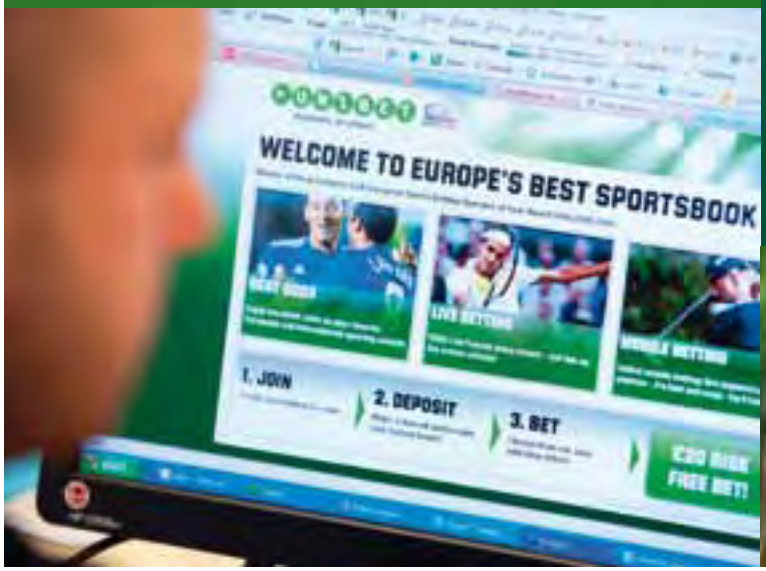
UNIBET

ANNUAL REPORT AND ACCOUNTS 2010
UNIBET GROUP PLC

BY PLAYERS, FOR PLAYERS

RAISING OUR GAME



REPORT FEATURES

Unibet was founded in 1997. With over 5.1 million registered customers in more than 100 countries, the Group is one of Europe's largest online gaming operators.

VISION

The thrill of putting money at stake for the chance to win more is at the heart of Unibet's vision – it's Moneytainment®.

KEY OBJECTIVES

Satisfied and excited customers

Motivated employees

Strong financials

MISSION

To provide reliable online gaming and build value by delivering entertaining products and excellent service.

UNIBET'S STRENGTHS

One of Europe's largest gaming companies in a fast-growing and exciting consumer category.

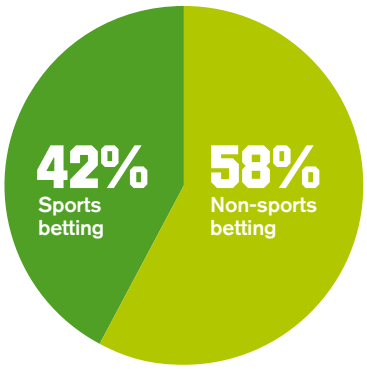
Diversified product and geographic portfolio.

Main focus on organic growth combined with selective acquisitions.

Regarded as one of Europe's strongest sportsbooks.

KEY HIGHLIGHTS

IFRS (GBP)



147.5M

GROSS WINNINGS REVENUE 2010 +7% (2009: 138.3M)

43.8M

EBITDA 2010 +5% (2009: 41.9M)

	2010	2009
Profit from operations GBPm	34.2	32.8
Equity: assets ratio %	65	58
Net cash less debt per share GBP	0.156	-0.352
Dividend per share paid out to SDR-holders GBP	0.71	0.23

Certain measures used in the reporting are not defined under IFRS. The Company believes that these measures are important to understand the performance of the business. (Also refer to definitions on page 68).

NON-GAAP*

	2010	2009
EBITDA GBPm	43.8	41.9
EBITDA per share GBP	1.561	1.498
EBITDA margin %	30	30
Operating cashflow before movements in working capital per share GBP	1.576	1.526

(*Generally Accepted Accounting Principles)

OPERATIONAL

	2010	2009
Number of employees at year end	493	465
Registered customers at year end	5,108,115	4,149,668
Active customers last three months of the year	308,872	365,865
Number of shares at year end	28,258,038	28,258,038

- Strong operational results
- All time high in gross winnings revenue for the Nordics, growth by 13 per cent
- Sports betting growth by 22 per cent

The Company's registered office is at Camilleri Preziosi, Level 2 Valletta Buildings, South Street, Valletta, Malta.
The Company's registered number is C39017.

This document is the English original. In the event of any discrepancy between the original English document and the Swedish translation, the English original shall prevail.

WHAT'S INSIDE

UNIBET AT A GLANCE

OUR BUSINESS IS STRUCTURED ACROSS TWO PRODUCT AREAS; SPORTS BETTING AND NON-SPORTS BETTING

Gaming products include pre-game sports betting, live betting, casino, poker, bingo and soft games. Customers can bet via websites in 28 languages, and increasingly via mobile phones and other mobile devices.

SPORTS BETTING

Sports betting is at the heart of the Unibet business model and one of the keys to Unibet's success, providing a market leading product and the ultimate betting experience.

Unibet offers betting opportunities on sporting events around the globe, attracting everyone from the most knowledgeable of sport betting customers, to the casual fan who likes to bet on their favourite team every week.

NON-SPORTS BETTING

Online poker creates fantastic player to player competition. Bingo brings people together. The online casino gives players some of the glamour of the real thing. Non-sports betting is an important part of Unibet's business, and opens up a broad range of target markets – young and old, male and female – to the possibilities of Moneytainment®.

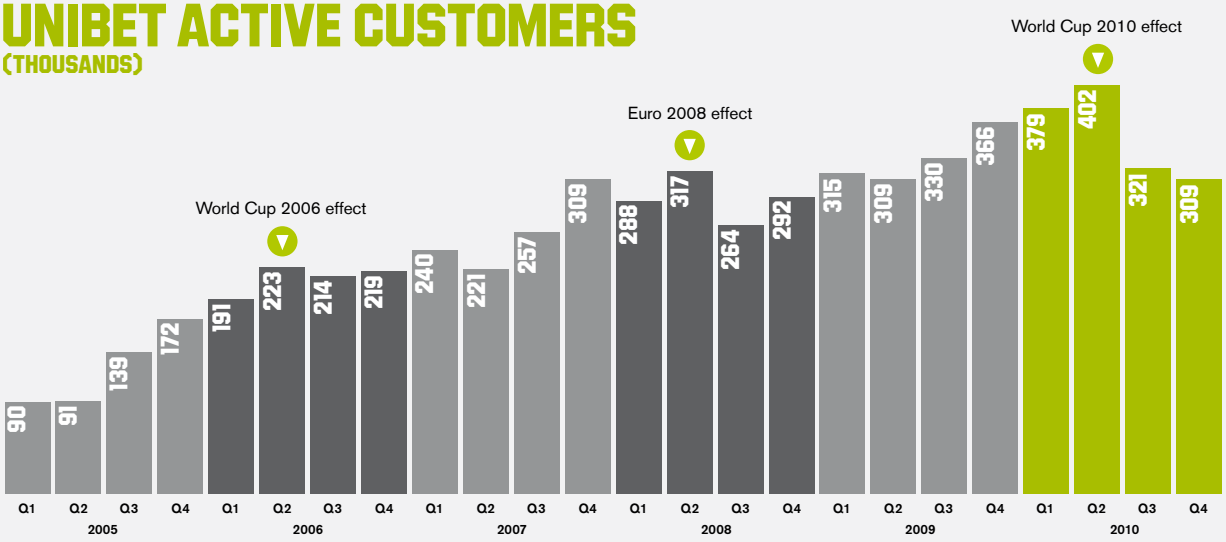
KEY NUMBERS

33.8M
PROFIT BEFORE TAX (GBP)

5.1M
REGISTERED CUSTOMERS WORLDWIDE

1.154
EARNINGS PER SHARE (GBP)

UNIBET ACTIVE CUSTOMERS
(THOUSANDS)



WHERE WE OPERATE

Unibet has customers in more than 100 countries worldwide. The Group's key markets are divided into three territories: Nordic region, Western Europe and the combined region of Central, Eastern and Southern Europe. The Nordic region is the Group's biggest market, while Central, Eastern and Southern Europe is the fastest growing.

For further information see pages 22-23

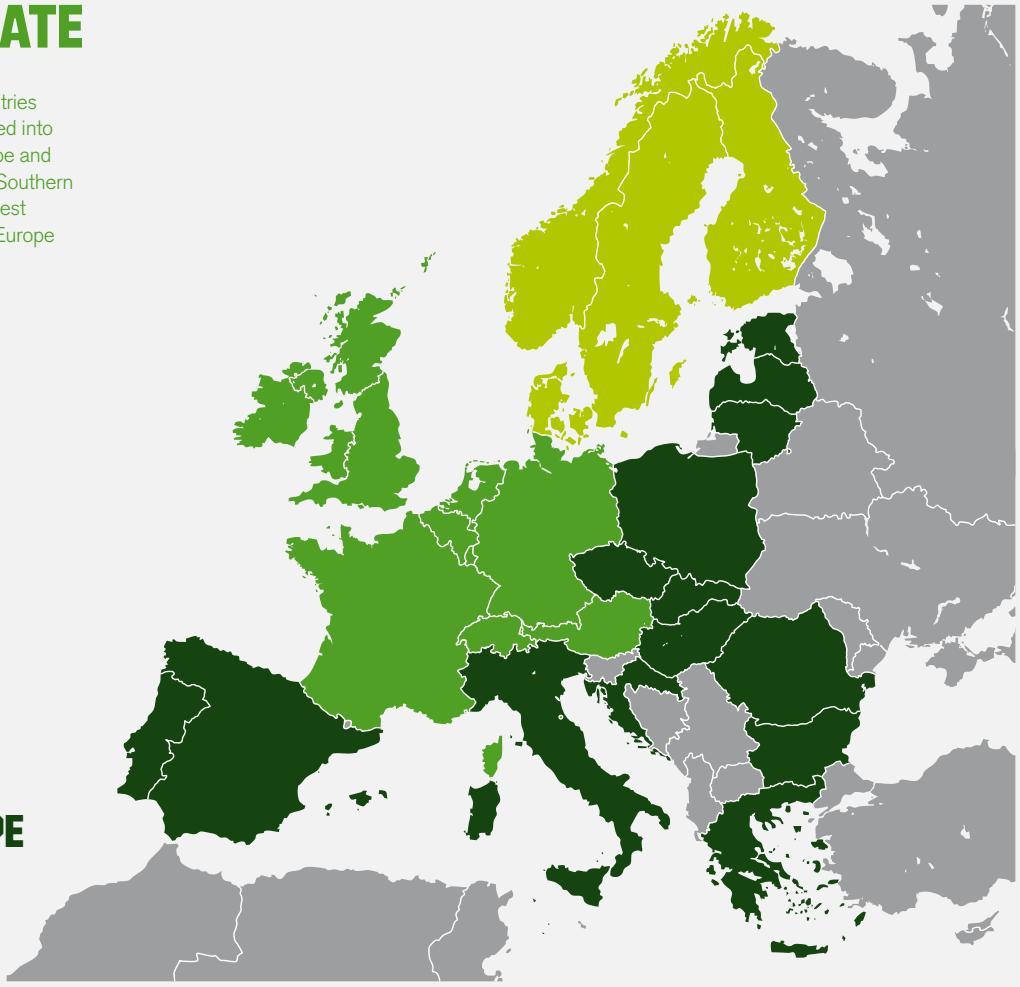
GROSS WINNINGS REVENUE BY REGION (BEFORE FREE BETS)

75M
NORDIC REGION

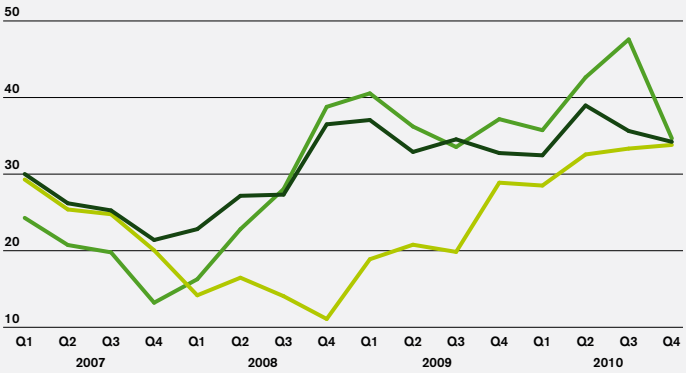
55M
WESTERN EUROPE

20M
CENTRAL, EASTERN AND SOUTHERN EUROPE

3M
OTHER REGIONS



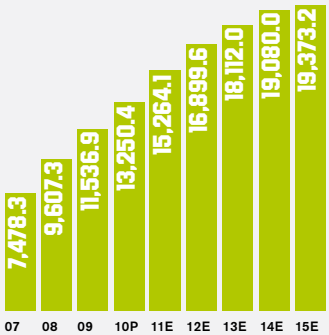
UNIBET ROLLING 12-MONTH ADJUSTED CASH FLOW VERSUS PROFIT FROM OPERATIONS, AND PROFIT BEFORE TAX (GBP M)



- Operating cash flow before movements in working capital after tax and capital expenditure (see Note 28 on page 65) (trailing 12-mth)
- Profit Before Tax (trailing 12-mth)
- Profit from operations (trailing 12-mth)

TOTAL INTERNET GROSS PROFITS EUROPE – PLAYER (USD M)

Source: H2 Gambling Capital, January 2011



KEY FACTS

493 PASSIONATE, FRIENDLY EXPERTS

44 NATIONALITIES

28 LANGUAGES

100+ COUNTRIES WITH CUSTOMER PRESENCE

GAMING RESPONSIBLY

As a leader in the European Moneytainment® industry, responsibility and customer satisfaction are key objectives and part of Unibet's corporate dna.

For Unibet, responsibility takes a number of forms, of which primary prevention is the most important.

THE IMPORTANCE OF RESPONSIBLE GAMING

"By players, for players" does not stop at providing fair gaming and betting products tailored to customers' entertainment needs. It also entails a shared responsibility to educate customers on responsible online behaviour and ensure that gaming is and remains fun and entertaining. In contrast to what conventional wisdom may suggest, Unibet has vested interests in providing a safe and responsible Moneytainment® environment. The key objective as a customer-centric company is to provide value-added service to customers over a longer period of time, build trust and increase customer retention and satisfaction. In this regard, responsible gaming is an integrated part of the overriding company objectives.

Being a founding member of EGBA, European Gaming and Betting Association, and ESSA, European Sports Security Association, Unibet has always advocated a constructive dialogue based upon facts, instead of myths and misunderstandings. Whilst acknowledging that consumer protection and problem gambling, like any other problem behaviour, must be addressed in an adequate manner, one should not forget that studies in the field of responsible gaming reveal that more than 98 per cent of the population enjoy gaming and betting in a responsible manner. An analysis of Unibet's database shows that the average player is 32 years old, places 179 stakes per year with an average value per stake of GBP 7.0.

For the vast majority of people, gambling is fun and entertaining, a hobby or a social activity among others, this both online and land-based. To a very small percentage of people, gambling – like any other human behaviour – can become problematic and develop into problem behaviour, even addiction. The questions also needing to be answered are: what do 98 per cent of the gamblers get out of their gaming? What do they do right, which the minority does wrong? What good does it do them? What are the moral benefits for society as a whole? Everyone will benefit from this: Unibet, the gaming industry, as well as the specialised service centres, customers, and potential customers. As the dominant research paradigm for gambling behaviour relates to understanding, mitigating or treating gambling-related risk or harm, Unibet continued to work with a leading scientific expert to study the possible benefits of gambling for society at large. Acknowledging that problem behaviour remains a priority, by supporting this scientific initiative, Unibet aims to contribute in a positive manner to a broader responsible gaming debate.

+10 YEARS

OVER 10 YEARS EXPERIENCE OF RESPONSIBLE GAMING, CONTROLS, SECURITY AND FRAUD PREVENTION

+98%

OVER 98% OF PLAYERS ENJOY GAMING AND BETTING IN A RESPONSIBLE MANNER

When consumer protection at large is based upon an informed choice and self-responsibility, why should 98 per cent of European consumers be denied and restricted in their choice to purchase services across borders? When one does too much of something, whether it is food, shopping, gambling or alcohol, one will start to get negative consequences of that particular behaviour. Balance is the key in enjoying life and having a good time. This is no different in the gaming or Moneytainment® industry.

What has changed over the last decade, and driven by innovation and the further development of e-commerce, is that more people are discovering the internet and internet gaming. As such this is not more dangerous or problematic. However addressing new challenges and risks associated with e-commerce such as the protection of minors on the internet, is a shared responsibility of us all, including service providers, politicians, adults and regulators.

New technologies also provide new opportunities to increase protection and security. The mere fact that responsible gaming is high up the agenda of all stakeholders, including monopolies and politicians, finds its root cause in the arrival of technology driven operators such as Unibet. Together with other EGBA members, Unibet is raising the bar and standards on an ongoing basis.

