

25 August 2009

Leisure & Gaming plc

Unaudited interim results for the six months ended 30 June 2009

Leisure & Gaming plc ("L&G" or "the Group"), the online betting and gaming group, today announces its unaudited interim results for the six months to 30 June 2009.

Financial highlights

- Amounts wagered up by 52% to €61.0m (2008: €40.2m) (see note below).
- Net win up by 17% to €13.9m (2008: €11.5m).
- Overall net win margin down to 22.8% (2008: 28.6%).
- Gross profit up to €4.0m (2008: €3.4m).
- Overheads stable at €2.1m (2008: €2.0m).
- EBIT up to €1.9m (2008: €1.4m).
- Diluted earnings per share up to 1.6c (2008: 1.5c).
- Net cash position improved to €2.4 (2008:€0.2m).

Accounting convention defines amounts wagered as sports betting volume, casino and skill games net win and poker rake. The figure of amounts wagered in the table above includes poker tournament fees which our customers have joined instead of poker rake, as we believe this more clearly shows the level of business generated by the Group.

Key business performance indicators

- Average number of active Italian "partners" in the six months was 520 (2008: 474).
- Cypriot partner network grew to 49 (2008:26).
- Greek online business grew from €4.7m to €9.0m.
- Poker gross tournament fees now account for nearly half of Italian business volume.
- Focused approach to generate profits with a lower level of risk.
- Sponsorship deal with Serie A team Palermo announced.

Richard Creed, CEO of Leisure & Gaming plc said:

"Results for the first half showed good growth from last year and diversification both in terms of geography, in Cyprus and online in Greece and in terms of products with the launch of poker in Italy.

The enormous success of poker in Italy provides more secure earnings, albeit at a lower margin than in sports betting and higher than expected volumes have continued through the summer months.

We approach the new soccer season in good shape with a stable partner network and sponsorship initiatives generating interest.

The capital reorganisation was approved by the Companies Court on 2 June 2009 and registered at Companies House on 14 July 2009, when it became effective. The adjustment to reserves, which takes effect in the second half of the year, is shown as an addendum to the Statement of Changes in Equity.

Current trading since 1 July, in the seasonally quiet third quarter, is ahead of management's expectations with poker continuing at higher levels than expected and as such, the Group is currently confident as regards trading in the second half of the year."

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FINANCIAL RESULTS

6 months ended 30 June 2009

In total, the volume generated on all our products for the six months to 30th June 2009 was €80.6m (2008: €59.4m), earning net win of €13.9m (2008: €11.5m).

Amounts wagered on sports betting, including horses, were €37.2m (2008: €39.3m), generating a net win of €9.4m (2008: €10.6m) at a net win percentage of 25.3% (2008: 26.9%).

Amounts played on casino products were €19.1m (2008: €18.7m), generating net win of €0.6m (2008: €0.6m).

Amounts played on lotto and skill games were €1.4m (2008: €1.4m), generating net win of €0.3m (2008: €0.3m).

In the period, the tournament fees for poker generated €22.9m with gross rake earned of €3.6m.

Other income comprised advertising revenue generated on our results web site, www.goalslive.com.

The cost of sales was €10.2m (2008: €8.2m) which 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.

Administrative expenses were €2.1m (2008: €2.0m) which include salaries of €0.7m (2008:€0.8m), IT hosting and servicing costs of €0.6m (2008:€0.5m), risk management costs of €0.3m (2008: €0.2m) and legal and professional fees of €0.1m (2008:€0.2m). The other costs of €0.4m (2008: €0.4m) represent rent of premises, telephone, insurance, depreciation and other operational costs.

In this period the cost was not affected by exchange gains or losses (2008: gain of €0.1m included within other costs).

The balance sheet shows fixed assets movements from 1 January 2009 as follows:

- Property, plant and equipment increasing by €0.1m in respect of web site development of Goalslive, against which depreciation of €0.1m was charged.
- The goodwill book value increased due to the movement in exchange rates.
- Other intangible assets comprise the gaming licences and software development of our proprietary betting software which increased by €0.1m through the ongoing development.

Cash in escrow is held by Monte dei Paschi di Siena Bank ("MPS") in support of guarantees issued to the Italian Government for gaming licences. Discussions are taking place with AAMS to reduce the amount held in escrow and with MPS and other financial institutions to finance the guarantee with less than a 100% cash backing.

