These moves underpin our forecast of relatively strong growth for BetShop.com, in line with industry growth.

New Italian licences

On 20 October 2006 the Italian government accepted sealed bids for approximately 17,000 new betting licences, comprising 10,000 for horses and almost 7,000 for sports. These include licences for dedicated premises (with no restriction on the number of terminals) and non-dedicated premises (which may devote up to 25% of their space for gaming and have up to two terminals). The new licences will initially allow scratchcards, pool betting and additional government gaming products; the hope is that additional legislation will then allow bingo (perhaps as early as January) and thereafter casino games and poker. A number of software companies are already applying for government approval for games such as roulette.

BetShop has applied for over 100 of the new Italian licences, for both sports and horseracing, all for non-dedicated outlets. Of these around two-thirds are for existing outlets and the rest new

areas. It has successfully passed the first round (where documentation was scrutinised – a hurdle we understand that a number of bidders may have failed). The results of the sealed bids are expected to be known sometime towards the end of the year.

The new licences provide considerable cross-selling opportunities and should produce significant new casino revenue streams for BetShop although these are not currently included in our forecasts. Given the 17,000 licences on offer, BetShop has taken a relatively low risk approach both as to the total number applied for and the fact that it has not bid for dedicated outlets (500 of the horseracing licences and around 2,000 of the sports outlets) which are much bigger and more expensive. It may look to add new licencees once it sees how the market settles down.

The liberalising of the market has attracted new entrants such as Ladbrokes, keen to build up their own shop networks. This could represent increased competition for BetShop. However, the rules require minimum distances between shops, while its local market expertise should give it a head-start over many newcomers. Once the new licence awards have been announced we will begin to have a better idea of the likely profits upside for BetShop from the new product opportunities.

Germany and other markets

BetShop had hoped to grow significantly in Germany and indeed had briefly signed up over 100 shops on a franchise model by mid 2006. However, changing regulations stymied this ambition and most of those shops have been closed. It nevertheless believes there may be opportunities to market BetShop.com in Germany. It is also looking at emerging markets such as Poland, the Czech Republic, Romania and Lebanon, which could provide considerable new opportunities for its shop-based franchise model. These do not provide a material contribution in our forecasts.

Disposal of US-facing operations

On 30 September 2006 the US Senate unexpectedly passed the *Unlawful Internet Gambling Enforcement Act* (UIGEA), attached to the unrelated SAFE Port Act. It was signed into law only two weeks later, on 13 October.

UK listed US-facing online gambling operators were unanimous in their interpretation of UIGEA as requiring them to exit that market. The tight timetable meant there was insufficient time for shareholder approval to be obtained prior to a sale (as required by AIM rules given the scale of the transaction for LNG). On 13 October LNG sold all its US-facing operating assets to its former CEO Alistair Assheton for a nominal US\$1. The only alternative course of action would have been to close the business at an estimated cost of US\$6m. The technical breach of AIM rules meant that LNG's advisers, Altium Capital resigned and the shares were suspended until after various sale conditions had been met, the new adviser Corporate Synergy appointed and shareholder approval obtained at the EGM on 29 November.

The nominal price mirrored Sportingbet's US\$1 sale of its US-facing business (its purchaser also assumed net liabilities of US\$13.2m but for a much bigger business), while PartyGaming and 888 Holdings both stopped accepting bets from US residents. While a deal involving deferred consideration might have been possible, LNG was advised that receipt of such proceeds would risk legal charges.

Management

LNG's former CEO, Alistair Assheton, stood down from the Board on 13 October when he led the buy-out of the US-facing operations. Henry Birch was appointed Chief Executive Officer at the EGM on 29 November. He is rejoining the Board, having been a director at the time of LNG's original flotation in 2004. Gabriel Chaleplis remains as managing director of BetShop.

Josh Joshi, Finance Director, is stepping down at the end of the year as the group's significantly reduced scale no longer requires a large central finance function. Michael Baird continues as Group Financial Controller, while BetShop's finance function is located at its offices in Wimbledon.

Sensitivities

BetShop has a short public record and our forecasts are partly based on its earn-out targets, although it failed to achieve its 2006 target because of losses over the World Cup (an Italian win was inevitably bad news for Italian bookmakers). It has little presence outside Italy and faces significantly increased competition within Italy from large operators such as Ladbrokes, with large marketing budgets. To date, however, it appears to have been very successful in growing a sizeable affiliate shop network in a relatively short space of time. There are regulatory risks in Europe and there remains a remote US regulatory risk. There are also normal operational risks such as reliance on the internet and normal betting and gaming margin fluctuations.

