24 April 2009

Leisure & Gaming plc

Unaudited preliminary results for the year ended 31 December 2008

Leisure & Gaming plc ("L&G", "the Company" or "the Group"), the online betting and gaming group, today announces its unaudited preliminary results for the year ended 31 December 2008.

Financial highlights

- Amounts staked €76.9m (2007: €109.2m)
- Net win €20.6m (2007: €24.7m)
- Net win margin 26.8% (2007: 22.6%)
- Gross profit €6.2m (2007: €3.5m)
- Overheads, excluding amortization were €4.2m (2007: €5.1m)
- Operating profit before interest, tax, amortisation and impairment €2.0m (2007: Loss €1.7m)
- Cash held in escrow €2.1m (2007: €1.7m)
- Cash held at banks, excluding borrowings €1.5m (2007: €0.6)

Key business performance indicators

- Italian partner network increased by 114 from 470 to 584.
- Number of Italian customers increased by 26% from 26,293 to 33,191.
- New Cyprus partner network recruited of 47.
- New Greek online offering developed.
- Betshop.com offering enhanced.
- Successful launch of poker in Italy.
- New suite of casino products launched in Greece and betshop.com
- Development of proprietary IT platform
- Bank and loan note terms favourably renegotiated.
- Sponsorship deal in Italy with Serie A team Palermo

Richard Creed, CEO of Leisure & Gaming plc said:

"The Group completed the re-structuring of the Italian business in 2007 and has grown the estate of shops in Italy in 2008.
In addition, the introduction of the land based Cypriot network and Greek online offering has started the geographic diversification which spreads the risk.
The introduction of poker in Italy and casino products online has widened the product offering, which reduces the impact of sports betting results.
The rescheduling of the bank and loan note borrowings results in annual capital and interest repayments being projected to be less than 25% of cash flow over 2009.
As at 31 December 2008, the Group held cash balances of €1.5m, excluding cash held in escrow covering Italian Government gaming guarantees of €2.1m."

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Chairman's statement

Business growth and diversification
Last year, the Group restructured the Italian business and in 2008, the network of partners in Italy grew by 24% as well as adding a new land based operation in Cyprus and driving growth in online activities, particularly a new offering for the Greek market. This geographic diversification is important as it spreads risk through different betting patterns and selections.

The introduction of poker in Italy and a new suite of casino products in other markets has expanded the customer offerings and produced excellent results which have reduced the reliance on sports betting results.

Many markets continue to move toward regulation and open opportunities for the Group, particularly if land based operations are permitted in Greece. The target over the next three years is that no country supplies more than 30% of the Group's business.

Financial strength
The conversion of the loan and overdraft facilities with Barclays Bank and rescheduling of the loan note repayments results in annual capital and interest repayments being projected to be less than 25% of cash flow over the next year. In addition, the conversion of the Barclays sterling borrowings into euro takes away the exchange rate risk as the Group's earnings are in that currency.

The concentration on developing our existing businesses has resulted in a net operating profit before interest, tax, amortisation and impairment costs of €2.0m this year, which has importantly realised itself in cash through the increase of cash resources, including our escrow deposits, from €2.3m to €3.6m, excluding the borrowings.

Management team
We have enjoyed a stable and motivated management team headed up by Richard Creed, and our teams in every country have performed effectively and with diligence.

Regulation
We are finally seeing movement towards the resolution of US legal issues with many of our peers in active discussion with the US Department of Justice and Party Gaming having already resolved their position. We have disclosed a full note as to the reasons we consider it unlikely we will be prosecuted in the Chief Executive's review that follows.

In Italy, we enjoy a good relationship with the regulator, AAMS, (Administrazione Autonoma dei Monopoli di Stato) and are comfortable in the structured framework they have imposed. This is now recognised as a well regulated market and an example to many other countries.

Capital re-organisation
A circular will be included with the Annual Report which starts the process to cancel the deficiency on the profit and loss account by writing off part of the share premium account and cancelling the deferred shares. This further demonstrates that your Company is placing itself in a position to ensure shareholders are rewarded for their investment through a dividend or share buy back when funds permit.