The net cash position was comprised of the

	30 June 2009 €m	30 June 2008 €m	31 December 2008 €m
Bank borrowings	(1.0)	(1.6)	(1.2)
Client funds	(0.5)	(1.0)	(2.3)
Total	(1.5)	(2.6)	(3.5)
Cash at bank	1.7	0.6	1.5
Cash held in escrow	2.2	2.2	2.2
Total	3.9	2.8	3.7
Net cash position	2.4	0.2	0.2

Taxation

The Group overprovided for tax at 31 December 2008 by €0.2m and estimates a tax charge of 30% should be applicable in future periods.

As at 31 December 2008, the Group has UK trading losses of €3.3m and capital losses of €35.4m available to set off against future UK profits and capital gains respectively. The availability of any future relief from these tax losses does not expire.

Dividend

Having completed the capital reorganisation, the Directors have considered the declaration and payment of a dividend and intend to announce a dividend policy in the near future. The matters that remain unresolved which may affect the cash reserves of the Group are:

- Release of guarantees (cash held in escrow on the balance sheet), which is being renegotiated with AAMS and various Banks;
- Further guarantees which may be needed in respect of casino products when they are permitted in Italy;
- Costs of completion of the software development of the proprietary betting software;
- Costs of planned geographic expansion.
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The Directors are assessing the effect of these items on cash flow and the payment of a dividend.

Investigation of Employee Benefit Trust

Following a request from shareholders at the Company's 2009 Annual General Meeting, a review of the establishment and allocation of shares made by the Employee Benefit Trust which holds 7m ordinary shares, has been commissioned from Mishcon de Reya.

Board

We are planning to strengthen our Board in the near future with the appointment of a further non executive Director. We are well progressed with our search for a new Chairman who will take over from Philip Parker, when, as previously announced, he steps down at the end of the year.

REVIEW OF OPERATIONS

Overall strategy

The Group continues to seek to diversify activities both geographically and in terms of products, moving from more volatile sports betting, to the provision of online games.

Geographically, in the 6 months to 30 June, the volume of business generated in Cyprus increased from €1.7m in 2008 to €6.2m in 2009 and online in Greece from €4.7m in 2008 to €9.0m in 2009.

In terms of diversification of products, the introduction of poker in Italy resulted in half the Italian betting and gaming volume deriving from poker in 2009 as opposed to 96% of betting being on sports in 2008.

Sports betting

The amounts wagered on sports betting, including horses, in the 6 month period was €37.2m (2008:€39.3m). The two contributory factors to the decline are that customers in Italy decided to spend part of their funds on poker tournaments rather than betting on sports events. In 2008, the Euro competition attracted €2.5m volume in bets and generated a net win of €0.6m.

In the 6 months to 30 June 2009, the number of sports bets placed by customers was 3.1m (2008:3.9m) at an average bets size of €10.9 (2008: €9.6). This reflects the larger bet size of Cypriot and Greek customers. 72% of bets were multiples, being over two propositions as compared to 76% in 2008.

The majority of bets were placed on soccer and covered the major European leagues, with a preference for the Italian leagues, followed by English, Spanish, French and German matches in order of preference.

Betting on horse races amounted to €1.6m (2008:€1.9m) with fewer horse racing events in Italy contributing to the reduction.

The net win margin of 25.3% (2008: 26.9%) was achieved despite well publicised lower margins in May as a result of the majority of favourites winning across the European football leagues at the end of their seasons.

Online casino

The volume of business in the online casino products remained static at €19.1m in plays (2008 €18.7m). In 2008, the Acropolis casino contributed €6.2m in plays. The acropolis casino was closed at the end of 2008 and this business has been replaced by the development of the online Greek offering.

Casino products are not permitted in the Italian market at present, however, the Italian Regulator, AAMS, have strongly indicated that they will be passing regulations by the end of the year to permit casino products.

Online lotto and skill games

This offering is mainly in Italy and the amounts played remained constant at €1.4m (2008: €1.4m) with a net win of €0.3m (2008: €0.3m). The Group has recently been selected to distribute Superenalotto and with the current sizeable jackpot prize, is generating considerable interest from both partners and customers.