Regulation

Europe has a range of different regulations covering gambling. EU law requires freedom of trade and services but entitles member states to "seek to protect the general interest". The UK is as yet the only major country to have legalised online gambling (in the 2005 Gambling Act) but has not yet decided on an appropriate tax structure for operators. A number of other countries have blocked or restricted online gambling operators, while at the same time allowing (or encouraging) their own national monopolies or lotteries. In particular, the Italian government banned casino gaming through betting shops in mid 2005; no sooner had BetShop begun replacing that income via BetShop.com than the government blocked the URLs of online casino gaming operators, including BetShop.com. However, the new Italian licences, allowing gaming products (which deliver tax revenues to the Government) will reverse some of the impact for BetShop. Changing regulation in Germany has stymied BetShop's plans for a shop network there, at least for the time being.

Online gambling is a legal activity under EU law and operators had hoped that the EU would include gambling in the Services Directive earlier this year. This did not happen, but in October the EU sent formal requests for information on restrictive national gambling legislation to Austria, France and Italy, having already sent similar requests to Denmark, Finland, Germany, Hungary, Italy, the Netherlands and Sweden last April. Despite this, however, it is unclear how aggressively the EU and European Court of Justice will act against those countries which are apparently employing restrictive practises. There is a risk that LNG and other online gambling operators may be involved in legal actions in Europe from time to time, taking up management time and attention.

US legal risks

Although LNG has sold all its US-facing business there remains a remote residual risk that the US authorities could unseal an action against the historic business. The sold businesses have not shut their websites and are still accepting bets from US residents. UIGEA does not add to or make any clearer the historic position as to US laws relating to the legality of online gaming in the US.

Valuation

Exhibit 3 shows LNG's prospective P/E ratio and EV/EBITDA compared with other UK listed online gambling operators.

Exhibit 3: Peer group comparison based on forecast earnings to December 2007

Note: * normalised, excluding share option costs and exceptional items. Prices at 28 November

** US\$ amounts converted at £1 = US\$1.94. LNG price at suspension on 13 October.

Company	Price (p)	Mkt Cap (£m)	Pretax* (£m)	EPS* (p)	EV/EBITDA* (x)	P/E (x)
PartyGaming **	26	1,040	61.3	1.4	14.3	18.0
888 Holdings **	135	455	15.5	4.9	24.0	27.6
Sportingbet (to Dec)	43	185	13.0	2.5	12.7	17.2
32 Red	66	48	8.3	14.3	5.6	4.6
Ladbrokes	396	2,479	226.0	27.0	14.9	14.7
Paddy Power (€)	€15.25	€519	€53.0	97c	7.2	15.7
Leisure & Gaming **	8	5	2.3	2.2	2.8	3.7

Source: Hemscott consensus forecasts / Edison Investment Research

LNG's suspension price of 8p reflected financial concerns which have now been resolved. Of the previously US-facing operators, Sportingbet is the closest comparator (PartyGaming having only recently acquired a sportsbetting operation and 888 not having one at all). We expect Sportingbet's rating to remain at a premium to LNG's because of its greater scale, product and geographic diversity. Nevertheless, we would expect the gap to narrow when investors become more confident of LNG's growth prospects and financial strength. 888 is rated at a premium to the peer group because of bid speculation after reported approaches.

Of the other comparators, 32Red is closest in size and has a recently acquired sportsbook, BetDirect, as well as online casino and poker. Its low 2007 P/E ratio reflects uncertainty over the forecasts and in particular the speed at which it can eliminate losses at the recently acquired BetDirect. Ladbrokes and Paddy Power are much bigger, with substantial land-based as well as online sports betting operations.

Near term LNG's rating may continue to reflect investor caution towards the sub-sector post the US debacle, and the relatively short track record of BetShop. Offsetting that, however, is a clear expectation of M&A activity in Europe. BetShop's earning stream may command a much higher rating from a potential acquirer given its established position in the Italian market, where many large operators have submitted licence applications and are now very keen to expand.

Financials

Exhibit 4 summarises recent half-yearly results and forecasts, which are detailed in Exhibit 5.