Outlook
Gaming businesses remain highly cash generative and that is one of their key attractions. We continue to look at the creation of long term value through organic growth. The Group's financial position is strengthening and the excellent results for the first quarter have added cash. The Palermo sponsorship deal demonstrates that we are a significant operation and presents superb brand building and marketing opportunities. With the sector stabilising after the 2006 shock, the outlook looks good for M&A activity and sustained growth.

Chief Executive's review

In 2007, the Group significantly reduced the size of its estate in Italy from over 800 outlets to under 470 based on a predetermined selective process. The Group's business has grown throughout 2008 by the addition of partners in Italy, the start of a new business in Cyprus and through the development and enhancement of its online presence, particularly in Greece.

The Group owns and operates its own proprietary betting software which is used in the online business and for the Cyprus retail outlets. This software continues to be developed by a team of dedicated IT staff based in Greece. The major work undertaken in the year to enhance the platform has been in the integration of in game betting, skill games, poker and additional payment solution options as well as improvements to the customer management systems. The IT team is also responsible for the development of the goalslive web site.

The odds compilation and risk management team are based in Cyprus. Their prime responsibility is to set the odds for each market that Betshop offers its services. This necessitates reviewing fixtures as well as monitoring the odds on a real time basis dependent on the bets that are accepted. This team also update our real time results web site www.goalslive.com. Our Cyprus network of partners is also managed and controlled from this office.

We operate a call centre in Italy where we have operators and administrators working on shifts, who look after enquiries from our partners and customers, as well as country and area managers.

The UK office contains our financial management team as well as marketing and business development staff. All other services are outsourced.

Geographic review: *Italy*

The Group's largest market is Italy where the Group has various gaming licences, pays betting duties and operates a partner network of shops branded "Betshop" through a wholly owned subsidiary, Betshopitalia srl.

The Italian gaming market is regulated by AAMS who currently allow sports betting and certain skill games to be offered to registered customers. The regulator ensures that all customers are registered with them, marketing initiatives and advertising is approved and all bets are recorded. Betting duties have been gradually lowered and now stand at 5% on sports betting for multiple bets.

Following the introduction of the new "Bersani" licences in September 2007, 52 outlets were opened. The Group tried unsuccessfully to sell the remaining 7 licences. In June 2008, the Group acquired an online licence to add to the other licences owned, that allows for bets to be taken online from any location in Italy. On 4 December 2008, the Group obtained a poker licence in Italy.

The Group now has a partner network totalling 584 mainly covering the Centre and South of Italy. This network grew over the year by 114 partners. This shows a successful recruitment startegy as well as a good partner retention programme.

The size of a partner's premises varies from an area within a coffee shop, containing a counter and a few computers to a 3,000 square feet shop offering slot machines, TV displays, drinks, a betting counter and a number of computer terminals as well as seating and tables where the latest odds sheets and daily sports newspapers are available.

The betting platform software used in Italy is supplied by Microgame S.p.A., an Italian company that has been approved by AAMS and has connected with Sogei S.p.A., (Societa Generale d'Informatica) which is the technical arm of the Italian Regulator and responsible for the collection of betting duties in Italy.

The number of active customers in Italy increased by 26% in the year to 33,191 (2007: 26,293). The number of bets placed in the year was 6.8m (2007: 8.9m), of which 81% (2007: 85%) were multiples, being 5 or greater propositions at an average bet size of €8.0 (2007: €10.2). Over 70% of the sports bets placed were on the result of Italian league teams, followed by English and Spanish teams and then the other European teams.

Following the launch of play for fun poker in mid 2008 and an extensive marketing campaign, Betshopitalia joined the People's Poker Network operated by Microgame on 24 November 2008 which offered play for money poker tournaments, in accordance with the regulations issued by AAMS.

Skill games are now permitted and the Group provides a range of skill games and are constantly looking at options for the provision of more offerings and the Group looks forward to the regulation of casino products.

Slot machines are regulated and the majority of our partners already have arrangements with local hardware providers. The Group is testing machines from various suppliers and monitoring the market as well as waiting for the launch of new versions of slot machines which will be launched imminently. The Group is planning an arrangement with a preferred supplier.

Geographic review: *Cyprus*

In addition to the odds compilation and risk management team located in Cyprus, the Group identified that the local Cypriot gaming market was large and a betting culture was established and understood.

The Group has recruited 47 partners in the year, of which 21 joined in the last quarter of 2008, which demonstrates good growth and the establishment of a sizeable base. The partners have a variety of outlets, mainly the more conventional shops with TVs, terminals and an operations counter.