The yearly Responsible Gaming Day (RGD), organised in the European Parliament by EGBA, is a good illustration of how Unibet wishes, via open dialogue, to reach more efficient and sustainable solutions for all. As history has demonstrated, prohibition is counterproductive as it drives both provision and consumption underground without any safeguards for consumers. If consumer protection is the true driver of the debate then Unibet and alike are part of the solution.

The 12 October 2010 RGD event entitled "Responsible gaming in the digital single market", was an opportunity for EGBA to reach out to broader Internet issues and highlight that the sector should rely on both sector specific rules and general EU rules.

Unibet along with EGBA advocates a passport mechanism based on cooperation between Member States, non-duplication of requirements and the definition of equivalent or minimum consumer protection standards in the EU.

The EU Digital Agenda is also converging towards the need to consider requirements already met in other Members States and therefore establishing an internal digital market. Positive synergies between the EU's Digital agenda and the online gambling industry can be identified, in particular a focus on standards and services, trust and security, cross-border e-ID/ authentication system.

Europe will gain from harmonised EU rules governing the gaming sector. Regulation must be harmonised so that consumers receive similar high protection regardless of where they play. Online gaming is a cross-border activity and consumer protection needs to be applied cross-border as well.

In this regard, the recently completed workshop driven by EGBA, Comité Européen de Normalisation, CEN, is aiming to achieve an agreement on preserving consumer confidence in the online gambling industry and ensure that the industry operates in accordance with best practices and high EU common standards thus increase scalability of local licenses. The CEN Agreement will hopefully be used as a basis for the drafting of criteria and conditions applicable to a licence of which the objectives of the gaming policy can be pursued.

Integrity in sport is also a high priority for a responsible operator as Unibet. ESSA is getting more traction on the sports integrity debate. The high profile of ESSA and the importance of gambling responsibility were acknowledged by EU Commissioner for the Internal Market, Michel Barnier in his 12 October 2010 speech about online gaming.

Following a thorough investigation by ESSA of all betting activity among its members over the course of 2010, with 58 incidents investigated, only one individual instance of suspicious betting activity was detected and passed on to the respective sport's governing body.

In that respect, the UK government published its Sports Betting Integrity Report and called for sports governing bodies to replace the 10-point plan introduced in 2006 with a new code of conduct on integrity in sports betting. Unibet along with ESSA intends to remain at the forefront of that debate.

RESPONSIBLE GAMING DAY-TO-DAY

For Unibet, responsibility takes a number of forms, of which primary prevention is the most important. All of the Company's operations are designed to prevent problems as much as possible, including gambling addiction, under-age gambling and safeguarding the integrity and security of the operations.

In general, the Company's responsible gaming policy is designed;

i) to apply to all the customers, not just problem gamblers; and

ii) to increase customer satisfaction and retention as part of house-hold entertainment.

To implement its Responsible Gaming vision, Unibet, amongst other things, undertakes to:

- Educate and provide information to all staff in Responsible Gaming strategies and procedures.
- Have Responsible Gaming as an integrated part of the daily operations in everything the company does, from customer service to marketing and technical solutions.
- Be committed in being up to date with research and public awareness regarding Responsible Gaming and contribute to further research in this area.
- Evaluate, and improve where needed, its policies and procedures from an holistic point by a qualified team.
- Monitor vigilantly all transactions and have a zero-tolerance policy against fraud, including under-age gambling.
- Advertise responsibly.
- Use the opportunities offered by new technologies to optimise consumer protection, e.g. by implementing third party ID verification tools or relying on objective recorded data instead of self-reported data.
- Have tools available on the Group's websites to enable customers to set their own gaming limits in function of time, budget and/or products.
- Provide responsible gaming information, including self-assessment tools and links where to turn for further specialised assistance on the websites.
- Engage with external specialists and have processes audited and improved in cooperation with suppliers such as the Global Gambling Guidance Group (G4), eCOGRA (eCommerce and Online Gaming Regulation and Assurance) or Gambling Therapy.

CEO'S REVIEW

"The Football World Cup in South Africa was the cherry on the cake in a year that saw us experience real growth in our key Nordic markets again. We also saw an impressive and steady growth in most of our other European markets."

CEO'S REVIEW

I am very pleased to report that Unibet continues to be a successful, dynamic player in a fast moving, exciting and growing sector. We have built our brand by being relevant to players across 28 different markets, providing the best online casino and sports betting experience for all our customers. We are in the "Moneytainment®" business, and we're the brand of choice for over five million players. Our motto "By players, for players" rings true with all our customers and employees and we will continue to build its appeal with better customer experiences, stronger products and faster accessibility.

STRONG PERFORMANCE

It's been an eventful year in more ways than one. The Winter Olympics in Vancouver and the Football World Cup in South Africa have given us a very busy year, and a welcome boost to our bottom line. I am delighted to report that the underlying business has also continued to show strong growth overall, year on year, and continues to perform extremely well. In the Nordics we gained market share and grew by over 13 per cent during 2010.

In May 2010 the new French Gambling law was enacted. This provided an opportunity for companies to apply for a licence to offer gambling services to French residents, but it was however subject to extremely onerous conditions including extensive restrictions on the range of products that could be offered, extremely high levels of betting tax, especially on sports betting and an unfair market in which the existing state monopolies retained significant advantages over new entrants.

Although Unibet was granted French licences in 2010, we cannot justify the investment of significant resources in the French market until the terms and conditions improve. Unibet therefore ceased to take bets from French residents once the new law came into force and has successfully altered its focus to other significant markets within Europe, including those that are in the process of re-regulating in a more balanced fashion.

As our industry advances, so the business adapts. I believe Unibet has matured and gained better focus this year. Our technology, our products and our service have improved, our marketing costs are better controlled and our efficiency has improved significantly. We also continue to invest according to plan in the development of Kambi Sports Solutions and in the core Unibet platforms to address the evolving markets in Europe. We now have a business that is able to react quickly and adapt to changing market needs.

CHANGING LANDSCAPE

The introduction of national licences has brought challenges and opportunities for the whole sector. At Unibet we are very well positioned to take advantage of the switch to individual country licences but, like all our competitors, we will face challenges where unrealistic trading conditions prevail. It is our aim to fight for a well regulated market with fair taxation, reasonable returns, responsible practices and an attractive product offering. Unequal trading conditions simply lead to decreased revenues for operators and governments, and encourage the black market. Unibet will apply for licences in the markets where conditions are evaluated as sound and prospects are good and there appears to be a low risk from a shareholder value perspective.

Based on our experience we know what customers want. If there is a better offering elsewhere, they will find it. Therefore, the terms in a re-regulation must be competitive otherwise the customers will disappear to unregulated markets.

FUTURE OUTLOOK

I look forward to a positive year for Unibet. Live betting, streaming and mobile channels are set to grow and I am confident that the business is well positioned to embrace these opportunities.

The European gambling market looks set to continue its top line growth although contribution will perhaps grow at a slower rate due to taxation levels in some licenced markets. To address this changing market, we intend to strengthen our position in our core markets and develop our operations in Italy, Germany and the UK.

The continuing licencing processes in Europe create significant opportunities and give us access to all media, all payment solutions and all channels. More importantly, the licences should enable us to compete on fair and equal terms with state monopolies.

I expect consolidation within our industry to develop further, and we continue to evaluate opportunities that enhance shareholder value. Options for controlled growth in new regions are also constantly under review, with Unibet focusing on regions with high potential for long-term profitability. Our immediate priority is, however, to strengthen our core business in readiness for any potential consolidation or growth opportunities.

With the rapidly changing European landscape the Board of Directors has proposed not to pay a cash dividend for the financial year 2010 but to build a cash reserve that will give us flexibility to consider all these strategic opportunities.

The cash reserve may be distributed to the shareholders at a later stage should all these opportunities not materialise. That could be either as a cash dividend, through a share buy back programme or through a share redemption programme.

RESULTS DRIVEN

Unibet is judged on its results, and I intend to focus on the bottom line for our shareholders. Our marketing, our investments, our financial controls and our "Moneytainment®" expertise are dedicated to running a profitable, successful business that, over time, deliver exceptional total shareholder returns to our shareholders.

Henrik Tjärnström, CEO
Malta, 4 April 2011

“WE JUDGE OUR SUCCESS BY THE BOTTOM LINE”

SECTOR OVERVIEW

Just ten years ago the Gross Gambling Yield of the total global interactive market was EUR 3.0 billion. In 2010 it is estimated that figure will reach EUR 22.6 billion.

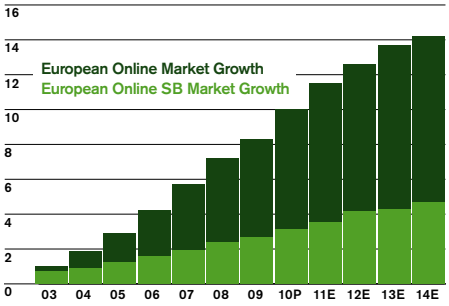
This amazing increase underlines the astronomical growth of a truly dynamic sector. Online gaming has been embraced across the world and in high broadband penetration regions such as Europe the potential for even more growth is clear to see. Broadband access is the key and Europe has one of the world's highest and fastest growing rates of internet and broadband penetration.

Unibet has cemented its position at the forefront of the European online gaming industry with a reputation for recognising potential markets and chasing growth.

What exactly is driving this growth? In Unibet language it's called 'Moneytainment®'. It's a global craving for new entertainment experiences that put the player at the centre of the game, wherever they may be.

EUROPEAN ONLINE MARKET GROWTH (%)

Source: H2 Gambling Capital January 2011



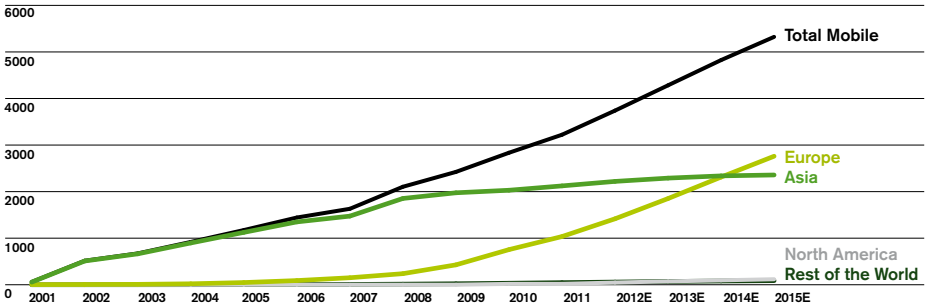
The popularity of live betting is indicative of a worldwide trend where customers want to be right at the heart of the action. The thrill of betting on live, real-time events turns the level of involvement into an adrenalin filled experience. The online gaming industry has harnessed advanced technology that delivers a trustworthy, memorable experience and has captured consumer imagination in the process.

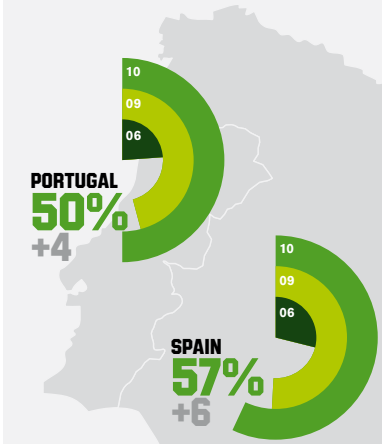
The European market has seen its share of legislative ups and downs over the last decade but with the Court of Justice of the European Union rulings this year the outlook for a well regulated, profitable and thriving industry looks much more secure. There is a trend towards specific online licences for specific countries meaning online operators with licences will transition from 'dot com' to 'dot country' platforms in many regions. This bodes well for keeping the black market at bay and suits both operators and government revenue departments. This balance only works however when fair and equal commercial terms and reasonable taxation conditions are adopted. Where draconian terms or over taxation arises, reduced revenues and increased black market activity has been seen.

The market outlook for world e-gaming gross gaming yield is estimated to be over EUR 30 billion (H2 Gambling Capital) in the next five years. The mobile channel is without doubt one of the most important areas of potential growth. H2 Gambling Capital predicts that the global market for mobile gaming will grow to USD 5.3 billion by 2015 in terms of gross gaming yield. Given the rapid growth rate so far, this appears to be a conservative estimate. Unibet is well positioned to take advantage of developing markets with its investment in new technology, and its up to the minute understanding of new marketing channels. There will no doubt be pressure on margins as the next decade progresses but businesses like Unibet who understand the essentials are well ahead of the curve. Excellent financial controls, keen operating efficiency, adaptability, scalability, a strong brand, great customer service and great product choice will make all the difference.

MOBILE PHONE GROSS GAMBLING YIELD BY REGION 2001-2015E (USD M)

Source: H2 Gambling Capital January 2011

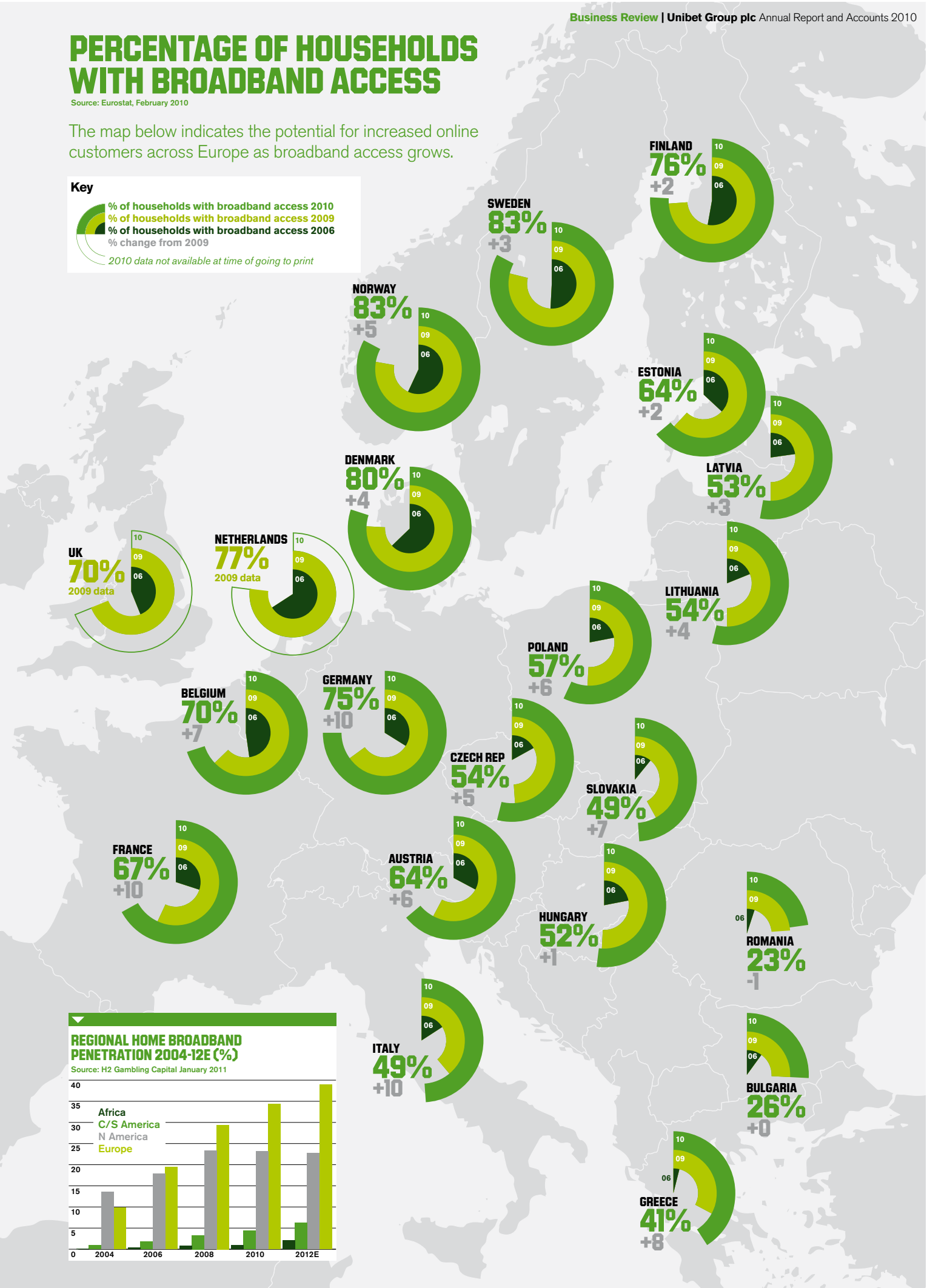




PERCENTAGE OF HOUSEHOLDS WITH BROADBAND ACCESS

Source: Eurostat, February 2010

The map below indicates the potential for increased online customers across Europe as broadband access grows.



THE STRATEGY EXPLAINED

How Unibet will be a major player across Europe; how Unibet will prioritise markets; how Unibet will create a scalable business and how Unibet will grow to deliver bottom line results.

BE TRUE TO THE BRAND

'By players, for players'. The brand promise is simple and credible. It's all about understanding what the customers want. It is at the heart of the strategy and differentiates Unibet from competitors in a very engaging way. Unibet needs to keep building this brand perception in all the markets, delivering beyond-excellent customer service and creating an unparalleled 'Moneytainment®' experience across all channels.