Exhibit 4: Results and forecasts

Note: Exceptional items include share option costs

US\$m	2006E		Year	2006E	2007E	2008E
	H1A	H2E		Continuing	Year	Year
Turnover	339.9	285.1	625.0	60.0	225.0	350.0
Net win	45.7	34.3	80.0	15.0	60.0	100.0
Gross profit	24.3	17.7	42.0	2.5	12.7	18.0
Admin expenses	(14.8)	(17.5)	(32.3)		(6.6)	(7.7)
Central costs	(2.0)	(1.5)	(3.5)		(1.2)	(1.3)
EBIT (norm)	7.5	(1.3)	6.2		4.9	9.0
Exceptional items	(0.9)	(110.6)	(111.5)		0.0	0.0
Net interest	0.2	(0.4)	(0.2)		(0.4)	0.0
Pretax (norm)	7.7	(1.7)	6.0		4.5	9.0
Pretax	6.8	(112.3)	(105.5)		4.5	9.0
Tax	(0.3)	0.3	0.0		(1.4)	(2.8)
Post tax (norm)	7.4	(1.4)	6.0		3.1	6.2
Post tax	6.5	(112.0)	(105.5)		3.1	6.2
EPS – basic	10.8	(180.3)	(169.6)		4.8	9.1
EPS - diluted norm	11.9	(2.5)	8.5		4.2	8.1
Share capital –full dil. (m)	62.0		70.8		73.0	76.6

Source: Management / Edison Investment Research

2006 Results

2006 interims were reported on 25 September (Edison note dated 28 September). The net income figure of US\$6.5m consisted of a profit of US\$9.4m from the US-facing operations less US\$2m of losses in the continuing operations and US\$0.9 share option costs. The continuing operation's loss was entirely central costs as the seven day contribution from BetShop (acquired 23 June) was immaterial.

We expect a second half operating loss because of the absence of expected US income, to give a normalised pre-tax forecast of around US\$6m for the year (versus our previous forecast of US\$19.2m). Our estimate includes a profit contribution from BetShop, but below its 2006 minimum earn-out target of £1.45m (US\$2.7m) because of trading losses when Italy won the World

Cup. The results will also include exceptional costs of about \$110m, including a loss on disposal of the US-facing operations of about US\$106m and a write-down of the Acropolis investment. Within this, exceptional cash costs should be less than US\$2m.

2006 Continuing operations

Excluding the US-facing business, we estimate 2006 turnover at US\$60m (mainly BetShop's six-month contribution, plus a minimal contribution from the Stanley Acropolis joint venture) and gross profit of about US\$2.5m. It may be noted that, as with any sports betting business, monthly profits can fluctuate according to the run of sports results.

BetShop trading record

Little of BetShop's trading history is in the public domain. In the year to June 2005 it achieved EBIT of US\$1.6m on turnover of US\$141m (translated at £1=US\$1.9 and including casino handle rather than net win). During the six months to December 2005 it "substantially restructured and expanded its operations", and aggressively developed its sports shop network to compensate for lower casino revenues (after shops were banned from offering casino games). We assume it was loss-making in this period, but the three months to March 2006 saw a strong return to profitability (EBIT of US\$0.8m).

2007/8 forecasts

2007 numbers include a full year of BetShop and reflect the rapid growth in shop numbers in 2006. Given its evolving business our forecasts are slightly tentative. On the upside, Italian shop numbers are ahead of schedule, while BetShop.com will benefit from marketing to the non-US database of customers that it has inherited from the sale of the US-facing businesses. Furthermore, our numbers do not include any contribution from likely new products. On the downside, competitive pressures may push marketing costs up.

BetShop's earn-out target is for minimum EBIT of £2.6m (US\$5.0m) in 2007 rising to £5.0m (US\$9.7m) in 2008. Maximum consideration is triggered if EBIT reaches £5.2m (US\$10.0m) in 2007 and £7.25m (US\$14.0 m) in 2008. Our forecasts imply that BetShop will achieve results above its minimum earn-out targets. Its contribution is currently partly offset by modest ongoing losses in respect of the Acropolis joint venture, but we expect management to either close or dispose of this at some stage. If only the minimum EBIT is achieved the downside risk to our forecast would be about US\$1.1m in 2007 and US\$0.6m in 2008.