Betting patterns by customers are similar to Italy with an average bet size of €8 and bets mainly placed on the major European leagues as well as their own. The participation of Cypriot teams in the early stages of the Champions league has further diversified the variety of betting of the Group.

Geographic review: *Greece*

In April 2008, the Group signed a partnership agreement to develop an online offering in Greece which was launched through a dedicated website (www.betshop.gr), which contniues to be enhanced and developed. The initial marketing campiagn undertaken and underwritten by our local partner involved an attractive €100,000 prize and attracted great interest.

During the period, the web site attracted over 1,500 regular customers and this online development will continue until land based retail outlets are permitted, when the Group intends to apply for a licence and establish a land based network.

Customers in Greece wager an average €9 per bet which are mainly on single propositions on the Greek, English, Spanish and Italian leagues.

In December 2008, the Group introduced a new interface containing a casino suite of games called Gold Chip Lounge Casino, which is provided by Chartwell Technology Inc. and has proved popular.

Online

The Group offers online services through www.betshop.com to European customers but has a strong vetting and registration process to ensure this is within the EU and country legislation. The European online gaming market is well served by many operators and consequently competitive.

Goalslive

The goalslive web site (www.goalslive.com) is translated into 10 languages and contains the full results and league tables of all major worldwide football leagues for 12 seasons covering 70 different leagues. The web site achieves 100m page impressions every month during the football season and has 1.6m unique users who are mainly from Italy, UK, Germany, Greece, Thailand and Turkey.

The Group has attracted over 5,000 subscribers receiving real time short message services (SMS) on live scores with half time and final results with over 10,000 subscribers also receiving the service through e-mail. Advertising income of €0.2m (2007: €0.2m) was generated through this site and the Group intends to develop this offering with country specific content and marketing.

Geographic review: *Romania*

The Group had a license in Romania but has been unable to find a suitable local partner and decided to close its one shop in August 2008. We are maintaining a watching brief while we are focussing our efforts and resources on the Italian, Cypriot and Greek markets. All costs relating to this activity have been written off in the accounts.

Sports betting

Betting on sports results continues to be the largest part of the business, however the introduction of poker in Italy and casino games in Greece has started the process of product diversification.

The introduction of the Cypriot and Greek markets as well as the increased online activity has produced different betting styles and markets with the Cyprus and Greek customers betting on their domestic and major European teams. This means the Group is less reliant on the outcome of Italian league results.

The volume of sports betting generated through our Italian retail network was €54.8m (2007: €90.4m), in Cyprus was €5.6m (2007: €1.5m) and online in Europe was €10.9m (2007: €8.2m). Importantly, the domination of the Italian market has reduced from 90% to 77% of the sports betting activity.

The net win margin is dependent on the outcome of sports events, where if favourites tend to prevail, margins are lower. Odds are set to reflect the expected outcome and to entice custom based on knowledge of the market and competitor odds. In the year to 31st December 2008, the Group achieved a margin of 24.0% (2007: 20.9%). In 2007, the Group suffered two weekends of particularly unfavourable results in the second quarter.

Euro 2008 in June 2008 was beneficial in generating bets, with volume of €2.5m however, even though Italy was defeated in the quarter finals, the semi finals and finals were won by favourites and this resulted in a net win of €0.6m.

Horse betting

Horse racing betting has decreased substantially in Italy because of the small and reducing number of horse racing events. In addition, the Group has experienced difficulties with the supply and reliability of suitable horse betting software and results feeds. In 2007, a large proportion of the amounts wagered were generated by a few partners who have left the network. This led to the reduction in amounts staked to €3.1m (2007: €7.2m), the net win margin improved to 31% (2007: 27%), though in monetary terms, decreased to €1.0m (2007: €1.9m).

Online casino

Online casino products are not yet permitted in Italy, so our casino products are only offered to European online customers. The amounts staked decreased to €39.1m (2007: €57.5m) though net win marginally increased to €1.3m (2007: €1.2m).

In December 2008, the Group introduced a new interface for Greek customers which has proved popular and volumes are increasing.

The Acropolis casino was closed in early January 2009. In taking this decision, the possibility of growing the business in Europe was considered, but the market is already heavily saturated and without significant marketing funds and the substantial costs of integration within the Group's other offerings, this was unlikely to succeed.