PRIORITISE ORGANIC GROWTH

Unibet has established business in most of the commercially viable European markets. The next phase of the strategy is to leverage the position in these markets. Unibet intend to grow the share in all of these territories by acquisition of new customers and growth of the existing business. Great communications, exciting products and innovative marketing strategies will all help in achieving this. New legislation and licences in many of the territories in the next three years will offer great opportunities. Geographic expansion is always part of the plan and organic growth is the number one priority.

DEVELOP NEW CHANNELS

Unibet is a company that relies heavily on technology to deliver a stimulating, trustworthy, modern entertainment experience. Unibet is interactive as a business and needs to exceed the customers' expectations in all that it does. Tomorrow's customers are already here. They expect communication that is relevant and delivered in a modern way. They want a better, more personal way of enjoying their leisure time. Unibet will rise to the challenge of supplying this across all the customer experiences. They expect Unibet to be active in social media. They expect to see Unibet on Twitter, Facebook and YouTube. They demand a mobile experience as well as a computer based experience. Unibet is already there.

“AS OUR INDUSTRY ADVANCES, SO THE BUSINESS ADAPTS.”

STRONGER FOCUS

As competition intensifies, Unibet's primary focus is on acquiring customers through sports betting, leading players to a wider offer of casino and poker. Unibet's strategy is to ensure to always have the best live streaming and live betting offer and the strongest casino games to achieve this. Customer service will underpin everything and will underline Unibet's position as a leading entertainment business.

OPEN MINDED BUSINESS

The introduction of Kambi Business Solutions has clearly shown that there is an alternative to merger and acquisition in the sector. Economies of scale in terms of operating, staffing and developing B2B solutions with other operators make sense for businesses and gives customers a better pool. It is therefore logical for Unibet to explore other potential clients for the Kambi Business Solutions project.

The partnership with media giant Marca, on their Jugando Voy site, is another example of how Unibet can explore different business models to work alongside the Unibet family. Developing white label applications of the product range is another possibility.

GOING FORWARD

Unibet's business model has proved successful given its strong track record of delivering profitable growth since Unibet was founded.

Going forward Unibet will continue to develop the most profitable European business opportunities where there is a strong gaming culture and high internet penetration. Unibet will strengthen its position and gain market share across all its markets by offering great odds and a great casino and games offer.

Unibet will actively invest in new technology, new delivery channels and new marketing initiatives to remain at the forefront of the industry.

In addition Unibet understands that pressure on margins means it must run a highly efficient business, with credible cost control, targeted marketing spend, and real shareholder value. The business model has to be scalable and agile and adaptable in a market that thrives on change. The Unibet strategy aims to deliver on all these fronts.

ANDROID

Unibet is always at the forefront of technology, with innovation key to the brand – Unibet were the first bookmaker in 2010 to launch an application for the Android mobile client and saw massive growth in the mobile channel as a result.

Sports betting is at the heart of the Unibet business model and one of the keys to Unibet's success, providing a market leading product and the ultimate betting experience.

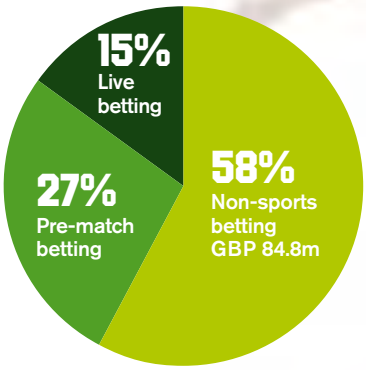
SPORTS BETTING

Unibet offers betting opportunities on sporting events around the globe, attracting everyone from the most knowledgeable of sport betting customers, to the casual fan who likes betting on their favourite team each week.

Sport never sleeps and so the Unibet sports betting product is designed to ensure that it's customers do not miss a moment of the action. It operates a 24 hours a day, 7 days a week calendar covering every goal scored, ball hit and win celebrated!

The extension of the Streaming product and upgrades to the Live betting client also ensured that Unibet has once again gone from strength to strength growing significantly during 2010.

UNIBET GROSS WINNINGS REVENUE 2010



63M

2010 SPORTS BETTING GWR – TOTAL (GBP)

PRODUCTS & MOBILE

230,302

BIGGEST SUPERTOTO PAYOUT OF 2010 (EUR)

The Unibet Sportsbook portfolio consists of fixed odds pre-match and live betting as well as pool betting products Supertoto and Superscore. In addition, Unibet offers betting on Swedish Trotting through the Travnet Live Racing platform and betting on French Horse Racing.

The Unibet Sportsbook continued to thrive with over 68.5 million bets placed in 2010, up from 51.8 million in 2009. The most popular betting sport was Football accounting for 50 per cent of the total Sportsbook turnover and 64 per cent of the total Sportsbook gross winnings revenue for 2010.

Unibet also demonstrated their knowledge and passion for non-sports events, with odds on everything from Big Brother and The Oscars to Local Elections and World Series of Poker! The Eurovision Song Contest was the most popular non-sporting event of the year with almost 21,000 bets placed.

The product which saw the biggest growth in 2010 was Mobile. Unibet launched an application for Android phones in June 2010, just before the World Cup, joining the WAP and iPhone solutions already available.

With Unibet's mobile channel there are three different clients to choose from so, it has become even easier to bet wherever you are and whenever you want. As a result, mobile figures have grown rapidly with a turnover increase of 473 per cent compared to 2009 and a 456 per cent increase in mobile players compared to 2009, as customers bet on the go, at the stadium, at the beach or out with friends.

It has been a record breaking year for mobile and one that looks set to continue into 2011! In 2010 every mobile All Time High record was beaten with All Time Highs on Mobile turnover, Mobile gross winnings revenue and Mobile player numbers amongst others.

478,025

BIGGEST TENNIS LIVE BETTING EVENT OF 2010 (TURNOVER GBP) – SEMI FINAL FRENCH OPEN TENNIS – SÖDERLING VS BERDYCH

PRE-MATCH BETTING

41M

2010 SPORTS BETTING GWR – PRE-MATCH (GBP)

The World Cup in South Africa was one of the highlights of the year with around GBP 30m pre-match turnover and an impressive margin of 16.5%. The World Cup Final alone (between Netherlands and Spain), produced almost GBP 1.5m pre-match turnover. The early matches in particular provided some fantastic results for Unibet, as customers bet on their favourite big teams, featuring familiar players such as Rooney, Henry and Torres. Short priced favourites England, failed to win against USA and Algeria, whilst another two of the most popular nations to bet on, France and Italy, also failed to win a single match. In addition, an early defeat for eventual winners Spain against Switzerland meant that Unibet's World Cup result was a 'record breaker' with the overall figures extremely favourable.

The English Football Leagues produced the most turnover in 2010, followed closely by the World Cup, Spanish Leagues, Champions League and the Italian and French Leagues.

After Football, the other biggest turnover sports for 2010 were Tennis, Ice Hockey, Basketball, Trotting, Handball and Baseball.

The other single biggest event of 2010 was the Winter Olympics which produced almost 1 million bets with Unibet offering odds on every event from the Ice Hockey to Luge.

Unibet offered odds on over 50 different pre-match sports in 2010. Such a variety means that Unibet cater for taste on a local level with Pesäpallo betting popular in Finland, Waterpolo big in Hungary and Futsal adored in the Spanish market.

It is this variety and ability to diversify that gives Unibet a product capable of encompassing all European markets throughout the year and in doing so generates a surge of gross winnings revenue on a weekly basis.

LIVE BETTING

22M

2010 SPORTS BETTING GWR – LIVE (GBP)

Live betting continued its growth and expansion throughout 2010 as more live events were offered than ever before. On average around 2,500 live betting events were covered every month, compared to 1,750 in 2009.

Live betting now accounts for 57 per cent of the sports betting total turnover up from around 50 per cent for 2009.

The success is attributable to the product offering with a growth of bet offers, variety – with over 35 sports being offered live throughout the year, the streaming offer and the functionality of the live client.

The World Cup Final between Netherlands and Spain was the biggest turnover live event of the year. The patriotic Dutch customers were constantly betting on Netherlands throughout the match, whilst the rest of Unibet's customer base slightly favoured the Spanish team.

Once again, tennis proves to be the most popular live betting sport with more turnover than any other sport – with it accounting for 40 per cent of all live betting turnover during 2010. This is due to the range of bet offers available which encourage turnover and stimulate activity with fast, quickly settled markets. Betting on things such as next point, next game and next game score means that bets are promptly decided and the customer can bet immediately with their winnings time and time again throughout a match.

The Live betting product gives the ability to bet from the first minute to the last, on a variety of sports around the globe from Tennis and Football to Golf and Cycling, complimented by an extensive streaming offer.

Unibet's 'Ca$h In' function enables our customers to bet, trade and manage risk automatically, so they can take a profit on both sides as a match progresses.

STREAMING

73%

MORE STREAMED EVENTS PER MONTH

Unibet's streaming product has been a key part of live betting growth, stimulating activity with the variety and strength of the sports shown.

Unibet provide the ultimate watch and bet service, giving customers the chance to follow and trade their wagers all in one place, as the action unfolds.

The range of streamed events stretches from high profile leagues and tournaments such as Spanish Primera Liga Football, Italian Serie A Football, Wimbledon Tennis and French Open Tennis, to smaller events such as regional Basketball, Snooker and Volleyball matches.

In 2010 Unibet's streaming expanded to offer around 780 events per month, a big increase on the 450 streamed events per month offered during 2009! For 2011 it is projected that we will stream on average 1,200 events per month.

The most popular streamed events of the year were the big league Football matches, with Juventus v Milan the most viewed Italian match, Barcelona v Real Madrid the most viewed Spanish match and the league cup match between Manchester City v Manchester United the most viewed English match.

588,015

BIGGEST LIVE BETTING EVENT OF 2010 (TURNOVER GBP) – NETHERLANDS V SPAIN WC FINAL

WORLD CUP – ALL TIME HIGHS!!!
The World Cup was a Record Breaker with All Time Highs across the board!

There were All Time Highs on pre-match turnover, Live turnover, pre-match gross winnings revenue, Live gross winnings revenue, Live Bets, pre-match Players and Live Players!

CREATING BRAND AMBASSADORS

A social media conversation where a free community based game is recommended to friends proved to be an excellent way for Unibet to reach new players without directly marketing to them.

150+

BET OFFERS ON EVERY MATCH

51M

TOTAL TURNOVER FOR THE WORLD CUP 2010 (GBP)

WORLD CUP PREDICTOR

Football is by far the biggest sport when it comes to betting appeal, and the World Cup is the most watched sporting event. With frantic media buzz and everyone talking about and speculating on which team would win, Unibet saw a great opportunity to boost the excitement and explore innovative ways to acquire new customers.

Unibet's World Cup Predictor tool was a promotional game that was central to the marketing strategy for the 2010 World Cup. It was released in 23 languages and represented a serious attempt to acquire new customers through social media channels like Facebook and Twitter.

Players signing up for the game were asked to predict the correct score of all the World Cup fixtures and earned points based on the accuracy of their predictions. They were then able to share them with their friends and create sub-leagues for their friends, universities, colleagues or football clubs and compete against each other. In each sub-league there was a forum where users could interact with their friends and post their predictions on Facebook.

Unibet's World Cup Predictor game featured a system with an 'odds twist' where points were awarded based on the odds on the different games. Rewards were also accumulated for predicting the correct number of goals, correct qualifiers from group stages and other statistic predictions. Essentially the game was engineered to be an easy introduction to sports betting that was free and great fun to share with your friends.

Using social media to launch the game was key to attracting new players for Unibet. Facebook and Twitter campaigns essentially work best when members recommend you to their network of friends. A social media conversation where a free community based game is recommended to friends proved to be an excellent way for Unibet to reach new players without directly marketing to them. Players recommending the game to their friends were basically acting as Unibet brand ambassadors.

Players of the free game were then encouraged to visit and register at the unibet.com site for extra benefits. Some key facts:

- Players were only eligible to win prizes (the top prize was a VIP football trip for two to Argentina or Brazil) if they registered an account with Unibet
- Cross promotions to the Unibet site were included throughout the game
- Affiliates drove traffic to Unibet via the game
- A custom tab on the Facebook profile made it easy for players to share the promotion and attract new fans to the page and the brand
- The database of players were offered Unibet sign-up incentives during and after the World Cup

With nearly 57,000 users in the main game, across 800 sub-leagues, with around 7,000 predicting the Match of the Day each day, the game was a major step forward in Unibet's integrated marketing approach. It presented the opportunity to use innovative ways to communicate the brand and helped us reach new audiences.

In short, the clicks to sign-up ratio increased, Sportsbook registrations shot up, and the goal of attracting more players to the Unibet brand was achieved. It provided a fun learning experience for new betting customers and positive brand exposure for Unibet during the most watched sporting event in the world. More importantly it showed the effectiveness and potential of integrating social media into the Unibet marketing strategy.

FACTS ABOUT THE WORLD CUP PREDICTOR GAME

- Attracted nearly 57,000 active customers
- Players joined from 23 different countries
- 96 affiliates created their own sub-leagues and prizes
- More than 800 sub-leagues were created
- Average of 7,000 predictions for the daily Match of the Day game
- A high conversion rate – 18.33 per cent through Facebook

KAMBI SPORTS SOLUTIONS

Kambi Sports Solutions is Unibet's B2B division. Kambi, which means "Perfection" in Japanese, reflects the ambition of Kambi's organisation and services.

MEETING A NEW DEMAND

During last year Unibet identified a market need for a Business-To-Business (B2B) Sportsbook supplier. In February 2010, the first client was won and late in the same year, Kambi Sports Solutions was launched as a separate business area. Unibet believes that gaming operators will put more focus on increasing efficiency and profit margins as well as cutting costs in their organisations. Kambi offers a solution to this challenge by offering a market leading product at a lower price than many operators could themselves.

Providing a state of the art product, Kambi offers a turn-key solution allowing its clients to focus on marketing and retention. The scope of the services includes odds compiling and risk management on an in-house developed proprietary system for fixed odds betting pre-match as well as in-play or Live betting.

MARKET DRIVERS B2B

Both land-based sports betting and online sports betting companies around the world are facing new challenges. Sports betting at its core is a very fragmented industry with high fixed costs. However, even though the operating costs are high compared to other gaming products, most operators have to date elected to do sports betting in-house, a trend Unibet believes is changing. The following factors are key drivers behind the perceived demand for Kambi's services:

Re-regulation in Europe puts demands on operators to adjust their offering to local license requirements. This puts strains on the pan-European operators' IT departments. At the same time, incumbent monopolies in these countries will have to compete with private operators on the same terms and therefore need to quickly improve their products.

Live betting is the fastest growing product in the online gaming industry. The demand from the end customers of having a full range of events and variety of bet offers has increased rapidly. At the same time the production of Live betting is both staff intensive and costly.

CLIENTS

As a first customer, Unibet in February 2010 signed a three year exclusive deal with Paf, licensed by the Åland Provincial Government. Under this contract Kambi will provide a full sports betting B2B solution to Paf. The integration of Paf is ongoing and the venture is expected to go live in the first half of 2011. Kambi Sports Solutions also provides Supertoto and SuperScore which in addition to Unibet and Paf are currently subscribed to by the operators Expekt and Nordicbet.

WHY KAMBI?

Unibet's legacy since it was founded in 1997 has been the Sportsbook and a lot of resources have been invested to build up the unique infrastructure and experience. The tagline is "By players, for players" to visualize the passion behind the work to build and operate a world-class Sportsbook. Unibet has received appreciation not only from its customers but also from the online gaming industry by receiving the "European Sports Betting Operator of the Year" award in 2006, 2008 and 2009.

The product a client can get will include:

- Full scale Sportsbook offering
- The skills from a wide group of people, some with more than ten years experience
- Software developed together with odds compilers and risk managers
- More than 3,500 live events per month in 2011
- Full risk management
- Second line support
- Pool betting products

Kambi is aiming at providing the best Sportsbook in the world. The business model is very scalable with the variable cost for extra users being low compared to the fixed costs. With more clients, Kambi's growing business will have the financial resources to develop and continue to deliver the best product in the industry. Adding more clients creates a scalability and efficiency which will benefit Kambi and all its clients. In all, Kambi can offer its clients:

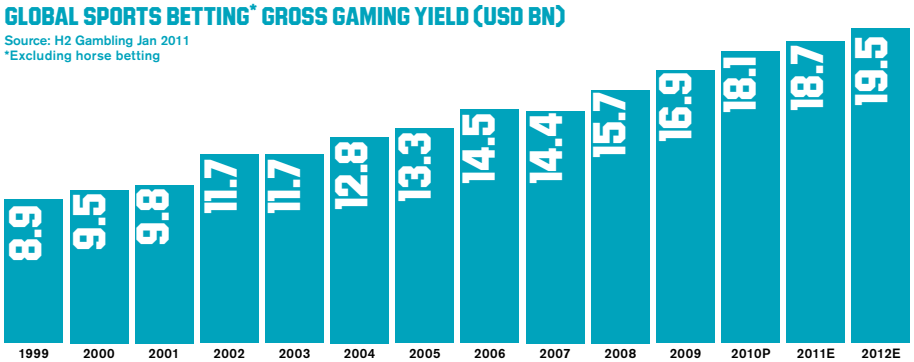
- Higher quality
- Risk reduction
- Flexibility
- Lower costs
- Scalability
- Competence

FUTURE STRUCTURE OF B2B OPERATIONS

Unibet has appointed SEB Enskilda and Cederquist as its advisors to undertake an evaluation of how to structure the Unibet B2B business in order to protect the integrity of the B2B clients and maximise the shareholder value for Unibet shareholders. The first step was to form the new business area called Kambi Sports Solutions where all Sportsbook B2B services are compiled.