At the group level the 2007 and 2008 pre-tax forecasts of US\$4.5m and US\$9.0m respectively also assume successful cutting of corporate costs to around US\$1.2m a year, although LNG could do slightly better than this given the substantial reduction in directors' fees, travel requirements and associated costs. Fully diluted EPS is forecast at 4.2c and 8.1c for 2007 and 2008 respectively.

Financials

Successful renegotiations of earn-outs for US-facing businesses

A legacy of LNG's successful US acquisitions (VIP, English Harbour and Nine) was that it had deferred consideration obligations. As part of the group restructuring post the disposal of these businesses, LNG has successfully agreed releases and waivers with the original vendors so that monies that have been held in escrow revert to LNG and there are no future obligations. The main items were US\$5m against future earn-outs and US\$2.5m escrowed against potential warranty claims from the original Nine vendors, US\$0.365m relating to the original English Harbour acquisition and all additional payments due to the original VIP vendors including US\$5.7m which would have been payable in respect of 2006.

Net debt and cash flows

At 30 June LNG had cash of US\$19.3m (excluding US\$8.2m of player funds and US\$8.7m held in escrow). Borrowings totalled US\$18.2m, leaving net cash of US\$1.1m, while net assets were US\$134.9m.

In July LNG settled the English Harbour earn-out early for US\$3.4m cash and in September it paid the US\$3.9m cash due on IGW. Edison's last published forecast (28 September) was for US\$8m net debt at the year end, excluding escrow monies and player deposits. This estimate allowed for a further US\$1m payment to BetShop and conservatively assumed a relatively weak NFL season.

In the event, the disposal of the US-facing businesses removed a large element of expected cash flow. However, the successful renegotiation of the earn-outs (above) freed up escrow monies and should leave LNG with less than US\$2m net debt at 31 December. Following the goodwill write-down, we expect net assets to be in the region of US\$24m.

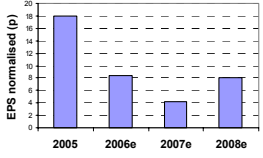
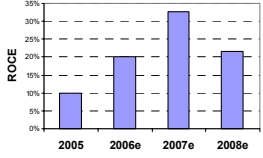
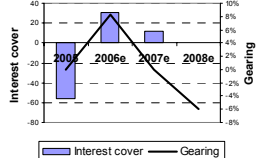
Going forward, BetShop is a cash generative business and the group's capex requirements are low. The only significant liability is the BetShop earn-out which would be £16.725m (US\$31m) if the maximum EBIT targets were achieved. This may be satisfied in loan notes or with a mix of up to 50% in shares. Our estimates do not assume the maximum payment is triggered, but if it were the cash cost (assuming 50% were satisfied with shares) would be easily funded out of BetShop's cash flows.

Exhibit 5: Financials

Note: 2006 forecasts include US-facing businesses up to the date of disposal on 13 October