In the year to 31 December 2008, Acropolis generated volumes of €10.3m with net revenue before direct costs of €0.3m and after direct costs (service provider, maintenance and payment processor fees) of €0.1m. After corporate costs the business was at break even.

In January 2009, the sale of the business not having been successful, the customer database was transferred to an existing Playtech operator on an affiliate basis where the Group continues to earn a 40% commission on customer losses, but has ceased the corporate costs.

Online lotto and skill games

These are games offered through the web sites which are essentially online scratch cards as well as blackjack.

The amounts staked in the year decreased to €3.0m (2007: €4.7m) but earned a similar net win contribution of €0.7m (2007: €0.7m).

Poker

From the launch of play for real poker tournaments on 24th November 2008 to the year end, 4,886 players have played in tournaments. 3,958 clients are existing players and 928 are new poker clients. 204 of these new poker clients also wagered on sports events.

In the period, these clients have spent €2.7m in tournament fees, earning gross rake of €0.5m before betting duties and provider and other costs and net rake of €0.2m. The interest in poker has continued in 2009.

Regulatory developments

The Group continues to seek operations in regulated jurisdictions and will apply for licenses in countries as and when they become available.

The global supply of betting and gaming services often involves complex regulatory issues, including various trade barriers as well as a lack of consistency in jurisdictions' determination of where an online gaming transaction takes place.

Regulatory developments: *The European Union*

In Europe, the market continues to move towards a liberalisation of supply across all Member States who are monitored by The European Commission, who appear to have applied pressure to Member States where their local legislation is not in agreement with EU law.

Regulatory developments: *Italy*

Since 2004, the Italian government's regulatory authority AAMS has controlled gaming products and monitored their use.

All operators are required to connect their transactions through Sogei, which validates the transaction with a view to calculating the betting duty due to the Italian treasury.

As part of the licensing process, operators must provide guarantees with AAMS to cover betting duties and customer monies. Betshopitalia currently has €2.1million lodged as security with Monte dei Paschi di Siena Bank for a guarantee of a similar amount to AAMS.

The maximum exposure in terms of betting duties and client funds is about €1.4m and the Group continues to request a release of part of the guarantee funds and to look at financing routes that require less than a fully cash backed guarantee.

Regulatory developments: *US*

Between June and December 2005, the Company acquired the shares of companies that operated online gaming activities, with the majority of their customers based in the US. The total cash paid for the shares in these businesses was $26.4m and shares issued in the Company amounted to a value of $53.9m On 13 October 2006, ahead of the signing of the Safe Ports Act which included the Unlawful Internet Gambling Enforcement Act ("UIGEA") the Company sold or closed all of its businesses with US customers. During the period that the Company owned these companies, they achieved a profit of $16.9m. The Group therefore sustained a cash loss of $9.5m on activities of these businesses and fully complied with UIGEA.

The Company has itself never traded in the US or undertaken any gaming activity but is merely a holding company whose shares are listed on the Alternative Investment market (AIM") of the UK Stock Exchange. The Company has not received any notification of legal action against it in connection with these activities and in the light of recent settlements with other corporates, believes that any legal action would be unlikely. The Company will be seeking clarification on this matter in the near future.

Outlook

The steps made to diversify the business both geographically and by product have been effective. The reduction in reliance on Italian football betting results means the business is less volatile. The addition of poker and casino games, also provides more stable revenue and a greater variety of products for customers. We continue to look at further products such as bingo, but our resources and the nature of our existing business mean these have to be synergetic and complimentary.

New markets such as France and Greece are expected to pass gaming legislation which present opportunites for growth and further diversification and our goal is to operate in five countries within the next 3 years, in addition to increasing our market share in our existing markets. In Italy, our recent sponsorship deal with Palermo football club has heightened our profile and will act as a catalyst to gaining further partners and business.

The Group has a stable and scalable business platform and management team to continue to grow geographically and to introduce new products into existing and new markets.

Financial review

Trading summary

In total, the amounts staked on all our products for the year to 31 December 2008 were €119.2m (2007: €169.5m), earning net win of €20.6m (2007: €24.7m) generating an overall net win margin of 17.3% (2007: 14.5%).