GLOBAL SPORTS BETTING* GROSS GAMING YIELD (USD BN)

Source: H2 Gambling Jan 2011
*Excluding horse betting



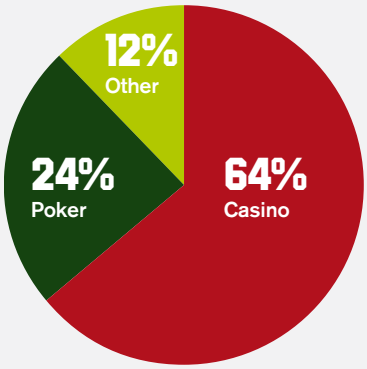
European Sports Betting Operator of the Year Award in 2006, 2008 and 2009.

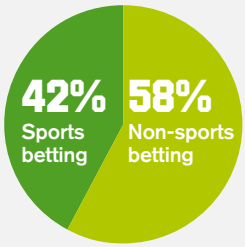
NON-SPORTS BETTING

Online poker creates fantastic player to player competition. Bingo brings people together. The online casino gives players some of the glamour of the real thing. Non-sports betting is an important part of Unibet's business, and opens up a broad range of target markets – young and old, male and female – to the possibilities of Moneytainment®.

Maria is the female brand in the Unibet family and focuses primarily on games of chance with bingo and casino being the main products. Maria brings entertainment and fun to its customers by mixing the social world of chatting and sharing with friends and adding the excitement of gaming.

UNIBET NON-SPORTS BETTING GROSS WINNINGS REVENUE 2010





85M

UNIBET GROSS WINNINGS REVENUE BY NON-SPORTS BETTING (GBP)

CASINO OF THE YEAR 2010

In 2010 Unibet introduced several innovative games in its portfolio by adding high quality content such as *Gonzo's Quest* and jackpot games such as *Hall of Gods*, which has the highest theoretical progressive jackpot that can be found online. Innovation and differentiation by introducing quality content have been an important factor for the casino growth in 2010.

Improvements in user experience have been a priority throughout the year with the *game frame* as prime example. With this, customers don't have to leave the game in order to transfer funds or choose a different game assuring a continuous experience.

Introducing the live dealer casino in 2009 gave Unibet the opportunity to target a new audience of customers that prefer the real experience compared to the flash casino games. The live dealer casino has exceeded expectation in 2010 and contributes substantially to the casino revenues.

40 NEW GAMES

In 2010 Unibet diversified its offering to widen the choice for customers and has built up a wide selection of varied soft game content during the year.

The partnership with Gaming Technology Solutions brought around 30 slots through a wide variety of partners. Slots games over all have become a very important soft game growth driver and they are the key product type because of their versatility. Unibet launches on average four to five new games per month.

There are currently more than 80 games in the soft games portfolio and in 2010 several branded content got rolled out, such as *Monopoly, Alice's Wonderland* and *Rubik's Slot.* The popular Norwegian game *Kronesautomaten* and Unibet exclusive video slot *St George and the Dragon* have also been released which have both shown great success with the customer base.

20 DIFFERENT SKILL GAMES

Customers can play single or multiplayer games from our skill games lobby. Unibet offers its customers a wide range of different games to try their skills on. The latest launch was Maxi Yatzy which was released during the second quarter 2010.

There are also several regular tournaments and jackpot games available for customers to enjoy.

POKER

Poker continues to be a strong force within the Unibet product portfolio, despite challenging market conditions in 2010.

This achievement can be attributed to a range of factors including successful local marketing initiatives in the Netherlands and Sweden, combined with the continued success of the Unibet Open. These activities and others have ensured substantial presence in both online and offline spaces across Europe.

The poker software saw upgrades too with the aim of refining and improving the user experience: a new VIP shop was launched, and tournaments including both multi table tournaments and single table tournaments were all improved during 2010. In addition, solid foundations for entering into licensed markets have been put into place.

The Unibet Open has gone from strength to strength as one of Europe's leading poker events, attracting strong media coverage and positive feedback for building the Unibet brand as well as acquiring new players.

BINGO

It has been a challenging year for bingo with the competitive landscape in the Nordic region becoming more populated.

During the fourth quarter of 2010 Unibet completed the transition from a proprietary bingo product to working with Playtech's highly regarded Virtue Fusion product which fits perfectly with the wider corporate strategy of making the player experience as seamless and easy as possible.

The bingo product is unique with a multi tab function which enables customers to play in five different rooms in the same browser window and a buy in advance feature. Another new feature in the bingo product is the integrated side games, which will give Unibet's bingo players a true Moneytainment® experience.

Unibet's bingo product is now 'best in class' and ready to meet the challenges presented by new entrants in the core bingo markets and also able to stand out with a unique bingo product.

UNIBET OPEN 2011

The Unibet Open has several major developments for the 2011 season, aimed at broadening the reach and driving online play whilst maintaining the atmosphere of one of Europe's top poker events.

The qualification structure has been refreshed to include more tournaments, lower buy-ins and more freerolls to encourage more recreational players to play and qualify.

The tour will visit four new locations – Malta, Barcelona, Dublin and the Latvian capital, Riga.

Also, there will be Unibet Open Online events throughout the year. Combined with the live events they make a total of ten tournaments from which results will be combined, creating an overall leaderboard to increase leverage for the core business and open up the experience to more players.

690,000

LARGEST PRIZE POOL IN UNIBET OPEN (EUR)

Paul from the Netherlands was the winner of the prestigious Unibet Open in London in December 2010.

FACEBOOK

TWITTER

YOUTUBE

CHANGING PLATFORMS, CHOOSING CHANNELS

SOCIAL MEDIA

The facts are quite staggering. Facebook welcomed its 500 millionth member in July this year. Twitter has more than 106 million accounts and gets more than three billion requests each day. YouTube exceeds two billion views per day with 70 per cent of its traffic coming from outside the USA.

It's a new digital world out there and any business that ignores these figures will probably not be around much longer to regret it. Online marketing, mobile applications and social media are set to play a giant role in the future of every business not just online operators.

Social media, a buzz word for so many businesses for so long, is finally ready for commercial use, in a way that was not possible a few short years ago. Unibet can now clearly see how this platform can add value to the customer relationships and how Unibet can develop strategies to monetise those relationships.

With a dynamic central Online/social media team in place Unibet uses social media commercially for the best effect in the marketing strategy.

As a CRM tool social networking is first class, as Unibet is now able to have relevant conversations with its customers, finding out what they want, and how Unibet can improve. As a recruiting tool it is soon to be even more important.

In the last 12 months Unibet have had a number of promotions and competitions that have highlighted the way Unibet can take the online marketing channels forward, significantly driving up the acquisition and retention rates.

Unibet doubled the size of the fan page on Facebook this year with an 'I love Unibet' competition promoting the Prague Unibet Open tournament. Fans were invited to create and post a video of how much they love Unibet onto YouTube and the public were then invited to vote for their favourite. In a short time, for just this one competition Unibet had over five and half thousand votes. Talk about great customer feedback.

Another outstanding example was how the World Cup Predictor tool challenged people to guess the outcome of each World Cup football game and compete or share their predictions with their friends. A natural competition for social networking fans, this initiative was a great success and has the potential to be reinvented for any tournament in the future – again and again.

The first Facebook Poker League also saw three thousand people register and in November the Unibet Facebook page topped four thousand visitors.

The technology and the strategy are now in place for Unibet to maximise its use of online marketing and social media, with partnerships and initiatives that are set to break targets that Unibet could only dream of in recent years.

For Unibet this could be the era where online marketing and mobile applications meet social media and change the world as Unibet knows it!

Change is good. You can bet on it.

29.6%

EXPECTED MOBILE GAMING ANNUAL GROWTH IN EUROPE 2010-2015

(Source: H 2 Gambling capital Jan 2011)

2,500

EVENTS IN LIVE BETTING EVERY MONTH DURING 2010

40%

OF LIVE BETTING TURNOVER WAS TENNIS IN 2010

UNIBET'S MARKETS

2010 was a year of outstanding events in the sports calendar and this was reflected across Unibet's markets. The Winter Olympics, four major tennis Grand Slams and of course the Football World Cup in South Africa provided a great deal of excitement and a great reason for players across the world to check the Unibet Sportsbook.

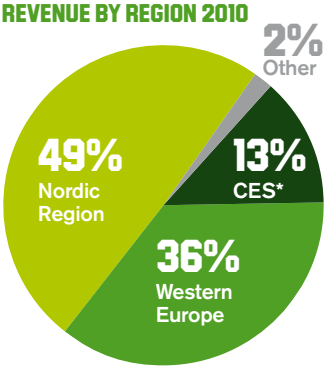
Unibet has 5.1 million registered customers. It offers world beating odds on a wide range of events, the 'best' live sports streaming, the most casino games, and one of the best European Poker tours around. Add to this the suite of sophisticated gaming products, the extensive knowledge of each local territory, and the sector's best customer service team and you have a winning combination.

While Unibet has a historical strength in the Nordic region it also operates across Europe and in more than 100 countries, in 28 different languages. Performing in this highly complex, diverse marketplace requires expert local experience. For operational purposes Unibet divides its market into three specific territories – the Nordic region, Western Europe and the combined area of Central, Eastern and Southern Europe.

It is not a coincidence that Unibet is sponsoring Valencia CF in Spain. The Valencia Football team is as passionate, friendly and ambitious as Unibet.

The popularity of the live poker tournament The Unibet Open, underlines Unibet's commitment to be a customer focused, multi-channel business.

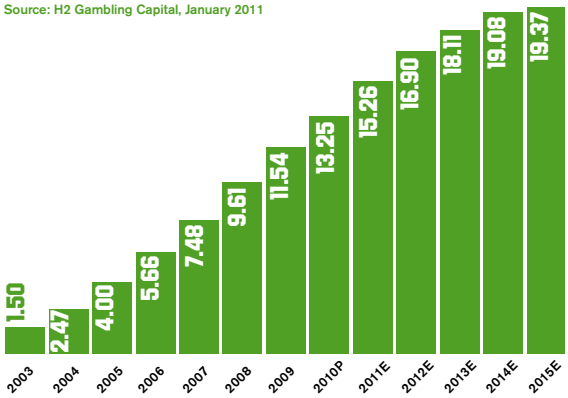
UNIBET'S GROSS WINNINGS REVENUE BY REGION 2010



*Central, Eastern and Southern Europe

MARKET OUTLOOK EUROPEAN EGAMING GGY (USD BN)

Source: H2 Gambling Capital, January 2011



5.1M

REGISTERED CUSTOMERS

+13%

GWR GROWTH IN THE NORDIC REGION 2010

NORDIC REGION

Unibet calls the Nordic region its heritage market. It is here in Sweden, Norway, Finland and Denmark that the Group has a very well established brand and has become the largest private online gaming operator.

Coming from a backdrop of world recession the Group is extremely proud to have delivered impressive growth in the region this year. While it was thought that the Nordic region may have reached saturation point, Unibet has proved that there are still further opportunities for growth here and continues to see success in this market. The heritage market may come to be viewed as a very good model for future emerging markets.

In line with its strategy the Group has focused its attention on sports betting and casino games and has met with better-than-expected results. Creative use of marketing spend with imaginative communication and PR have helped enormously too, with even the Swedish General Election and the Nobel Prize for Literature creating a buzz around Unibet's odds and predictions.

A very successful casino launch in Norway around the game Kronesautomaten is a case in point where innovative communication and a great product really supports the Unibet point of difference – listening to what players want, and providing it. By players, for players.

In addition to the existing offers the investment in technology to provide live betting has really taken off in the Nordic region this year. The technology the Group has pioneered allows betting in a fast moving environment where speed of bet acceptance and time validation are of utmost importance. More and more players are enjoying the thrills and spills of live action betting and Unibet's early adoption of this technology has been key to the impressive performance in the region.

In a region where several of the competitors have seen decreasing market share Unibet is very optimistic for its business in the Nordic region. The Group is anticipating new licences for online gaming for Denmark later this year and the Group intends to continue delivering a brilliant product and exceptional levels of service to maintain its leading position.

WESTERN EUROPE

For Unibet the Western Europe market includes the Netherlands, Belgium, France and in a smaller capacity, Germany, Austria, Switzerland and the UK.

2010 has been a challenging year for Unibet in Western Europe. Boosted by the World Cup the Group has exceeded the growth expectations here in a year when new operating terms and licences in France meant the withdrawal from the French market. Unibet is delighted however to report growth in the Western Sportsbook market which together with cost efficiencies have compensated for lost income from France. The Group is optimistic for growth in Western Europe next year and hopeful that more commercially viable trading terms will emerge in France eventually.

Unibet's competitive Sportsbook and in particular the extensive live betting products have proved to be a major attraction in Western Europe. Unibet has led the way with over 8,500 live streamed sporting events with customers able to access matches from La Liga and Serie A, Champions League Qualifying, Euro 2012 Qualifying and the top football action from around the globe. Major golf, tennis and basketball tournaments also provide extra interest outside the soccer world.

The famous Unibet Open poker tournament went on tour again with live events around Europe this year making headlines and creating a great buzz around the Unibet brand. 'By players, for players' is the motto and the Group seems to be living up to the reputation as the events attract more and more attention each year and gives the perfect opportunity to talk to the customers and understand their needs.

The opportunity for organic growth in Western Europe is evident and the Group is excited to see the Unibet brand gaining new fans across the region in Casino, Sports betting and Poker. New streaming events, social media initiatives and new mobile applications will be key to the future growth in this region where the Group expect to see Unibet gaining even more market share.

CENTRAL EASTERN AND SOUTHERN EUROPE (CES)

For Unibet the CES European market includes a very diverse selection of countries with differing gambling legislation and varying operating terms and conditions. Unibet's dedicated team have built a reputation across these territories that have delivered impressive growth for the business this year. Unibet has achieved significant growth here by simply being the best at what they do.

The variety and diversity of customers can be seen from this list of operating territories – Spain, Italy, Greece and Portugal to the south and further east the Group have, Hungary, Czech Republic, Croatia, Slovakia, Romania, Poland, Latvia, Estonia, Lithuania and Bulgaria.

It is here that the legendary Unibet customer service scores well. As they operate in local languages (28 different languages in total) they are well placed to cross sell the Unibet offers to clients in these regions. On the site, Live Chat and Freefone in the customers own languages make a real difference for the players.

Unibet's reputation as a leading sports betting operator is also boosted across this region by the sponsorship of major Football teams (Valencia CF, Nõmme JK Kalju, Rapid Bucuresti, Žalgiris Vilnius, FC Skonto Riga and Ferencváros Budapest).

In a new departure for Unibet, this year the Group have teamed up with the largest media house in Spain, Marca, to provide a white label solution, operating their casino and sports betting site, jugandovoy.com. A Unibet powered site that is marketed by Marca across all their channels, gives access to their three million unique users and their 300,000 print circulation customers. This is a new and exciting partnership that signals well for the presence in Spain.

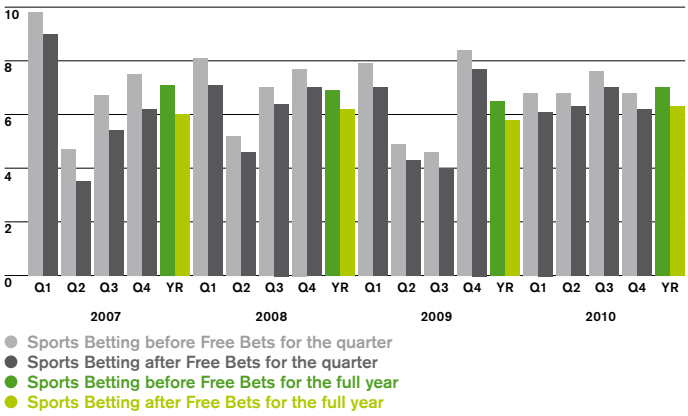
In Italy, where slot machine games perform particularly well, new legislation came into force offering licenses for casino and poker cash games for online operators.

A diverse approach to marketing with real local expertise and a great product offering has enabled Unibet to lead the field in many of these territories. The Group is now well positioned to build on the leadership in the coming years. The agility, the imaginative marketing initiatives and the determination to be the best will make this region particularly one to watch next year.