Year-ending 31 December Accounting basis: IFRS	US\$m	2005 16 mth	2005 Proforma	2006e	2007e	2008e
PROFIT & LOSS						
Revenue		261	607	625	225	350
Net win		23.3	80.9	80.0	60.0	100.0
EBITDA		1.1	12.3	7.2	4.9	9.0
Operating Profit (before GW and except.)		0.9	11.3	6.2	4.9	9.0
Goodwill Amortisation		0.0	0.0	0.0	0.0	0.0
Share options		(1.2)	(1.2)	(1.5)	0.0	0.0
Exceptionals		0.0	0.0	(110.0)	0.0	0.0
Operating Profit		(0.3)	10.1	(105.3)	4.9	9.0
Net Interest		0.3	0.2	(0.2)	(0.4)	0.0
Profit Before Tax (norm)		1.2	11.5	6.0	4.5	9.0
Profit Before Tax (FRS 3)		0.0	10.3	(105.5)	4.5	9.0
Tax		(0.4)	(0.5)	0.0	(1.4)	(2.8)
Profit After Tax (norm)		0.8	11.0	6.0	3.1	6.2
Profit After Tax		(0.4)	9.8	(105.5)	3.1	6.2
Average Number of Shares (fully diluted) (m)		14	61	71	73	77
EPS - normalised fully diluted (c)		6.0	17.9	8.5	4.2	8.1
EPS - basic (c)		(2.8)	16.3	(169.6)	4.8	9.1
Net win margin (%)		9%	13%	13%	27%	29%
EBITDA Margin (%)		0%	2%	1%	2%	3%
Operating Margin (before GW and except.) (%)		0%	2%	1%	2%	3%
BALANCE SHEET						
Fixed Assets		112.3	112.3	39.0	39.2	39.5
Intangible Assets		110.9	110.9	38.9	38.9	38.9
Tangible Assets		1.4	1.4	0.1	0.3	0.6
Investment in associates		0.0	0.0	0.0	0.0	0.0
Current Assets		37.1	37.1	5.0	5.3	7.0
Stocks		0.0	0.0	0.0	0.0	0.0
Debtors		20.1	20.1	4.0	4.3	5.0
Cash		17.0	17.0	1.0	1.0	2.0
Current Liabilities		(16.2)	(16.2)	(5.0)	(4.0)	(5.0)
Creditors		(16.2)	(16.2)	(2.0)	(3.0)	(5.0)
Short term borrowings		0.0	0.0	(3.0)	(1.0)	0.0
Long Term Liabilities		(17.4)	(17.4)	(15.0)	(15.0)	(8.0)
Long term borrowings		0.0	0.0	0.0	0.0	0.0
Other long term liabilities		(17.4)	(17.4)	(15.0)	(15.0)	(8.0)
Net Assets		115.8	115.8	24.0	25.5	33.5
CASH FLOW						
Operating Cash Flow		3.8	N/A	3.5	4.0	8.0
Net Interest		0.1	N/A	(0.2)	(0.4)	0.0
Tax		0.0	N/A	0.0	(1.2)	(2.0)
Capex		(1.6)	N/A	(0.3)	(0.4)	(1.0)
Acquisitions/disposals		(31.9)	N/A	(22.0)	0.0	(3.0)
Financing		46.6	N/A	0.0	0.0	0.0
Dividends		0.0	N/A	0.0	0.0	0.0
Net Cash Flow		17.0	N/A	(19.0)	2.0	2.0
Opening net (debt)/ cash		0.0	N/A	17.0	(2.0)	0.0
HP finance leases initiated		0.0	N/A	0.0	0.0	0.0
Loans acquired with acquisitions		0.0	N/A	0.0	0.0	0.0
Other		0.0	N/A	0.0	0.0	0.0
Closing net (debt)/ cash		17.0	N/A	(2.0)	0.0	2.0

Source: Company Accounts / Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
			Litigation/regulatory	●
			Pensions	○
			Currency	◐
			Stock overhang	◑
			Interest rates	◒
			Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	Company details		
EPS CAGR 05-08e	-23.3	ROCE 07e	32.7	Gearing 07e	0.0%	Address: Bucklersbury House 3 Queen Victoria Street London EC4N 8EL	
EPS CAGR 06e-08e	-2.4	Avg ROCE 05-08e	21.1	Interest cover 07e	12.3		
EBITDA CAGR 05-08e	-9.9	ROE 07e	12.1	CA/CL 07e	1.3	Phone	020 7248 6343
EBITDA CAGR 06-08e	11.8	Gross margin 07e	79.0	Stock turn 07e	0.0	Fax	020 7248 0795
Sales CAGR 05-08e	-16.8	Operating margin 07e	2.2	Debtor days 07e	7.0	www.lngplc.com	
Sales CAGR 06e-08e	-25.2	Gr mgn / Op mgn 07e	36.3	Creditor days 07e	4.9		

Principal shareholders	%	Management team
Blair Eau Foundation	20.3	CEO: Henry Birch
Meridian Trust Company Ltd	8.4	Henry was a founding director of LNG in 2004. Prior to that he was COO of BettingCorp, a developer and operator of betting and gaming services. He has also held management positions at Time Warner and Bertelsmann.
G. Chaleplis	5.9	
PDM	5.0	
Killik Stockbrokers	4.8	
Universities Superannuation Scheme	4.3	Executive Director: Benjamin Shaw
CP2 Holdings Inc	4.1	Benjamin has extensive experience in the sector, including setting up the online gambling business at Victor Chandler and consolidating a number of Australian online gambling businesses into Consolidated Gaming Corporation.
Announcements/catalysts	Date	Non-Executive Chairman: Philip Parker
EGM	29 November	Philip was appointed a director of Plessey Plc in 1987 and Chief Executive of North Sea Assets Plc in 1990. In recent years he has been chairman and/or non-executive director of a number of private and publicly quoted groups and also works as an executive coach.
Final results	March 2007	

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