The turnover stated in these accounts, in accordance with standard accounting convention, represents amounts staked on sports events and net win on other products and amounted to €76.9m (2007: €109.1m).

Amounts staked on sports betting, including horse racing, were €74.4m (2007: €107.3m) generating a net win of €18.1m (2007: €22.8m) at a net win percentage of 24.3% (2007: 21.2%).

Amounts staked on casino products were €39.1m in plays (2007: €57.5m) generating net win of €1.3m (2007: €1.2m).

Amounts staked on lotto and skill games were €3.0m (2007: €4.7m) generating net win of €0.7m (2007: €0.6m).

The tournament fees generated by poker customers amounted to €2.7m in the period generating a gross rake of €0.5m and net rake of €0.2m. As a new activity, there are no comparative figures.

Other income mainly comprised advertising revenue generated on our results web site, www.goalslive.com and the release of the deferred income generated on licences.

The cost of sales of €15.3m (2007: €21.5m) includes commissions payable to our partner network, betting duties, IT software provider commissions, bonuses given to customers and the cost of processing payments to and from customers. The decrease was mainly attributable to the revision of the commission structure, lower betting duties and lower amounts wagered.

Administrative costs of €4.5m (2007: €5.1m) include salaries of €1.6m (2007:€1.7m), IT hosting and servicing costs of €1.0m (2007:€1.2m), risk management costs of €0.5m (2007: €0.5m) and legal and professional fees of €0.5m (2007:€0.6m). The other costs of €0.9m (2007: €1.1m) represent rent of premises, telephone, insurance and other operational costs. Amortisation costs of €0.3m (2007: nil) were charged against the cost of the licences and included in other costs.

The figures above include approximately €0.5m in non recurring costs, but include an exchange gain of €0.5m (2007: nil)

The resultant operating profit before interest, tax, amortisation and impairment was €2.0m (2007: loss €1.7m).

An impairment charge against the cost of the licenses was made of €0.2m (2007: nil) Interest of €0.2m (2007:€0.3m) was paid to banks and on the loan note.

Taxation

Taxation arises on the profits generated in Italy and losses elsewhere in the Group are currently not relieveable against these taxable profits. Full provision has been made for the tax in Italy of €0.7m (2007: €0.1m) . The Group is reviewing the current corporate and tax structure with a view to mitigating the tax charge.

The net profit attributable to shareholders was €0.6m (2007: Loss of €2.1m).

Earnings per share

There are 94,122,692 Ordinary shares in issue, with a further 306,955 ordinary shares shown as shares to be issued which relate to any warranty claims in respect of the purchase of the Betshop Group. These shares will be issued after the completion of the audit as there are no claims. The weighted average number of shares in issue in 2008 was 88,769,837 (2007: 78,563,172)
Basic and diluted earnings per share were 0.7c (2007: loss 2.7c)

Balance sheet assets

Goodwill represents the price paid for the Betshop Group which was denominated in sterling. The balance sheet shows that the goodwill value has decreased by €4.8m which is due to the exceptional movement in the exchange rate reflecting the Euro/Sterling exchange rate moving from the rate at the begining of the year of €1.39 to £1 to the end of the year rate of €1.03 to £1.

Other intangible assets comprise the gaming licences which increased by €0.3m through the acquisition of an online gaming licence in Italy.

In 2007, amounts due from partners were set against client funds. This treatment has been reversed in 2008 to disclose gross balances due from partners under trade receivables and full amounts due to customers under client funds.

Cash flow

The net cash position was comprised of borrowings of €1.2m (2007: €1.7m), and net client funds of €1.0m (2007: €1.1m) totalling €2.2m (2007: 2.8m). Cash amounted to €1.5m (2007: €0.6m) plus cash held in escrow of €2.1m (2007: €1.7m) totalling €3.6m (2007: €2.3m). Overall, the net cash position has grown by €1.9m to a positive of €1.4m (2007: deficiency €0.5m).

The fund raising exercise in July provided €0.7m to acquire the online license in Italy and strengthen working capital resources.

Treasury management

In December 2008, the Group renegotiated its borrowings facility with Barclays Bank Plc that consolidated a sterling overdraft and Euro and Sterling loan into a Euro loan. The loan is repayable over three years and amounts to €1.3m with monthly repayments of capital linked to the business's cash flow and interest charged at 6.5% over Euribor. There will be no penalties for early repayment of capital. This transaction was completed in mid January 2009.