Poker

The growth of poker in Italy since the launch in November 2008, has fuelled an increase in customers and the amount spent by customers. In the 6 months to 30 June 2009, over 6,000 players spent €22.9m in joining tournaments. This generated a gross rake of €3.6m.

The poker offering has attracted a regular and loyal customer base that enjoys the chat facilities as well as the numerous tournaments.

Italy

The number of partners increased to 520, with fewer moving because of the costs and general disruption of transferring between operators.

Our marketing thrust for new customers in Italy focuses on football clubs and particularly the Palermo sponsorship deal signed in April. A wide variety of activities are planned involving the fans and supporters, in stadium activities on match days, the players and with our partners throughout Italy.

Cyprus

We have increased the number of partners to 49, (2008:26) and continue to look at opportunities to grow the group.

Greece

The online offering in Greece has attracted just over 3,000 customers and generated over €9m in activity (2008:€4.7m), particularly through the Gold Chip Lounge suite of casino products. We await clarity on the consent to land based operations and have reached an agreement with a local partner to open a significant number of outlets as soon as permitted.

Further geographic expansion

We continue to monitor progress in a number of countries and are in early stage discussions to create further partner networks.

Regulatory developments

The Italian Regulator, AAMS, has indicated that further gaming products will be permitted, in particular casino games.

The Group has commenced discussions on clarifying its position with regard to gaming activities undertaken by former subsidiary companies in the US between June 2005 and October 2006.

OUTLOOK

Current trading since 1 July, in the seasonally quiet third quarter, is ahead of management's expectations with poker continuing at higher levels than expected and as such, the Group is currently confident as regards trading in the second half of the year.

Condensed Consolidated Income Statement

	Notes	Unaudited 6 months ended 30 June 2009 €m	Unaudited 6 months ended 30 June 2008 €m	Audited Year ended 31 Dec 2008 €m
Amounts wagered	6	41.7	40.2	76.9
Net win	6	13.9	11.5	20.6
Other income		0.3	0.1	0.9
Net win and other income		14.2	11.6	21.5
Cost of sales	6	(10.2)	(8.2)	(15.3)
Gross profit	6	4.0	3.4	6.2
Impairment charge		-	-	(0.2)
Administrative expenses		(2.1)	(2.0)	(4.5)
Operating profit/(loss)		1.9	1.4	1.5
Net interest		(0.1)	(0.1)	(0.2)
Profit /(Loss) before tax		1.8	1.3	1.3
Tax		(0.3)	0.0	(0.7)
Profit / (Loss) for the period attributable to equity holders of the parent		1.5	1.3	0.6
Earnings per share (cents)				
Basic and diluted	7	1.6c	1.5c	0.7c

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

Condensed Consolidated Balance Sheet

	Notes	Unaudited 30 June 2009 €m	Unaudited 30 June 2008 €m	Audited 31 Dec 2008 €m
ASSETS				
Non-current assets				
Property, plant and equipment		0.2	0.1	0.2
Goodwill	8	15.9	17.4	13.9
Other intangibles		1.9	2.1	1.9
		18.0	19.6	16.0
Current assets				
Trade and other receivables		0.6	1.3	2.0
Cash held in escrow		2.2	2.2	2.2
Cash and cash equivalents		1.7	0.6	1.5
		4.5	4.1	5.7
Total assets		22.5	23.7	21.7
LIABILITIES				
Current liabilities				
Borrowings		(1.0)	(1.6)	(1.2)
Trade and other payables		(1.8)	(2.1)	(2.3)
Deferred income		(1.1)	(1.4)	(1.1)
Client funds		(0.5)	(1.0)	(2.3)
Loan notes		(0.3)	(0.5)	(0.4)
Current tax liabilities		(0.5)	-	(0.6)
		(5.2)	(6.6)	(7.9)
Net Assets		17.3	17.1	13.8
EQUITY				
Share capital		27.6	27.1	27.6
Share premium		77.7	77.6	77.7
Share option reserve		0.6	0.6	0.6
Shares to be issued		0.6	0.6	0.6
Foreign exchange reserve		(9.5)	(8.3)	(11.5)
Retained earnings		(79.7)	(80.5)	(81.2)
Equity attributable to equity holders of the parent		17.3	17.1	13.8