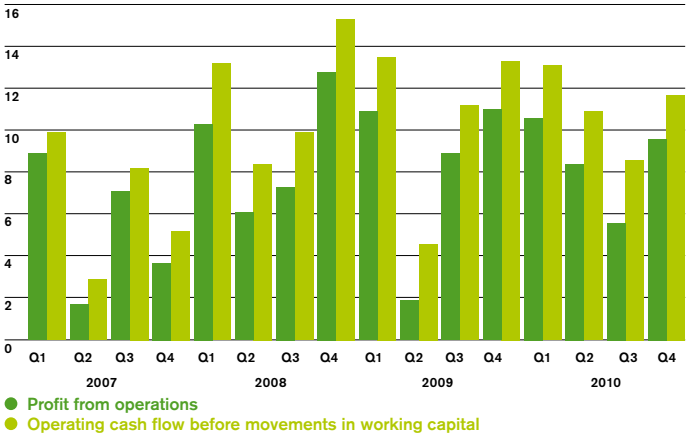
BUSINESS PERFORMANCE REVIEW

The original sports betting business of Unibet has grown continually over the past financial years. The growth has been experienced across all of Unibet's geographical markets. The introduction of non-sports betting products has strongly contributed to Unibet's results in the last six years and has also helped to smooth out the seasonal effects and volatility of sports betting.

UNIBET'S SPORTS BETTING GROSS WIN MARGIN % (BEFORE AND AFTER FREE BETS)



PROFIT AND OPERATING CASH FLOW BEFORE MOVEMENTS IN WORKING CAPITAL (GBP M)



FINANCIAL STATEMENT PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU and with the Maltese Companies Act 1995.

The accounting policies as adopted in the published results for the year ended 31 December 2010 have been consistently applied.

Where relevant, certain additional information has been presented in compliance with the NASDAQ OMX Nordic Exchange in Stockholm requirements.

GROSS WINNINGS REVENUE

Gross winnings revenue on sports betting represents the net receipt of stakes and payouts within the Group for the financial period as reduced for Free Bets. Free Bets are bonuses granted or earned in connection with customer acquisition. Total gross winnings revenue in 2010 increased to GBP 147.5 (2009: GBP 138.3) million. Gross winnings revenue from sports betting amounted to GBP 62.6 (2009: GBP 51.2) million for the full year 2010. Non-sports betting saw gross winnings revenue amounting to GBP 84.8 (2009: GBP 87.2) million for the full year 2010.

GROSS MARGIN ON SPORTS BETTING

The gross margin for pre-game sports betting excluding live betting and before Free Bets in 2010 was 9.9 (2009: 9.0) per cent.

The gross margin for total sports betting in 2010 before Free Bets was 7.0 (2009: 6.5) per cent. The gross margin for total sports betting in 2010 after Free Bets was 6.3 (2009: 5.8) per cent.

Live betting accounted for 35.3 (2009: 29.2) per cent of gross winnings revenue on sports betting, excluding Free Bets, in 2010.

Sports betting gross margins can vary from one quarter to the next, depending on the outcome of sporting events. However, over time these margins will even out. This can be seen in the graph to the top left.

COST OF SALES

Cost of sales covers betting duties, revenue share and affiliate programmes. Betting duties are payable in the licensed jurisdictions UK, Malta and Italy. The betting duty in the UK is currently 15 per cent of gross winnings. Betting duties in Malta are levied at varying rates on different gaming products, subject to a maximum capped amount per year per licence. Betting duties in Italy are levied at varying rates of betting turnover, averaging about 4 per cent of stakes. There are no betting duties in Antigua.

Of the Cost of sales, the marketing related revenue share and affiliate cost amounted to GBP 15.3 (2009: GBP 14.6) million for the full year 2010.

GROSS PROFIT

Gross profit for the full year 2010 amounted to GBP 129.0 (2009: GBP 120.7) million.

MARKETING COSTS

During the full year 2010, marketing costs were GBP 34.1 (2009: GBP 36.6) million. Active customers during the 3 month period ending at 31 December 2010 were 308,872 compared to 365,865 at the end of the previous year. Active customers during the full year ending at 31 December 2010 were 764,698 compared to 680,498 at the end of the previous year.

ADMINISTRATIVE EXPENSES

During the full year 2010, administrative expenses were GBP 60.7 (2009: GBP 51.3) million. Of the administrative expenses GBP 9.5 (2009: GBP 9.1) million were in respect of depreciation and amortisation charges. Included within amortisation charges was GBP 5.0 million charged in respect of capitalised development expenditure (2009: GBP 4.0 million), and GBP 2.8 (2009: GBP 3.4) million attributable to other intangibles.

Excluding depreciation and amortisation, therefore, administrative expenses were GBP 51.1 (2009: GBP 42.2) million, of which GBP 23.2 (2009: GBP 21.0) million were salaries and associated costs. Administration expenses increased faster than revenues as a result of exchange losses on operating items (in prior year there were exchange gains acting to reduce reported administrative expenses) and by the impact of non-recurring legal costs.

EBITDA AND PROFIT FROM OPERATIONS

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2010 was GBP 43.8 (2009: GBP 41.9) million.

Profit from operations for the full year 2010 was GBP 34.2 (2009: GBP 32.8) million.

CAPITALISED DEVELOPMENT EXPENDITURE

IAS 38 requires the capitalisation of certain development costs. These are costs incurred in developing the existing IT platform and the integration and further development of new products. These are identifiable assets from which a future economic benefit is expected to be derived. In the full year 2010, expenditure of GBP 5.2 (2009: GBP 2.1) million, had been capitalised. Expenditure of GBP 1.0 million was capitalised with regard to other intangible assets (2009: GBP 0.6 million).

FINANCE COSTS

Finance costs for the full year 2010 were GBP 0.5 (2009: GBP 4.3) million. Finance costs significantly reduced in 2010 due to repayment of the bond at the end of the 2009 financial year.

PROFIT AFTER TAX

Profit after tax for the full year 2010 was GBP 32.4 (2009: GBP 26.8) million.

BALANCE SHEET

Unibet's strong balance sheet reflects both the Group's growth and its ability to manage working capital.

A significant asset on the balance sheet is goodwill. The goodwill balance arose on the acquisitions of the MrBookmaker Group of companies in 2005, Maria Holdings in December 2007, and Guildhall Media Invest in 2008. The balance of goodwill and of certain intangible assets recognised in connection with the acquisitions of Maria Holdings and Guildhall Media Invest was denominated in currencies other than GBP and has therefore been retranslated at the closing exchange rate as required by IAS 21. This translation adjustment increased the carrying value of goodwill by GBP 4.8 million in 2010 (2009: decreased by GBP 0.8 million). The carrying value of other intangible assets increased by GBP 1.7 million (2009: decreased by GBP 0.3 million). These translation adjustments were credited to the translation reserve.

Certain non-current assets of the Group relate to IT development costs, which have been capitalised in accordance with the policy described earlier. Other non-current assets include computer software, computer hardware and fixtures and fittings, and the investment in Bingo.com Limited which was acquired during 2010.

The non-cash current assets on the balance sheet therefore relate only to other receivables, prepayments and taxation. The movements in the tax balances in the consolidated balance sheet are influenced by the timing of dividend payments within the Group.

Significant liabilities on the balance sheet include trade and other payables, customer balances, and the bank loan (see Note 17 on page 59).

FINANCING AND CASH FLOW

Despite having repaid EUR 16 million of the loan during the fourth quarter of 2010, cash in hand position at the end of 2010 stood at a similar level to 2009 of GBP 38.5 (2009: GBP 39.8) million. This demonstrates the Group's ability to generate strong operating cash flows. The outstanding borrowings balance was GBP 6.9 (2009: GBP 21.4) million.

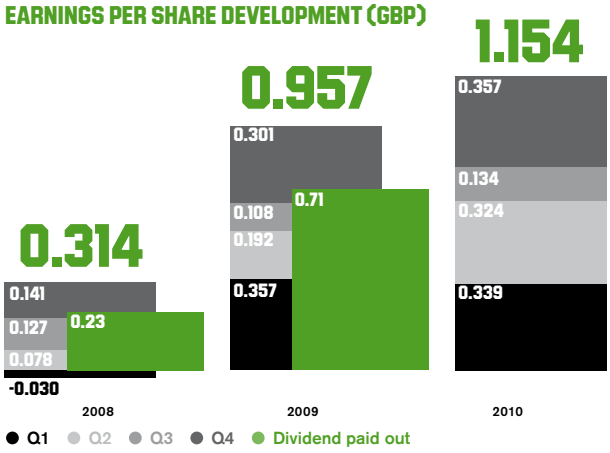
The term of the Revolving Credit Facility with a maximum value of EUR 24 million with a leading international bank has been extended until the end of December 2011. As of 31 December 2010 EUR 8 million of the credit was utilised.

The net cash outflow for the year 2010 was GBP 0.9 (2009: GBP 12.3) million, which included cash generated of GBP 42.7 (2009: GBP 44.4) million from operating activities.

Significant non-operating cash outflows for 2010 included GBP 19.9 (2009: GBP 6.4) million which was distributed as a dividend to the shareholders and GBP 14.0 (2009: GBP 64.3) million which was used for repayment of borrowings.

The operating cash flow before movements in working capital amounted to GBP 44.5 (2009: GBP 42.7) million for the full year 2010.

EARNINGS PER SHARE DEVELOPMENT (GBP)



GROSS WINNINGS REVENUE BY MARKET AND BUSINESS SEGMENT

Unibet has organised its business into three main geographical areas, Nordic Region, Western Europe, and CES (Central, Eastern and Southern Europe)

	2010			2009		
GBP 000	Sports betting	Non-sports betting	Total	Sports betting	Non-sports betting	Total
Nordic Region	28,970	46,121	75,091	21,425	44,893	66,318
Western Europe	28,192	26,842	55,034	26,448	29,976	56,424
Central, Eastern and Southern Europe	9,590	10,692	20,282	8,469	11,474	19,943
Other	2,037	1,185	3,222	676	809	1,485
Total before Free Bets	68,789	84,840	153,629	57,018	87,152	144,170
Free Bets	-6,150	–	-6,150	-5,852	–	-5,852
Total after Free Bets	62,639	84,840	147,479	51,166	87,152	138,318

Unibet truly believes that the key to the Group's success are the employees, who are engaged, committed and always hungry to find new ways to grow the business.

PASSIONATE PEOPLE

BY PLAYERS, FOR PLAYERS

"NEW GENERATION RECRUITMENT"

The key to Unibet's success are the employees, who are real team players. Unibet only hires the best and has put in place specific recruitment requirements which include academic degree, fluency in at least two languages, international experience and – as an extra dimension – an interesting talent or passion. Unibet people must also share their customers' passion for gaming. While staying committed to these recruitment requirements, Unibet acknowledges that the market for talent is increasingly agile and has therefore prepared for speed and adaptation in the recruitment process.

With a global presence, the Group offers a variety of career experiences and international career paths which is hard to find anywhere else. Everyone at Unibet welcomes and values the diversity of skills and abilities that a global workforce brings to the business because ultimately, it gives the Group an advantage over competition.

Unibet is preparing for recruiting the new generation and talent recruitment is being adapted to fit the new open talent cloud. This includes an increased focus on social media 2.0 and seizing a holistic view of the total talent lifecycle, from graduate to professionals.

To position the Group as an employer of choice Unibet has extended its employer branding globally through a variety of initiatives. This was recognised when Unibet's HR Manager was nominated for the "Employer Branding Person of the Year" award by a prestigious Swedish employer branding company.

"VISIONARY LEADERSHIP"

At Unibet, visionary leadership shapes the company's future and inspires employees to a high level performance and engagement that is essential to continued success in a changing and increasingly challenging environment. By motivating and encouraging employees, our leaders ensure the continuing success of the Group. Unibet values the ability to create motivation, team spirit and great results as well as accountability and responsible behaviour.

Unibet continuously invest greatly in the trainee program and the first trainees, hired in 2004, have reached the executive management level. The fact that it has been possible to promote trainees to high level management proves a well-developed, supported program. Unibet continues to welcome talented, ambitious and global-minded graduates to join our trainee-program to develop the leaders of the future.

"VALUING EXCELLENCE"

Unibet is proud to have celebrated 10 employees' 10 year anniversaries this year. Unibet believe that the employees who know the company in depth represent a great asset to the company and that their contribution must be honoured.

In 2010 Unibet went through an extensive bonus review to ensure that the bonus system is continuously aligned with Unibet's corporate objectives. Unibet continues to work with the internally developed performance programme PAGE (Performance And Growth Enrichment). Through PAGE, Unibet has improved the managers' ability to identify and reward outstanding performance. Equally important is the way in which PAGE enables Unibet to find out what best motivates each individual in line for reward and encouragement. PAGE also ensures the implementation of equal opportunities and provides fair and consistent procedures to deal quickly with any issues of underperformance.

In Unibet the goal is to be the best at what we do. To reach this goal Unibet continuously work with developing the employees and this year the Group has up scaled employee training through the Unibet Academy. Furthermore, Unibet has increased the focus on improving internal communication across departments and countries to enable knowledge sharing on all level.

"WE CELEBRATE SUCCESS (YET WE ARE NEVER SATISFIED)"

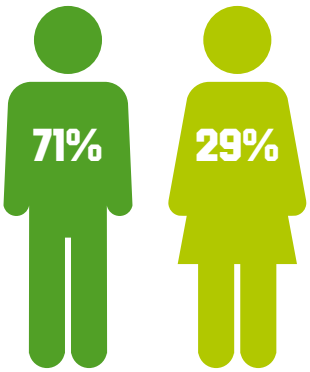
While it is a dynamic environment for a rewarding career, the Group's vibrancy is also reflected in the active social scene. This year has been another successful year for the Event Committee and many events such as poker nights, 10-pin bowling, a day-trip to Brighton, drinks at the local or eating out in style continuously ensure that there is always something fun going on within the Unibet family!

A shared vision, people who genuinely care about what they do and who have the ability to adapt the product and marketing mix to meet the specific characteristics of each market, enable Unibet to develop the most exciting new products in the market – anticipating the demands of customers and staying one step ahead of the competition.

No matter what their backgrounds, or where in the world they come from, Unibet's people are uniquely qualified to understand their customers and contribute directly to the Group's continuing success. We strive to create an open minded culture that is true to its roots and the international market the company operates in. In 2010 Unibet employed the 44th nationality, underlining the global and diverse culture.

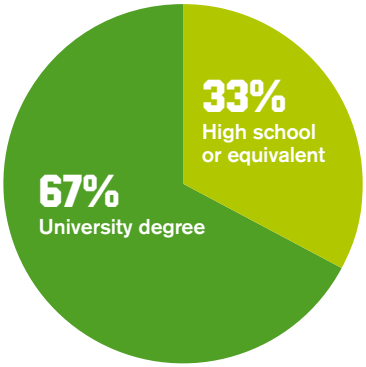
GENDER BREAKDOWN

Unibet is committed to a policy of equal opportunity in matters relating to employment, training and career development.



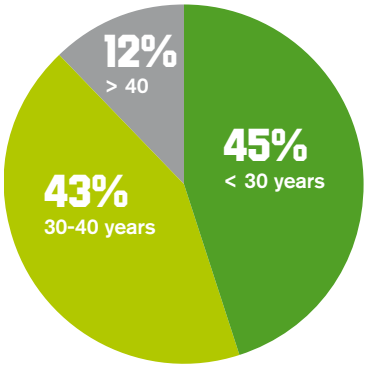
EDUCATION BREAKDOWN

An important objective is to ensure that Unibet has a workplace that can attract and help retain existing skilled staff.



AGE BREAKDOWN

Unibet's relatively low average age reflects the fact that the Company is operating in a young industry.



No matter what their backgrounds, or which of the 44 countries they come from, Unibet's people are uniquely qualified to understand their customers and contribute directly to the Group's continuing success.

CORPORATE SOCIAL RESPONSIBILITY

Unibet has always believed in the importance of being a good corporate citizen within the industry and society in general. This year a cross-departmental team of volunteers and functional leaders have been working together with a Corporate Social Responsibility manager to plan and implement various initiatives aimed at contributing to the wellbeing of Unibet's immediate and general socio-economic environment.

1728.92
TOTAL FOOTPRINT (TCO_2E)

3.4
TCO_2E PER EMPLOYEE

12.50
TCO_2E PER MILLION GBP TURNOVER

ENVIRONMENT

Over the last year 'Unibet Green' has become much more than a branding colour. It has come to represent the Company's commitment and multichannel efforts of acting on its environmental impact.

CARBON EMISSIONS

In 2010 Unibet entered into a partnership with Carbon Footprint Ltd. who are supporting the Group in managing its carbon emissions. A comprehensive carbon footprint appraisal was carried out, concluding that Unibet Group plc's CO_2 emissions are below average emissions in the sector,[1] and the Company has now been certified with one star by Carbon Footprint Ltd.