The Group's treasury function controls the finance and management of liquidity, foreign exchange and interest rates and seeks to reduce risk in accordance with policies approved by the Board. It is not the policy of the Group to trade in or enter into speculative transactions.

The Directors took the decision to transfer all borrowings into Euro which is the trading currency to match earnings with borrowings and take advantage of the exchange rates at January 2009.

Equity and reserves

On 30 May 2007, following a substantial fall in the Company's share price the Company redesignated its authorised share capital by converting its existing authorised share capital of £50,000,000 consisting of 200,000,000 ordinary shares of 25p each into issued capital of 714,219,392 ordinary shares of 5p each and 71,445,152 deferred shares of 20p each. This enabled the Company to issue ordinary shares at a price below 25p but above 5p.

The deferred shares are not entitled to receive any dividend or other distribution and on winding up, are entitled to receive a sum equal to the nominal capital paid up after the sum of £1m has been distributed to each ordinary share. In effect, this makes these shares worthless. The deferred share capital amounts to €14.3m.

The share premium account represents the total of all the premiums paid for the ordinary shares of the Company being the price paid above the nominal value.

At 31 December 2008, the share premium account was €77.7m. This is mainly made up of shares issued for businesses acquired, where the price of the shares exceeds the nominal value. The share premiums paid in respect of businesses with US customers acquired before 1st January 2006 amounted to €67.8m. These businesses were sold in October 2006.

The Company sustained significant losses in the year to 31 December 2006 of €104.5m mainly as a result of the reduction in goodwill arising from the forced sale of these businesses. As at 31 December 2008, the negative balance on the retained earnings reserve was €81.2m.

Under English Company law, a Company may only make distributions, such as dividends or share buy backs, to shareholders out of distributable reserves, so the Company will be seeking shareholders consent and court approval cancel the deferred shares and reduce the share premium account by adjustment against the retained earnings reserve.

Leisure & Gaming Plc
Unaudited consolidated income statement
Year ended 31 December 2008

	Notes	2008 €m	2007 €m
Amounts staked (see note below)	2	76.9	109.1
Revenue			
Net win	2	20.6	24.7
Other income		0.9	0.3
		21.5	**25.0**
Cost of sales		(15.3)	(21.5)
Gross profit		**6.2**	**3.5**
Impairment charge		(0.2)	-
Share option charge		-	(0.1)
Other administrative expenses		(4.5)	(5.1)
Operating profit / (loss)		**1.5**	**(1.7)**
Finance costs		(0.2)	(0.3)
Profit / (Loss) before tax	3	**1.3**	**(2.0)**
Tax	5	(0.7)	(0.1)
Profit / (Loss) for the period attributable to equity holders of the parent.		**0.6**	**(2.1)**
Earnings per share (cents)			
Basic and diluted	4	0.7c	(2.7c)

Amounts staked does not represent the Group's statutory revenue and comprises the total amount staked by customers on sports and horse betting and net win on gaming activities.

Leisure & Gaming Plc
Unaudited consolidated balance sheet
As at 31 December 2008

	Notes	31 Dec 2008 €m	31 Dec 2007 €m
ASSETS			
Non-current assets			
Property, plant and equipment		0.2	0.1
Goodwill	5	13.9	18.7
Other intangibles	6	1.9	1.8
		16.0	**20.6**
Current assets			
Trade and other receivables		4.2	3.0
Cash and cash equivalents		1.5	0.6
		5.7	**3.6**
Total assets		**21.7**	**24.2**
LIABILITIES			
Current liabilities			
Borrowings		(1.2)	(1.7)
Trade and other payables		(2.3)	(2.2)
Deferred income		(1.1)	(1.8)
Client funds		(2.3)	(1.1)
Current tax liabilities		(0.6)	(0.2)
Loan notes		(0.4)	(0.5)
		(7.9)	**(7.5)**
Net Assets		**13.8**	**16.7**
EQUITY			
Share capital		27.6	27.1
Share premium		77.7	77.6
Share option reserve		0.6	0.6
Shares to be issued		0.6	0.6
Foreign exchange reserve		(11.5)	(7.4)
Retained earnings		(81.2)	(81.8)
Equity attributable to equity holders of the parent		**13.8**	**16.7**