Consolidated Statement of Changes in Equity

	Unaudited Share Capital €m	Unaudited Share Premium €m	Unaudited Share Option Reserve €m	Unaudited Shares to be issued €m	Unaudited Foreign exchange reserve €m	Unaudited Retained earnings €m	Unaudited Total €m
Balance as at 1 January 2008	27.1	77.6	0.6	0.6	(7.4)	(81.8)	16.7
Foreign exchange movements	-	-	-	-	(0.9)	-	(0.9)
Net gains/(Losses) recognised directly in equity	-	-	-	-	(0.9)	-	(0.9)
Profit for the period	-	-	-	-	-	1.3	1.3
Total recognised income and expenses	-	-	-	-	-	-	0.4
Balance as at 30 June 2008	27.1	77.6	0.6	0.6	(8.3)	(80.5)	17.1
Foreign exchange movements	-	-	-	-	(3.2)	-	(3.2)
Net gains/(Losses) recognised directly in equity	-	-	-	-	(3.2)	-	(3.2)
Loss for the period	-	-	-	-	-	(0.7)	(0.7)
Total recognised income and expenses	-	-	-	-	(3.2)	(0.7)	(3.9)
Issue of ordinary shares	0.5	0.1	-	-	-	-	-
Balance as at 31 December 2008	27.6	77.7	0.6	0.6	(11.5)	(81.2)	13.8
Foreign exchange movements	-	-	-	-	2.0	-	2.0
Net gains/(Losses) recognised directly in equity	-	-	-	-	2.0	-	2.0
Profit for the period	-	-	-	-	-	1.6	1.6
Total recognised income and expenses	-	-	-	-	2.0	1.6	3.6
Balance as at 30 June 2009	27.6	77.7	0.6	0.6	(9.5)	(79.6)	17.4
FOR INFORMATION PURPOSES ONLY							
Reorganisation of capital	(14.3)	(67.8)	-	-	-	82.1	-
Revised balances following reorganization of capital effective subsequent to 30 June 2009	13.3	9.9	0.6	0.6	(9.5)	2.5	17.4

Condensed Consolidated Cashflow Statements

	Unaudited 6 months ended 30 June 2009		Unaudited 6 months ended 30 June 2008		Audited Year ended 31 Dec 2008 Total	
	€m	€m	€m	€m	€m	€m
Profit/(Loss) before tax		1.8		1.3		1.3
Adjustments for:						
Amortisation		0.2		0.2		0.3
Impairment of intangible assets		-		-		0.2
Foreign exchange loss		-		-		0.4
Interest expense		0.1		0.1		0.2
Decrease/ (Increase) in trade and other receivables		1.4		(0.5)		(1.2)
(Decrease) / Increase in trade and other payables		(0.5)		(0.1)		0.1
(Decrease) / Increase in deferred income		-		(0.4)		(0.7)
(Decrease) / Increase in client funds		(1.8)		(0.1)		1.2
Cash generated from operating activities		1.2		0.5		1.8
Tax paid		(0.2)		(0.2)		(0.3)
Net cash from operating activities		1.0		0.3		1.5
Investing activities						
Purchases of intangible assets		(0.1)		(0.1)		(0.4)
Purchases of property, plant and equipment		(0.1)		-		(0.1)
Net cash used in investing activities		(0.2)		(0.1)		(0.5)
Financing activities						
Proceeds from issue of ordinary shares		-		-		0.6
Proceeds from new loan		-		-		0.2
Repayment of bank loan		(0.2)		(0.1)		(0.7)
Repayment of loan note		(0.1)		-		-
Net interest received / (paid)		(0.1)		(0.1)		(0.2)
Net cash from financing activities		(0.4)		(0.2)		(0.1)
Net increase in cash and cash equivalents		0.2		0		0.9
Cash and cash equivalents at beginning of period		1.5		0.6		0.6
Cash and cash equivalents at end of period		1.7		0.6		1.5

Notes to the condensed financial information

1. Basis of preparation

The form and content of the interim report comply with the requirements of IAS 34.

Unless stated otherwise, the interim financial statements are unaudited and do not comprise full financial statements within the meaning of the Companies Act 1985.