REDUCING EMISSIONS

In the spirit of Unibet's principle "we celebrate success yet we are never satisfied", the group has been working on reducing emissions in all three main areas contributing to its carbon footprint.

Datacentres

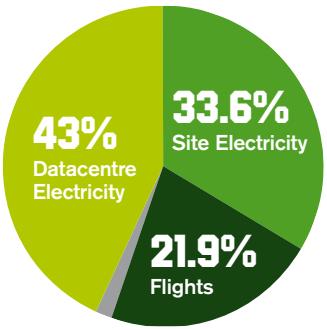
An ongoing project of investing in more efficient technology aims to decommission most of Unibet's current servers during next year, replacing them with 62 per cent more efficient and three times more powerful ones.

Offices

Audits of office equipment and investigation into systems for motion sensor lighting are ongoing across all offices identifying opportunities for improvement of office equipment efficiency. The Office IT team is also supporting the environmental efforts through internal policies for switching off equipment and greener printer and computer settings. A 'Turn it off' awareness campaign in collaboration with the Carbon Trust UK, has also backed up the CSR team's efforts, training employees in recognising their impact on the environment.

BREAKDOWN OF CARBON FOOTPRINT

Unibet Group's carbon footprint (Carbon Footprint Report)



1.5% Refrigeration and Air-conditioning

Travel

In 2010 Unibet became part of the UK government bike scheme to limit unnecessary travel and encourage the use of more environmentally friendly means of transportation. Additionally, a multichannel awareness campaign was recently launched, informing staff about the magnitude of travel costs and impact. The effect of reducing air travel for Unibet would be threefold – reducing carbon emissions, reducing travel costs and saving valuable employee time spent in travelling. All Unibet offices are equipped with video conferencing facilities and various tools for online meetings, all used on a daily basis.

RECYCLING

Along with emissions reduction, 'Unibet Green' also stands for the recycling schemes adopted across all Unibet offices and the continuous effort of increasing the percentage of materials recycled. The Group is proud to recycle 100 per cent of the materials used in the London office, along with mobile phones, batteries and ink cartridges. Unibet has also switched entirely to using 100 per cent recycled paper across all offices.

CHARITY AND COMMUNITY SUPPORT

Unibet supports its employees participating in various charity events of their choice. As a result of this Unibet staff has raised funds for Doctors without Borders, Bliss, the Stroke Association, Cancer research, RNLI Lifeboats among others.

Unibet is also proud to support the wellbeing of local communities of its worldwide offices with the most essential – saving lives through regular blood donation. An ongoing Blood Donation campaign has been running across all offices in partnership with local health authorities. The first edition of this campaign in the London office resulted in the local community centre blood donation session being fully booked by Unibet employees!

Charity is also an important factor in the work of Unibet's internal entertainment committee, which this year hosted the annual summer party in a charity venue, donating more than 25 per cent of the party budget. For a fourth year in a row the Group also donated employee's Christmas presents on behalf of Unibet staff to a charity of their choice.

Unibet knows that charity is not only important for its employees but also for its customers, so in collaboration with poker supplier Microgaming this year it gave its players the opportunity to raise money for the disaster recovery efforts after the Haiti Earthquake through a charity poker tournament in January.

SUPPORTING LOCAL TOURISM

Unibet also significantly supports local tourism in the locations of its remarkable live poker tournament – the Unibet Open. The Bulgarian edition of the tour this year, which was the biggest gambling event ever organised in the Balkans, received incredible public acclamation for proving the power of gambling tourism in the region. It brought more than 1,000 visitors from 28 countries to the Golden Sands in the beginning of what was expected to be a weak season, giving the local economy a significant boost amidst the heavy crisis the region is still recovering from. A case study based on the success of Unibet Open Golden Sands 2010 was presented at the Eastern European Gaming Summit in Sofia, Bulgaria in October 2010.

INVESTMENT IN SPORTS

Since the gambling industry is so closely related to sports, Unibet feels it's the Company's social duty to support sport and sports participants across all markets the group operates in. Partnership and cooperation between the two industries is the way forward to a fair and entertaining world of sports and Moneytainment®. Over the last years, Unibet has been sponsoring various teams and events ranging from football to snowboarding and darts.

Some of the teams Unibet has been sponsoring in 2010 are Valencia FC (Spain), FK Zalgiris (Lithuania), Skonto Riga (Latvia), JK Nõmme Kalju (Estonia), Ferencvárosi TC (Hungary). Unibet is also a proud supporter of famous sportsmen like Kristian Sohlberg (rally, Finland), Jean-Baptiste Gonnet (golf, France), Przemysław Saleta (boxing, kick boxing, cycling, Poland) and Amin Asikainen (boxing, Finland) among others.

On the poker field, Unibet not only organises one of the best live tours in Europe offering five-star experience to its players, but also sponsors some of the best poker players in Europe to do what they do best – play poker.

1. The sector considered is Entertainment and Media. The travel emissions analysed pertain to air travel only and datacentre emissions exclude energy used for cooling because it is perceived as an overhead for the datacentres.

GENERAL LEGAL ENVIRONMENT

Unibet group's core business, namely sports betting and other gaming activities, is subject to a number of legal restrictions in the markets where Unibet has a commercial interest and focus.

The majority of revenues are derived from markets located within the European Union (EU). Unibet is established and licensed in a number of Member States of the EU. Unibet and its EU customers in principle benefit from the application of certain fundamental freedoms applicable to citizens of the EU. These freedoms include, amongst others, the principle that there should be no restrictions within the EU affecting the free movement of goods, the free circulation of capital, the right to establish and the right to consume, provide and promote services across borders.

Any restriction under the domestic law of individual Member States affecting these EU fundamental freedoms may be contrary to overriding EU law. For this reason, in the opinion of Unibet, these restrictions are unlawful. An exception to this position is where a Member State is able to demonstrate that the non-discriminatory restriction is necessary and proportionate to meet general public interests, such as the protection of consumers and public policy, and that its overall policy is consistent herewith.

In 2010, the Court of Justice of the European Union (CJEU) once more confirmed in several judgments its standing jurisprudence. In absence of dedicated EU gaming regulation, Member States may have a certain degree of freedom to derive from overriding EU fundamental freedoms. However, certain strict conditions must be met. In its September 2010 rulings regarding Germany, the CJEU held that the public monopoly of the organisation of sporting bets and lotteries in Germany does not pursue the objective of combating the dangers of gambling in a consistent and systematic manner.

In parallel to ongoing litigation before the CJEU, political discussions in the EU Council and within the EU Commission (EC) are ongoing. Testimony to the new EU regulatory and political dynamic was the speech given by the Commissioner for the Internal Market on 12 October 2010. Besides confirming the consistency of CJEU case law since the first 1994 gaming judgment and that infringement cases would remain open for countries that will not comply with EU law, the Commissioner underlined the political need to accept market reality of an existing cross-border remote gaming industry. Discussion on the preparation of a so-called Green Paper consultation into possible EU solutions for cross border aspects of online gambling is ongoing.

While the EC decided to close some of the old infringement cases, notably the ones against France and Italy, the infringement procedures against Finland, Netherlands and Sweden remain open. In the context of national re-regulation, Unibet holds that any "controlled opening" may constitute a continued breach of EU law. This is confirmed by the detailed opinions and comments issued by the European Commission on the draft legislation submitted under the so-called notification mechanism. For this reason, one cannot exclude that new infringement proceedings may start against those Member States that recently changed national law.

Despite the ongoing EU law debate, there is a risk that courts judging under the national laws of a particular country may rule against the activities of Unibet and its private sector competitors. Subject to advice on a case-by-case basis, Unibet expects to appeal any adverse judgments to higher courts evoking overriding principles of European law. For this reason, Unibet does not hold any provisions in its balance sheet for potential adverse judgments. Unibet's assessment of the current legal environment it faces in certain material European markets is set out country by country overleaf. Given the legal situation in the USA, Unibet stresses that its standing policy and practice remain not to accept any paying customer resident in the USA.

SWEDEN

In 2003, Unibet launched legal proceedings against the Kingdom of Sweden claiming that Sweden is in breach of EU law in seeking to restrict cross-border gaming services. This action was taken by Unibet in order to safeguard its fundamental freedom to provide and promote gaming services to its customers, and to allow Swedish consumers the possibility of choice. A judgment was rendered on 2 March 2010 against Unibet by a local District Court. Unibet has filed an appeal to the Appeal Court, which is still pending.

AB Trav och Galopp (ATG) has filed a lawsuit against a subsidiary of Unibet claiming infringement in its database on horse race fixtures. ATG is claiming damages up to the amount of SEK 325 million. By judgement dated 11 February 2011, the District Court of Stockholm condemned Unibet to pay a total of SEK 35 million to ATG for extracting and re-utilising information on fixtures from ATG's sports database. From a legal perspective, and as seen within previous case law in Sweden and the EU, the District Court's ruling is highly questionable and Unibet will most likely introduce an appeal.

NORWAY

Norway adopted and implemented payment blocking legislation to restrict cross-border gaming related payments. Unibet asserts that the measure is against Norway's free trade obligations, disproportionate, counter-productive and ineffective. Norway is subject to EU regulations under the Agreement on the European Economic Area (EEA) in force since 1 January 1994.

FINLAND

Despite the EC Reasoned Opinion, Finland has implemented more restrictive changes to its Finnish Lotteries Act. These new restrictions became effective by October 2010. Unibet considers that the new legislation is against Finland's obligations under EU law.

THE NETHERLANDS

In 2007, De Lotto (the local State-approved monopoly) brought procedures against several Unibet legal entities in relation to a cease and desist order. In the summary proceedings, the District Court of Utrecht ordered the Unibet legal entities concerned to stop the provision and promotion of all gaming services to Dutch residents, or pay a fine of EUR 100,000 per day up to a maximum of EUR 3 million. De Lotto served the court order in Malta on 19 October 2010. The service of the judgment could be considered as an attempt of De Lotto to enforce the first instance judgment against Unibet. In the proceedings on the merits, the same District Court of Utrecht ordered the Unibet legal entities concerned to stop the provision and promotion of all gaming services to Dutch residents, or pay a fine of EUR 10,000 per day. Unibet has introduced appeals against both judgments and awaits a hearing date before the competent jurisdiction.

The EC Reasoned Opinion and CJEU case-law seems to support Unibet position that Dutch law is in breach of overriding EU law. Unibet further observes the intention of the new Dutch government to re-regulate its national market allowing entities such as Unibet to seek and obtain a local licence.

BELGIUM

Despite EC comments under the so-called notification mechanism, Belgium early 2010 adopted new gambling legislation in relation to online gaming and betting. As the operation of land-based gaming is a condition precedent for the online operation, it is not possible for pure remote online gaming operators such as Unibet to directly apply for relevant licenses. This is notably so as the Belgian law limits the number of licenses to a very limited number and land-based licenses for poker and casino games were issued many years ago. The new gaming act entered into force on 1 January 2011. However, the full regulatory framework, notably secondary legislation still needs to be implemented. Belgian civil and criminal legislation involving Unibet continues. Unibet was fined in March 2011 by Brussels Criminal Court for breach of past Belgium gambling regulations. The decision can be questioned on a number of grounds, notably overriding EU law and earlier Belgian case-law ruling in favour of Unibet.

GERMANY

The authorities of Baden-Wuerttemberg are trying to enforce the current State Lottery Treaty against Unibet legal entities. Unibet is subject to general prohibition orders and a fine of EUR 10,000. Unibet filed an appeal for interim relief against the orders. It is expected that the court will rule on the interim relief in the course of 2011.

FRANCE

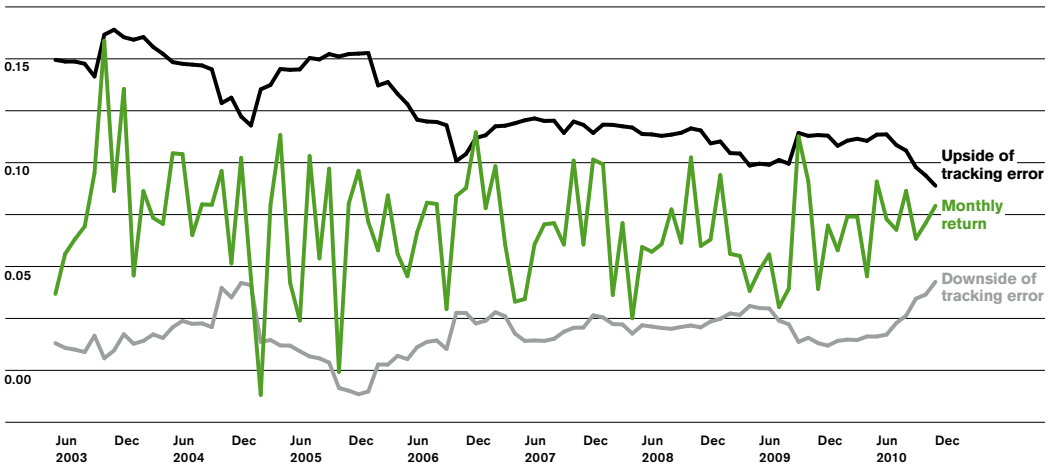
The new French Gambling law on the partial controlled opening of the national gaming market was enacted on 12 May 2010. Unibet stopped taking transactions from French residents.
On 22 October 2010 Unibet was granted by the French Gaming Commission (ARJEL) three licenses concerning sports betting, horse betting and poker. While the EC decided to close the old infringement case against France, the criminal case against Unibet's former CEO is still pending.

PRINCIPAL RISKS

Unibet divides its risks into the following categories:

Risk	Mitigation
Legal risk is the risk that, despite the general principles of the EU, which creates Unibet's ability as an operator properly established, licensed and regulated within the EU to operate its business throughout its principal market of Europe, certain individual countries may seek to place restrictions on Unibet's legitimate business.	A detailed discussion of the general legal environment is contained on pages 30 to 31. Certain markets in which Unibet operates may in future offer the opportunity for operators to apply for local licenses. This presents an opportunity for Unibet, since such controlled opening of markets that are currently dominated by local monopolies, would provide greater access to marketing channels. There are however also risks and uncertainties that arise, concerning both the tax rates and operational requirements that may be imposed in future and also any restrictions on the range of products that operators can offer.
Market risk is the risk that Unibet will lose money on its business due to unfavourable outcomes on the events where the Group offers odds. Market risk includes risks in relation to match fixing and suspicious betting behaviour.	The Group has adopted specific risk management policies that control the maximum risk level for each sport or event on which the Group offers odds. The results of the most popular teams in major football leagues comprise the predominant market risk. Through diversification, which is a key element of Unibet's business, the risk is spread across a large number of events and sports. As the live betting product has grown to be a larger part of the total gross winnings revenue the number of high stake events has further increased and will in turn lower the risk for many unfavorable outcomes. The product also has a more stable margin in comparison with the pre-match book. The heads of Odds compilation and Risk management are responsible for day-to-day monitoring of Unibet's market risk. It is also their responsibility to advise the odds compilers and risk managers on appropriate risk levels for certain events. To achieve the desired risk profile, Unibet conducts proprietary trading with a small number of well-known companies. The Compliance Officer and the Head of Sports Betting jointly assess risk levels for individual events as well as from a longer-term perspective.
Counter-party risk All bets and stakes are made through account gaming, i.e. the player deposits money in an account, from which he/she then draws to place bets.	No customers are offered credit.
Operational risk is the risk that the Group will lose money as a result of individual mistakes, e.g. by an odds compiler.	The Group has internal procedures to monitor and detect mistakes caused by operational error or human factor.
Foreign exchange risk The Group operates internationally and in addition to GBP sterling, is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish kronor, Norwegian kroner, Danish kroner, Swiss francs and US dollars.	The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and payouts to customers in different territories are matched in the same currency. The spread of the Group's operations, including material revenue and expenses denominated in many different currencies, and taking into account the fact that customers can trade with the Group in currencies other than the currency of their territory of residence, makes it impractical to give an indication of the impact of single currency movements on the results from operations. In general, when the reporting currency of GBP sterling weakens against the euro and other major trading currencies of the Group, as occurred during 2008, that would tend to increase operating profits because of the positive operating profits and cash flows generated by the Group. In relation to borrowings of the Group, the bank loan originally issued in December 2009 and renewed in October 2010, is denominated in euros, which is why there is a currency translation exposure related to that financial liability. Subject to timing of repayment, which is due for settlement in December 2011, any such translation gains and losses will be unrealised until the repayment date. The potential translation gains and losses arising on the loan would be offset to the extent that the Group generates positive future cash flows in other areas of the business in euros.
Taxation and regulation risk	Unibet operates a complex business in multiple jurisdictions and is subject to a variety of national tax laws and compliance procedures, together with varying approaches taken by different taxing authorities towards transfer pricing for cross-border businesses. In managing its taxation affairs, including estimating the amounts of taxation due (both current and deferred) for the purposes of inclusion in the financial statements, Unibet relies on the exercise of judgement concerning its understanding of those laws and its compliance therewith, assisted by professional advice. Changes to regulatory, legislative and fiscal regimes for betting and gaming in key markets could have an adverse effect on Unibet's results and additional costs might be incurred in order to comply with any new laws or regulations.
Customer-specific risk The risk that the Group will lose money on customers who are exceptionally successful is called customer-specific risk.	Unibet has introduced three types of customer limit: • Each event on which the Group offers odds has a limit for how much an individual customer can win on the event. These limits vary depending on the event and can be changed over time. • It is also possible to set a limit for combinations of bets. This limit is normally higher than for an individual bet. • Each customer has a personal limit, which regulates the maximum amount that can be staked in a single bet.
Technical risks Unibet's activities are highly dependent on information systems and other types of technical risk.	Interruptions on the internet, e.g. viruses, intrusion attempts or access restrictions due to reduced capacity, have an impact on the business. Unibet works actively and continuously to minimise the risk of such attacks. Secure transmission of confidential information over the internet and the overall security of Unibet's system are crucial to the business. The Group uses licensed encryption and authentication systems to ensure secure transmission of confidential information such as credit card numbers. The gaming application is business-critical, and Unibet has gone to considerable lengths to ensure that it is able to handle various types of interruption. All critical servers are duplicated, i.e. if one server fails, another will immediately take over. Unibet has also created a back-up site, which in the event of a serious operational interruption will take over from the primary servers.
System security	The security of Unibet's systems and applications are tested several times per year by third-party security experts. Furthermore Unibet has an Intrusion Detection System that monitors all network traffic 24/7 for signs of attacks or intrusions.
Treasury management – customer deposits	All customers wishing to place a bet with Unibet must first register by opening an account and making a deposit. Deposits can be made by credit or debit card, through a cash deposit or via bank transfer at a local branch or using an online banking service. Alternatively, Unibet offers a variety of other payment solutions in different countries. Bets can be placed as soon as the account has been credited. Withdrawal requests can be satisfied only if certain criteria are met and confirmation that a deposit has been cleared is obtained. In addition, several other checks are made to minimise the risk of fraud. Payouts to customers are made via bank transfer from one of Unibet's network of banks worldwide, in the currency requested by the customer and directly into their nominated bank account or via a preferred payment solution. The Group has accounts with many major banks in the EU.
Fraud and money laundering	Unibet requires all customers to provide detailed information upon registration. The Group applies a strict age limit and accepts no customers under the age of 18. Unibet uses industry-leading providers of identity verification to ensure that details provided are correct. All clients making major transactions or having a high risk profile will be requested to undergo further documentation requirements. Unibet has a dedicated fraud department and advanced systems in place to detect and prevent suspicious activity, to ensure that Unibet's website remains a secure playing-field. Any account involved in suspicious activity will be suspended and investigated to the fullest extent. All deposits and withdrawals are made through banks or established electronic payments solutions and Unibet has clear internal procedures for detecting and handling suspect transactions. In order to comply with obligations under money laundering and gaming legislations, all employees need to annually complete a course and pass an assessment.