Leisure & Gaming Plc
Unaudited statement of changes in equity

	Attributable to the equity holders of the parent						
	Share Capital	**Share Premium**	**Share Option Reserve**	**Shares to be issued**	**Foreign exchange translation**	**Retained earnings**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Balance as at 31 December 2006	**23.4**	**76.2**	**0.5**	**3.2**	**(5.6)**	**(79.7)**	**18.0**
Foreign exchange movements	-	-	-	-	(1.8)	-	**(1.8)**
Net gains /(losses) recognised directly in equity	23.4	76.2	0.5	3.2	(7.4)	**(79.7)**	**(16.2)**
Loss for the year						(2.1)	(2.1)
Total recognised income and expenses	23.4	76.2	0.5	3.2	(7.4)	(81.8)	(14.1)
Issue of ordinary shares	3.7	1.6	-	(2.6)	-	-	2.7
Share option charge	-	-	0.1	-	-	-	0.1
Costs attributable to share issue	-	(0.2)	-	-	-	-	(0.2)
Balance as at 31 December 2007	**27.1**	**77.6**	**0.6**	**0.6**	**(7.4)**	**(81.8)**	**16.7**
Foreign exchange movements	-	-	-	-	(4.1)	-	(4.1)
Net gains / (losses) recognised directly in equity	27.1	77.6	0.6	0.6	(11.5)	(81.8)	12.6
Profit for the year						0.6	0.6
Total recognised income and expenses	27.1	77.6	0.6	0.6	(11.5)	(81.2)	13.2
Issue of ordinary shares	0.5	0.1	-	-	-	-	0.6
Balance as at 31 December 2008	**27.6**	**77.7**	**0.6**	**0.6**	**(11.5)**	**(81.2)**	**13.8**

Leisure & Gaming Plc
Unaudited cash flow statement
Year ended 31 December 2008

		2008		2007
	€m	€m	€m	€m
Profit / (loss) before tax		**1.3**		**(2.0)**
Operating cash flows before movements in working capital:				
Amortisation		0.3		-
Impairment of intangible assets		0.2		-
Foreign exchange loss		0.4		-
Interest expense		0.2		0.3
Decrease / (Increase) in trade and other receivables		(1.2)		(1.1)
(Decrease) / Increase in trade and other payables		0.1		(3.0)
(Decrease) / Increase in deferred income		(0.7)		1.8
(Decrease)/ Increase in client funds		1.2		(0.1)
Share option charge		-		0.1
Cash generated from /(used in) operating activities		**1.8**		**(4.0)**
Tax paid		(0.3)		(0.2)
Net cash from /(used in) operating activities		**1.5**		**(4.2)**
Investing activities				
Purchases of intangible assets	(0.4)		(1.7)	
Purchases of property, plant and equipment	(0.1)		-	
Net cash used in investing activities		**(0.5)**		**(1.7)**
Financing activities				
Proceeds from issue of ordinary shares	0.6		2.5	
Repayment of bank loan	(0.7)		(0.6)	
Proceeds from new loan	0.2		-	
Interest paid	(0.2)		(0.3)	
Net cash (outflow)/ inflow from financing activities		**(0.1)**		**1.6**
Net increase /(decrease) in cash and cash equivalents		**0.9**		**(4.3)**
Cash and cash equivalents at beginning of period		0.6		4.9
Cash and cash equivalents at end of period		**1.5**		**0.6**

Leisure & Gaming Plc
Unaudited notes to the unaudited financial information

1. Accounting policies
The unaudited financial information set out in this preliminary announcement was approved by the Board of Directors on 23rd April 2009 and has been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union.

The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 31 December 2008 or 2007, within the meaning of Section 240 of the Companies Act 1985.

The figures for the year ended 31st December 2008 are unaudited. Statutory accounts for the year ended 31 December 2007 have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain any statement under Section 237 (2) or (3) of the Companies Act 1985. However, it did contain an emphasis of matter dealing with a material uncertainty relating to going concern.

2. Segmental information
The Directors review the business activities by products offered and geographically.

There is no benefit gained from differentiating between bets placed at shops and online as bets placed in shops are by means of electronic transmission and encourage customers to transact online.