The interim financial statements have been prepared using policies consistent with those in the annual report and accounts for the year ended 31 December 2008 on which the auditors gave their unqualified report and did not contain a statement under Sec 237 (2) or (3) of the Companies Act 1985.

The annual report and accounts for the year ended 31 December 2008 have been delivered to Companies House and copies are available on-line at www.lngplc.com or by post from the Company's registered office.

The financial statements have been prepared on the historical cost basis.

2. Going concern

The Directors have considered the detailed business projections to 31 December 2010 and general business expectations into the foreseeable future.

The achievement of the projections is dependent on two main assumptions:

- Achieving the volume of business which assumes the present portfolio of shops and partners, and
- Achieving forecast margins which, for sports' betting is highly dependent on the outcome of sporting fixtures.
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In view of the diversification of the business both in terms of geography and products which are not dependent on the outcome of events, the Directors consider the business is more stable and forecasting is more accurate, and they consider the going concern basis is appropriate.

3. Foreign currency

The interim financial statements are presented in Euro (€), which is the Group's functional and presentational currency.

4. Key assumptions and estimations

There have been no changes in estimation techniques adopted in preparing the interim financial statements as compared to the financial statements for the year ended 31 December 2008. The key assumptions and estimations that could have a material impact on the carrying value of the Group's assets and liabilities in future accounting periods relate to the impairment reviews of goodwill.

5. Seasonality of results

The results are affected by the timing of the European football seasons, particularly the Italian leagues, where the fourth quarter of every year is seasonally the busiest, followed by the first quarter. The third quarter is the least busy as it includes the football off season, however the introduction of poker in November 2008, has provided a product that is played through the summer months.

6. Segmental information

The Directors review the business activities by products offered.

	Unaudited	Unaudited	Audited
	6 months ended 30 June 2009.	6 months ended 30 June 2008.	Year ended 31 December 2008.
	€m	€m	€m
Amounts wagered			
Sports book	35.6	37.4	71.3
Horses	1.6	1.9	3.1
Casino	0.6	0.6	1.3
Lotto and skill games	0.3	0.3	0.7
Poker	3.6		0.5
	41.7	40.2	76.9

	6 months ended 30 June 2009.	6 months ended 30 June 2008.	Year ended 31 December 2008.
	€m	€m	€m
Net win, other income and gross profit			
Sports book	8.9	10.0	17.1
Horses	0.5	0.6	1.0
Casino	0.6	0.6	1.3
Lotto and skill games	0.3	0.3	0.7
Poker	3.6		0.5
	13.9	11.5	20.6
Other income	0.3	0.1	0.9
Total income	14.2	11.6	21.5
Cost of sales (mainly commissions and duties)	(10.2)	(8.2)	(15.3)
Gross profit	4.0	3.4	6.2

7. Earnings per share

	Unaudited	Unaudited	Audited
	6 months ended 30 June 2009.	6 months ended 30 June 2008.	Year ended 31 December 2008.
Profit / (Loss) attributable to equity holders of the Company	€1.5m	€1.3m	€0.6m
Weighted average number of ordinary shares	94,122,692	84,906,692	89,340,451
Basic and diluted earnings per share	1.6c	1.5c	0.7c

8. Goodwill

At cost or valuation	€m
At 1 January 2008	21.1
Foreign exchange movement	(1.3)
At 30 June 2008	19.8
Foreign exchange movement	(3.5)
At 31 December 2008	16.3
Foreign exchange movement	2.0
At 30 June 2009	18.3

Impairment	€m
At 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009	2.4

Net book value	€m
At 30 June 2008	17.4
At 31 December 2008	13.9
At 30 June 2009	15.9

9. Subsequent events

The capital reorganisation was approved by the Companies Court on 2 June 2009 and registered at Companies House on 14 July 2009, when it became effective. The adjustment to reserves is shown in the Statement of Changes in Equity.

Under the terms of the purchase of the Betshop Group from Gabriel Chaleplis, the Group retained 306,955 ordinary shares from the consideration pending any claims under the warranties and indemnities. Following two annual audits, the Group has confirmed that it has no claims and will be issuing these share on 1 October. The shares are recorded as "Shares to be issued" under the Equity and reserves in the balance sheet.