MONTHLY RETURNS AND TRACKING ERRORS



Unibet employs various risk management tools to assess and manage the risks. For example, to monitor the relative risk of the Sportsbook, Unibet has risk tools and models normally used in the investment management industry.

The chart opposite sets out the monthly return on the Sportsbook from mid-2003 to date (pre-match and live betting). The two outside lines represent the upside and downside tracking error of this return benchmarked against a long-term average return. The tracking errors are measured by taking the standard deviation on the difference in return between the Sportsbook and the average return at a 95 per cent confidence interval.

A 95 per cent confidence interval indicates that on average, for 19 months out of 20, the actual return should be between the two tracking error lines.

The chart illustrates that over time the tracking error band has become narrower, indicating that the monthly margins have become more stable. This is because the relative amount of live betting within the Sportsbook has increased, and live betting is more stable, even though it has a lower margin.

SENSITIVITY ANALYSIS

Unibet's performance is affected by a number of factors. The sensitivity analysis below only takes into account direct changes. It is likely that actual changes in a specific item will also affect other items and that estimates made by Unibet and other parties on the basis of a change of circumstance would also affect other items.

SENSITIVITY ANALYSIS – DETAIL

Unibet considers movements in the factors below to have the most impact on profit before tax (PBT).

Factor	% change	PBT impact GBP
Gross winnings revenue	+/- 1	+/- 1.474m
Administrative expenses	+/- 1	+/- 0.606m
Marketing expenses	+/- 1	+/- 0.341m
Exchange rate impact of the bank loan	+/- 1	+/- 0.68m

INTEGRITY IN SPORTS

For Unibet, a key element of responsibility means keeping online sports betting free of corruption, which ensures that customers are provided with a fair betting product.

Sports and betting are part of the same entertainment chain and as a consequence, both have a common objective to ensure the integrity of sport is not compromised.

Far from contributing to betting fraud and match-fixing, the internet and new technologies make it possible to record and analyse each individual action taken online. For instance, irregular betting activities, such as an unusually high amount placed on the unexpected outcome of an event, can be identified and monitored in real time.

To proactively fight all types of fraud in sports betting, Unibet co-founded in 2005 the European Sports Security Association (ESSA). ESSA acts as an early warning system to alert the sports federations of any suspicious betting before and during any of their sporting events. The Association works very closely with many of the world's leading sport federations including FIFA, UEFA, the ATP, and the IOC, to make sure any such intelligence is shared as soon as possible.

In 2010, millions of betting transactions were registered within the ESSA security network. Of those transactions, only 58 incidents of irregular betting across a range of sporting disciplines were investigated. However, only one single event proved to be suspicious and passed on to the respective sport's governing body.

The high profile of ESSA and the importance of gambling responsibility were acknowledged by EU Commissioner for the Internal Market, Michel Barnier in his 12 October 2010 speech about online gaming.

SHARES AND SHARE CAPITAL

SHAREHOLDING INFORMATION

Unibet Group plc's issued share capital comprises 28,258,038 ordinary shares each with a par value of GBP 0.005. All ordinary shares carry equal voting rights and rights to share in the assets and profits of the Group.

LISTING OF SWEDISH DEPOSITARY RECEIPTS

Unibet Group plc is listed on NASDAQ OMX Nordic Exchange in Stockholm through Swedish Depositary Receipts, SDRs, issued by Skandinaviska Enskilda Banken AB (publ). One SDR represents one ordinary share. On 8 June 2004, the SDRs were listed on the O-list of the Stockholm Stock Exchange (Stockholmsbörsen). From 2 October 2006, the SDRs have been listed on the MidCap part of the Nordic List at the NASDAQ OMX Nordic Exchange in Stockholm.

The trading symbol is UNIB SDB and the ISIN code is SE0001 835588. Unibet has a liquidity guarantee agreement with Carnegie Bank AB.

SHARE PRICE PERFORMANCE

Unibet's SDRs ended the year at SEK 140.50 closing price having started the year at closing price SEK 181. The highest closing price during the year was SEK 230. The lowest closing price during the year was SEK 117. As at 31 December 2010, Unibet Group plc had a market capitalisation of approximately SEK 4.0 billion.

TRADING VOLUMES

In 2010, 86,045 trades in Unibet Group were made, representing a total value of SEK 5.6 billion.

DIVIDEND

Unibet's normal dividend policy is to pay a dividend of up to 75 per cent of the Group's net income after tax to the shareholders, provided that other financial objectives are met and an appropriate capital structure is maintained.

The Board of Directors does not propose to pay a dividend for the financial year 2010. The cash reserve being built up combined with the Group's strong profitability and cash flow gives the Board flexibility to consider strategic opportunities including acquisitions. The cash reserve may be distributed at a later stage should the opportunities not materialise.

For the 2009 financial year, Unibet paid a dividend of GBP 0.71 per share/SDR.

ANALYSIS OF SHAREHOLDINGS AT 28 FEBRUARY 2011

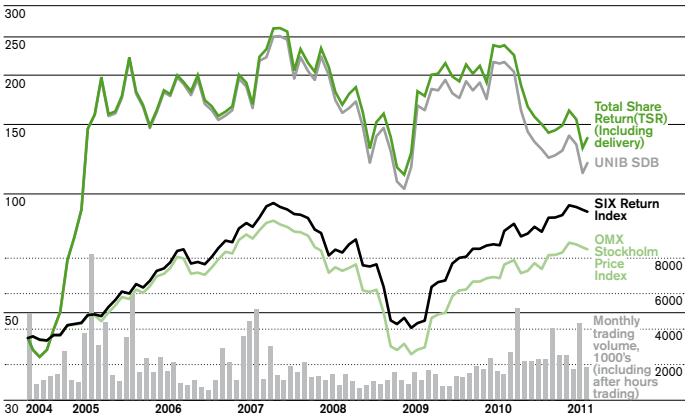
Source: Euroclear Sweden.

Shareholder	Number of shares/SDRs	Share of share capital/votes, %	Accumulated %
Anders Ström through company	2,950,000	10.4	10.4
Swedbank Robur Fonder	2,895,217	10.2	20.7
Länsförsäkringar fondförvaltning	1,908,852	6.8	27.4
SEB Fonder	1,374,481	4.9	32.3
Fidelity International	1,335,460	4.7	37.0
Catella Fondförvaltning	1,019,244	3.6	40.6
Danske Capital Funds	951,052	3.4	44.0
Verdipaperfond Odin Sverige	880,604	3.1	47.1
Handelsbanken Fonder	690,961	2.4	49.6
Skandia Liv	588,145	2.1	51.6
Peter Lindell directly and through company	542,570	1.9	53.6
AMF Aktiefond Sverige	538,256	1.9	55.5
Svolder AB	500,000	1.8	57.2
Fjärde AP-fonden	478,483	1.7	58.9
Unibet Group plc[1]	190,975	0.7	59.6
Others	11,414,008	40.4	100.0
Total	**28,258,038**	**100**	

1. As a result of the share buy back programme.

UNIBET SHARE PRICE DEVELOPMENT

Source: NASDAQ OMX



OWNERSHIP DISTRIBUTION AT 28 FEBRUARY 2011

Source: Euroclear Sweden.

Holding	Number of shareholders	Number of shares/SDRs	Share capital/votes, %
1–500	4,628	608,235	2.2
501–1,000	507	442,633	1.6
1,001–10,000	516	1,567,452	5.6
10,001–250,000	130	9,077,348	32.1
250,001–	31	16,561,370	58.6
Total	**5,812**	**28,258,038**	**100.0**

SHARE BUY BACK PROGRAMME

At the 2007, 2008, 2009 and 2010 AGMs, shareholders approved a share buy back programme whereby the Board was authorised, until the next AGM in 2011, to acquire GBP 0.005 ordinary shares/SDRs in the Company. The maximum number of shares/SDRs that may be so acquired is 2,825,803, i.e. may not exceed 10 per cent of the total number of shares issued by the Company. Under this approval, 297,900 shares/SDRs were acquired by the Company during 2007. No share buy back was made during 2008, 2009 or 2010. During the year 25,695 of the shares/SDRs held by the Company at 1 January 2010 were sold in connection with the Company's share option programmes. The number of outstanding shares at 31 December 2010 was 28,258,038.

The intention of the Board is to either cancel the shares (requires further shareholder approval), use as consideration for an acquisition or issue to employees under a share option programme.

SHAREHOLDERS OWNERSHIP DATA

On 28 February 2011, Unibet Group had 5,812 holders of SDRs.

On 28 February 2011 the Group's 14 largest owners represented 58.9 per cent of the capital and votes, as shown on page 34.

DIALOGUE WITH CAPITAL MARKETS

Unibet's Investor Relations policy focuses on conducting a dialogue with representatives from the capital markets, aimed at increasing interest in Unibet's shares/SDRs among existing and potential investors by providing relevant, up-to-date and timely information.

Investors and capital market players should be provided with clear information about the Group's activities with the aim of increasing shareholder value. Unibet strives to ensure good access to such information for capital markets, notably through presentations in Stockholm and London and through road shows in other European countries as well as the USA.

On Unibet's corporate website, **www.unibetgroupplc.com**, investors can find up-to-date information about the Group's financial performance, stock market data, a financial calendar, Company information and other important data.

Unibet arranges the following capital market activities:

- Quarterly meetings and teleconferences for analysts, investors and financial media
- Financial hearings in Stockholm
- Participation in industry seminars and conferences
- Webcasts available after each quarterly presentation.

OWNERSHIP STRUCTURE AT 28 FEBRUARY 2011

Source: Euroclear Sweden.

Swedish financial institutions	42.2%
Other Swedish financial entities	2.1%
Other Swedish legal entities	12.5%
Non-Swedish owners	37.4%
Swedish naturalised persons	5.8%
Total	**100%**

SHARE CAPITAL DEVELOPMENT

There were no changes in share capital in 2010. The development of the Company's share capital since the Group's reorganisation carried out on 1 November 2006 is shown in the following table:

Transaction	Year	Issue price	Change in number ordinary shares	Total number ordinary shares	Par value per share GBP	Increase in share capital GBP	Share capital GBP
Issued in Group reorganisation	2006	–	21,841,092	28,241,092	0.005	109,205.46	141,205.46
Exercise of share options	2009	12.16	16,946	28,258,038	0.005	84.73	141,290.19

Five-year summary	2010	2009	2008	2007	2006	2005
Equity per share GBP	5.018	4.343	3.565	3.384	3.290	2.155
Equity per share after full dilution GBP	5.016	4.333	3.565	3.376	3.248	2.135
Earnings per share GBP	1.154	0.957	0.314	0.665	1.344	0.523
Earnings per share after full dilution GBP	1.153	0.956	0.312	0.659	1.342	0.515
Cash flow per share GBP	0.03	-0.43	-0.41	0.59	0.50	0.07
Dividend per share SEK	–	7.68	2.75	6.00	5.50	2.25
Return on total average equity %	26	29.3	37.2	10.9	31.0	18.9
Equity:assets ratio %	65	58	45	45.1	70.8	53.6
Number of shares at year end	28,258,038	28,258,038	28,241,092	28,241,092	28,241,092	28,125,092
Fully diluted number of shares at year end	28,268,771	28,322,407	28,241,092	28,308,080	28,612,088	28,394,747
Average number of shares	28,062,245	27,955,464	27,946,192	28,096,472	28,197,870	26,223,857
Average number of fully diluted shares	28,088,435	27,989,238	28,091,206	28,355,999	28,236,388	26,640,068

The above figures have been restated to reflect changes in nominal value of the share.

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group, together with the audited financial statements and auditors' report, for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

Unibet is an online gaming business, with over 5.1 million registered customers worldwide as at 31 December 2010, and is one of the largest independent publicly-quoted online gaming operators in the European market.

The internet is the main distribution channel for Unibet's products. The Group offers a comprehensive range of online gaming products, such as pre-match sports betting, live betting, bingo, soft games, online casino and poker products, through the Group's primary websites, www.unibet.com and www.maria.com. The customer base spans more than 100 countries.

On average, the Unibet Group handles over 600,000 transactions every day (including bets, deposits and withdrawals) and has between 8,000 and 10,000 offerings on major international and local sporting events every day.

The principal subsidiaries and associated undertakings which affect the results and net assets of the Group in the year are listed in Note 13 to the financial statements.

RESULTS AND DIVIDENDS

The consolidated income statement is set out on page 43 and shows the result for the year. The profit after tax was GBP 32.4 (2009: GBP 26.8) million.

Unibet's normal dividend policy is to pay a dividend of up to 75 per cent of the Group's net income after tax to the shareholders, provided that other financial objectives are met and an appropriate capital structure is maintained.

The Board of Directors does not propose to pay a dividend for the financial year 2010. The cash reserve being built up combined with the Group's strong profitability and cash flow gives the Board flexibility to consider strategic opportunities including acquisitions. The cash reserve may be distributed at a later stage should the opportunities not materialise.

For the 2009 financial year, Unibet paid a dividend of GBP 0.71 per share/SDR.

BUSINESS REVIEW

Significant events during the year 2010

On 17 February 2010, Unibet signed a contract with the Ålandic gaming company, Paf, for the provision of full Sportsbook B2B. The scope of the services includes fixed odds and live betting including full risk management. Paf has also become a customer in the fast growing sports betting pools products SuperToto and SuperScore offered by Unibet.

On 4 May 2010, Unibet acquired 25.9 per cent of the NASDAQ listed company Bingo.com through a directed rights issue/private placement of USD 2.25 million.

After 4 May 2010, the Board of Unibet decided to pursue the opportunity to apply for a licence under the French controlled opening of the online market. However the current licence terms are very restrictive and make it difficult to generate any reasonable return. After 4 May 2010, to prepare and adapt the company for the French licence and as the result of an ongoing review of Unibet's core brands, Unibet agreed to sell and transfer certain assets to Gallia Gaming Group Ltd. As certain conditions from this transaction have not been fulfilled, Unibet does not expect any material future benefit.

On 8 June 2010, Unibet signed agreements with both the French sports betting operator France Pari to offer sports betting and also with Ongame to provide poker to the French market, as well as a letter of intent with Zeturf regarding horse racing pool liquidity.