The five key products are:-	Amounts staked		Net win	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Sportsbook	**71.3**	100.1	**17.1**	20.9
Horses	**3.1**	7.2	**1.0**	1.9
Casino	**39.1**	57.5	**1.3**	1.2
Lotto and skill games	**3.0**	4.7	**0.7**	0.6
Poker	**2.7**	-	**0.5**	-
	119.2	169.5	**20.6**	24.7
Other income			**0.9**	0.3
			21.5	25.0
Cost of sales (partner commissions, betting duty and service provider fees)			**(15.3)**	(21.5)
Gross profit			**6.2**	3.5
Overheads (excluding amortisation)			**(4.2)**	(5.1)
Net profit before tax, share option charges, amortisation, impairment and interest			**2.0**	(1.6)

Amounts staked in the Unaudited Consolidated Income Statement comprises

	2008 €m	2007 €m
Sportsbook amounts staked	**71.3**	100.1
Horses amounts staked	**3.1**	7.2
Casino net win	**1.3**	1.2
Lotto and skill games net win	**0.7**	0.6
Poker net win	**0.5**	-
Amounts staked	**76.9**	109.1

Allocation of assets and liabilities
It is not possible to allocate the assets and liabilities of the Group between differing business segments as all activities are run on common systems.

3. Taxation

	2008	2007
	€m	€m
Current tax:-		
Foreign tax	**(0.7)**	(0.1)

The tax expense for the year arises on the profits made in Italy and can be reconciled to the profit/(loss) in the income statement as follows:

	2008	2007
	€m	€m
Profit / (loss) before tax	**1.3**	(2.0)
Tax at corporation tax rate of 28% (2007: 30%)	**0.4**	(0.6)
Tax effect of UK losses not relieved	**0.3**	0.7
Tax charge	**0.7**	0.1

As at 31 December 2008, the Group had unrecognised deferred tax assets in respect of tax losses of approximately €26.5m (2007: €26.0m). These losses do not expire.

Factors that may affect future tax charges
The Group has not taken credit for any Italian tax relief available on UK losses. Under EU law, relief should be available, but until such time as the Italian authorities agree to the relief, no value is attributed to these losses.

4. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit (Loss) attributable to equity holders of the Company	**€0.6m**	(€2.1m)
Weighted average number of ordinary shares	**88,769,837**	78,563,172
Basic and diluted earnings per share	**0.7c**	(2.7c)

5. Goodwill

	€m
At cost or valuation	
At 31 December 2006	22.8
Foreign exchange movements	(1.7)
At 31 December 2007	21.1
Foreign exchange movements	(4.8)
At 31 December 2008	16.3
Impairment at 31 December 2006 and 2007	2.4
At 31 December 2008	2.4
Net Book value at 31 December 2008	**13.9**
Net Book value at 31 December 2007	18.7

The investment of €2.4m in Grouse Entertainment NV, which operated the Acropolis casino, has been fully impaired.

The goodwill in respect of the Betshop group acquisition has been reviewed for impairment and the recoverable amount has been determined based on the assets' value in use over the next ten years. The value in use has been derived from the forecasts of cash flow.

The key assumptions that impact this value are amounts staked and net win. The basis of calculating the forecast of amounts staked derived from the current business and the planned opening of new outlets through the recruitment of new partners. The forecast of net win is based on historic performance.

6. Other intangibles

	Software	*Gaming licences*	*Total*
	€m	€m	€m
At cost or valuation			
At 31 December 2006		0.9	0.9
Additions		1.7	1.7
Foreign exchange movement		(0.1)	(0.1)
At 31 December 2007		2.5	2.5
Foreign exchange movement		0.2	0.2
Additions	0.1	0.3	0.4
At 31 December 2008	0.1	3.0	3.1
Accumulated amortisation and impairment			
At 31 December 2006 and 2007		0.7	0.7
Impairment		0.2	0.2
Charge for the year		0.3	0.3
At 31 December 2008	0	1.2	1.2
Net book value at 31 December 2008	**0.1**	**1.8**	**1.9**
Net book value at 31 December 2007	0	1.8	1.8

The licences became operational in December 2007, when amortisation was applied over their seven year term.
The impairment charge relates to 7 Bersani licenses that have not become operational.
The amortisation expense of €0.3m (2007: nil) has been charged to other administrative expenses.