On 9 July 2010, Unibet signed an agreement, for the brand of "Jugandovoy", with Unidad Editorial Informacion Deportiva, S.L. The Jugandovoy brand is advertised in the Spanish media house "Marca" which has on average 3 million unique visitors per day on their web site and a print version with an average daily circulation of 300,000.

On 20 July 2010, Henrik Tjärnström was appointed as the new CEO of Unibet Group plc. This follows the notification to the Board by the former CEO Petter Nylander of his resignation. Mr. Nylander has continued to support the company in an advisory role in respect of certain specific projects.

On 22 October 2010, Unibet received the licenses for France that the Company applied for in May 2010. This is in line with earlier communication where Unibet has also stressed that under the current restrictive terms of the licence, it will be hard for any operator to make a reasonable return. Unibet plans, subject to final business assessment of whether resources can better be used in other markets, to roll out poker on the unibet.fr platform during 2011. Sportsbook and French Horse Racing may follow towards the end of 2011.

On 27 October 2010, Unibet's Sportsbook B2B services, Kambi Sports Solutions, signed an agreement to supply Nordicbet, Triobet and Tobet with the Pool Betting products Supertoto and Superscore.

On 29 October 2010 the term of the Revolving Credit Facility with a maximum value of EUR 24 million with a leading international bank was extended until the end of December 2011. During the fourth quarter EUR 16 million of the Revolving Credit Facility was repaid resulting in an outstanding balance of EUR 8 million.

On 16 December 2010, Unibet launched its own platform in Italy. On unibet.it, the Italian players are offered Sit & Go, scheduled and multi-table poker tournaments on the Ongame P5 Poker Engine. During the second quarter of 2011 poker cash games, casino offerings and sports betting will be added.

The above developments during 2010 illustrate the following trends that affect the business of the Unibet Group:

Unibet continues to invest in the expansion of both its product set in its core markets and its geographical and demographical reach into new markets.

Unibet is committed to the promotion of responsible gaming and remains at the forefront of industry initiatives in this area.

Unibet continues both to seek further opportunities to cross-sell its products and also to drive efficiencies in its internal operations through the standardisation of its technology platform.

Pressure continues to be exerted by the EU on Member States that seek to restrict access for private operators to their sports betting markets.

Significant events after the year end
No significant events after the period end.

A detailed Business Performance Review is set out on pages 24 to 25.

For further information on risk management, refer to page 32 and Notes 2C and 2D on pages 51 to 52.

Future developments
Although they are conscious of the potential impact of the macroeconomic situation in Unibet's core markets, the Directors are confident in the Group's trading and financial prospects for the forthcoming financial year.

DIRECTORS AND THEIR INTERESTS
The following Directors elected at the AGM on 6 May 2010 served during the year and subsequently, unless otherwise stated:

Anders Ström	Chairman
Kristofer Arwin	Non-executive
Peter Boggs	Non-executive
Nigel Cooper	Non-executive
Peter Lindell	Non-executive
Stefan Lundborg	Non-executive

At the AGM on 6 May 2010 Daniel Johannesson and Staffan Persson resigned.

Anders Ström, Kristofer Arwin, Peter Boggs, Nigel Cooper, Peter Lindell and Stefan Lundborg will seek re-election at the forthcoming AGM.

The interests of the Directors are shown on page 39.

RESEARCH AND DEVELOPMENT
The Group capitalises certain expenditure when it relates to the development of the core IT platform of the business. During the year the Group capitalised GBP 5.2 (2009: GBP 2.1) million of development expenditure, and expensed GBP 6.9 (2009: GBP 6.1) million.

EMPLOYEES
The Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, race or religion. The Group recognises the importance of ensuring employees are kept informed of the Group's performance, activities and future plans.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS
The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the group as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the group will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Unibet Group plc for the year ended 31 December 2010 are included in the Annual Report 2010, which is published in hard-copy printed form and may be made available on the parent company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

DISCLOSURE OF INFORMATION TO THE AUDITORS
So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

INDEPENDENT AUDITORS
The auditors, PricewaterhouseCoopers (Malta) and PricewaterhouseCoopers LLP (UK), have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM.

On behalf of the Board
Malta, 4 April 2011

Anders Ström
Chairman and Director

Peter Lindell
Director

REMUNERATION COMMITTEE REPORT

The Remuneration Committee considers and evaluates remuneration arrangements for senior managers and other key employees and makes recommendations to the Board. The purpose is to support the strategic aims of the business and shareholder interest, by enabling the recruitment, motivation and retention of key employees while complying with the requirements of regulatory and governance bodies.

The Committee's proposed report, which is unaudited, except where indicated, is set out below.

THE COMMITTEE

The Committee held seven meetings during 2010, all chaired by Peter Lindell. In the first five meetings Peter Lindell and Anders Ström participated. Thereafter Stefan Lundborg, elected as a new member of the Board at the 2010 AGM, replaced Anders Ström in the Remuneration Committee. Peter Lindell and Anders Ström where both re-elected to the Board at the 2010 AGM.

REMUNERATION POLICY

The policy of the Board is to attract, retain and motivate the best managers by rewarding them with competitive compensation packages linked to the Group's financial and strategic objectives. The compensation packages need to be fair and reasonable in comparison with companies of a similar size, industry and international scope. The components of remuneration for executive directors comprise base salary, benefits, performance related salary and long term incentives.

The members of the Committee have no personal interest in the outcome of their decisions and give due regard to the interests of shareholders and to the continuing financial and commercial health of the business.

The remuneration packages of Senior Managers

The managers receive base salaries based on position, responsibilities, performance and skills. The base salary is a fixed amount payable monthly which is reviewed annually in March.

Benefits are based on the requirements of the country where the manager is employed.

The performance related salary is designed to support key business strategies and financial objectives and create a strong, performance-orientated environment. The performance targets are reviewed annually and are based on both quantitative and qualitative goals. The payout is conditional upon the Company achieving set financial targets. Thereafter, individual targets are mainly linked to financial objectives such as gross winnings revenue and EBITDA. There is also a part which is based on delivery of specific projects and business critical processes. Achievement of targets is assessed on an annual basis. The amount of potential variable pay compared to basic salary varies depending on position and situation, but is in general less than half the amount of the basic salary. All variable elements have a limit, which means that they cannot exceed a predetermined amount.

Participation in long term incentive schemes is based on position in the company, performance and country of residence. Equity awards through option schemes are granted under the terms of the Unibet Share Option Scheme, and are linked to the performance of the Group to further align senior management's interests with those of the shareholders. All the 753,904 share options outstanding at 31 December 2010 may generally only be exercised if the holder is employed by the Unibet Group at the date of exercise. Exceptions are made in special circumstances.

REMUNERATION OF THE BOARD OF DIRECTORS

All Board Directors are elected, as appropriate, at the AGM and the remuneration is recommended by the full Board, conditional upon approval at the AGM.

The Group does not operate any form of executive retirement benefits or pension scheme, and thus no contributions are made in respect of any Director. All Directors have rolling service contracts without notice periods. The auditors are required to report on the information contained in the following two sections of this report on Directors' Remuneration.

TOTAL EMOLUMENTS (AUDITED)

All information concerning emoluments and interests of the Directors is presented on the basis of continuity from the date of their appointment to the Board of Directors of the Unibet Group plc. Total emoluments of the Board of Directors and executive managers who served during the year are set out below.

The closing price of the Company's SDRs at 31 December 2010 was SEK 140.5, and it ranged from SEK 117 to SEK 230 during 2010.

GBP 000

Directors	Fees/salary	Other	2010 Total	2009 Total
Anders Ström, chairman[1]	99.0	–	99.0	117.0
Kristofer Arwin	40.0	–	40.0	40.0
Peter Boggs	30.0	–	30.0	30.0
Nigel Cooper	33.3	–	33.3	–
Peter Lindell	45.3	–	45.3	45.3
Stefan Lundborg	22.3	–	22.3	–
Daniel Johannesson[2]	33.9	–	33.9	101.8
Staffan Persson[2]	13.9	–	13.9	41.8
Executive management				
Petter Nylander, CEO until 20 July 2010	201.0	0.8	201.8	329.2
Henrik Tjärnström, CEO from 20 July 2010	112.5	–	112.5	n/a
Executive management	758.2	2.3	760.4	822.3
Total	**1,071.7**	**3.1**	**1,074.8**	**1,527.4**

1. Anders Ström's salary from 2006 to 2009 remains undrawn.
2. Daniel Johannesson and Staffan Persson resigned at the AGM on 6 May 2010.

DIRECTORS' INTERESTS (AUDITED)

The Directors' and Executive managements' beneficial interests in the shares/SDRs of Unibet Group plc as at 31 December 2010 are set out below:

Directors	Ordinary shares SDRs 31 December 2010	Ordinary shares/SDRs at 31 December 2009	Share options at 31 December 2010	Share options at 31 December 2009
Kristofer Arwin	500	500	–	–
Peter Boggs	13,100	15,600	–	–
Nigel Cooper	3,000	–	–	–
Peter Lindell	542,570	908,570	–	–
Stefan Lundborg	–	–	–	–
Anders Ström	2,950,000	2,925,000	–	–
Staffan Persson[1]	–	137,101	–	–
Daniel Johannesson[1]	–	7,000	–	–
	3,509,170	3,993,771	–	–
Executive management				
CEO	20,000	3,200	134,625	100,375
Executive management	20,100	47,464	266,510	188,630
Total	**3,549,270**	**4,044,435**	**401,135**	**289,005**

1. Daniel Johannesson and Staffan Persson resigned at the AGM on 6 May 2010.

PERFORMANCE GRAPH

Shown on page 34 is a performance graph that compares the Total Shareholder Return (TSR) of Unibet SDRs with the OMX Stockholm Price Index, this being the index where Unibet is listed and therefore the most appropriate comparison.

TSR is defined as the return shareholders would receive if they held a notional number of shares and received dividends on those shares over a period of time.

Peter Lindell
Chairman
Remuneration Committee

CORPORATE GOVERNANCE STATEMENT

Unibet Group plc is incorporated and registered in Malta and listed on NASDAQ OMX Nordic Exchange in Stockholm.

Foreign companies whose shares or depositary receipts are admitted to trading on a regulated market in Sweden do not need to apply the Swedish Code.

However, with effect from 1 January 2011, these companies will be required to apply the Swedish Code, the corporate governance code in force in the country where the company has its registered office or the code of the country in which its shares have their primary listing. If the company does not apply the Swedish Code, the company is to include a statement describing in which important aspects the company's conduct deviates from the Swedish Code in, or adjacent to, its first corporate governance.

The Board of Directors of Unibet Group plc decided already from the first listing date at the NASDAQ OMX Nordic Exchange in Stockholm to apply to principles of the Swedish Code.

The following statement on pages 40 to 42 has not been audited.

DIRECTORS

The Board of Directors of Unibet Group plc is collectively responsible for the success of the Group and for its Corporate Governance and aims to provide entrepreneurial leadership of the Group within a framework of prudent and effective financial controls that enable risk to be assessed and managed.

As outlined on page 65, the Board comprises the Chairman and five Directors, of which all are independent Non-executive Directors. The Swedish Code identifies the fundamental importance of independent Non-executive Directors in ensuring the objective balance of a Board, and sets out criteria to be considered in determining the independence of Non-executive Directors. In accordance with Provision 4.4 of the Code, the Board considers Kristofer Arwin, Peter Boggs, Nigel Cooper, Peter Lindell and Stefan Lundborg to be independent Non-executive Directors. Anders Ström is Chairman of the Board.

To ensure effectiveness, the Board's composition brings together a balance of skills and experience appropriate to the requirements of the business. The composition of the Board and recommendations for the appointment of Directors are dealt with by the Nomination Committee and its activities are set out on the following page.

The Board is responsible to the shareholders for the Group's overall strategy and direction and it usually meets on a quarterly basis throughout the year.

A formal schedule sets out those matters specifically reserved for the Board and its Committees. Those matters include decisions on Group strategy and direction, acquisitions, disposals and joint ventures, capital structure, material contracts, corporate governance and Group policies.

The number of Board and Committee meetings attended by each of the Directors during the year can be seen in the table on the following page.

The Board has a standard agenda, including receiving and considering reports from the Chief Executive Officer and the Chief Financial Officer on the Group's operational performance, finances, ongoing strategy and risk profile, all of which are considered at the quarterly meetings. Where appropriate, matters are delegated to the Audit, Legal, Nomination and Remuneration Committees, and reports on their activities are included within this corporate governance statement.

Brief résumés of the Board and CEO can be found on page 67.

THE WORKING PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors has adopted written instructions for the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer have been established in writing to ensure the clear division of responsibilities, and this has been agreed by the Board. At least once a year the Board of Directors will review the strategy and visit the Group's different office locations. Normally the Board has a short meeting without the management, CEO or CFO in conjunction with each Board meeting.

The Chairman is responsible for the leadership of the Board; setting its agenda and taking full account of the issues and concerns of all Board members; ensuring effective communication with shareholders; taking the lead on Director induction and development; encouraging active engagement by all Directors; and ensuring that the performance of individuals and of the Board as a whole, and its Committees, is evaluated at least once a year.

The Chairman ensures that the Board is supplied with accurate, timely and clear information. Directors are encouraged to update their knowledge and familiarity with the Group through meetings with Senior Management. As part of the induction process, an induction pack is provided to non-executive Directors.

All Directors have access to the company secretary who is responsible for ensuring good information flows within the Board and its Committees and between Senior Management and non-executive Directors. The company secretary is also responsible for advising the Board, through the Chairman, on all corporate governance matters. Directors are encouraged to seek independent or specialist advice or training at the Group's expense where this will add to their understanding of the Group in the furtherance of their duties.

In accordance with Provision 8.1 of the Code, the Board has a process to formally evaluate its own performance and that of its Committees. The performance of the Board and its Committees has been the subject of Board discussion, led by the Chairman, to consider effectiveness against performance criteria and potential risks to performance. The performance evaluations of the Board have been structured in such a way as to ensure a balanced and objective review of Directors' performance by using a system of questionnaires intended to stimulate discussion of factors including performance and commitment.

Following these performance reviews, the Chairman is responsible for ensuring that the appropriate actions are taken. The evaluations provide a feedback mechanism to the Nomination Committee and have helped in identifying Board performance objectives as well as individual actions such as training.

REMUNERATION AND DIRECTORS AND OFFICERS LIABILITY INSURANCE

The general meeting establishes the principles and the maximum amount of the Directors' fees. Employees cannot receive Director's fees. A Director can, during a short period of time, supply consultancy services, but only if this is more cost-effective and better than any external alternative. Any such consultancy fee will be disclosed in the Annual Report. None of the Directors holds share options issued by the Company. Unibet has taken out Directors and Officers Liability insurance covering the risk of personal liability for their services to the Group. Cover is in place for an indemnity level of GBP 1 million.

AUDIT COMMITTEE REPORT

The Audit Committee advises and makes recommendations to the Board on matters including financial reporting, internal controls, risk management, and the appointment of auditors. The role of the Committee is set out in its written terms of reference.

The Committee, which met four times during the year to review the interim reports etc, comprises two independent non-executive Directors; Kristofer Arwin and Nigel Cooper. Nigel Cooper replaced Staffan Persson who resigned at the 2010 AGM in May 2010. The Committee is chaired by Nigel Cooper, a senior finance professional who has extensive accounting and financial management expertise. Where appropriate, the Committee consulted with the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer regarding their proposals. The external auditors also attended three of the meetings.

Responsibilities include monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance. The Committee has reviewed the Group's financial statements and formal announcements relating to the Group's financial performance before their presentation to the Board. In doing so, it considered accounting policies, areas of judgment or estimation, and reporting requirements, as well as matters brought to their attention by the external auditors.

The Committee is also responsible for reviewing the Group's systems of internal control and risk management, and determines the scope of work undertaken by the Chief Financial Officer, the Group Regulatory Compliance Officer and the Security Officer and the Head of Trading. It receives reports from the Chief Financial Officer, with whom the results are discussed on a regular basis. The Group Regulatory Compliance Officer and the Security Officer report to the Audit Committee as required.

The Committee remains satisfied that the controls in place, and the review process overseen by the Chief Financial Officer, the Group Compliance and the Security Officer and the Head of Trading, are effective in monitoring the established systems.

The Committee is responsible for making recommendations to the Board in relation to the appointment of external auditors. It is responsible for monitoring the independence and objectivity of the external auditors, and for agreeing the level of remuneration and the extent of non-audit services. During the year, PricewaterhouseCoopers (Malta) and PricewaterhouseCoopers LLP (UK) ('PwC'), reported to the Committee on their audit strategy and the scope of audit work. The Committee has reviewed the performance of PwC and the level of non-audit fees paid to PwC during the year. These are disclosed in Note 4 on page 55. The provision of non-audit services, except tax compliance and routine taxation advice, must be referred to the Committee where it is likely to exceed a pre-determined threshold of GBP 50,000. Any work that falls below that threshold must be pre-approved by the Chief Financial Officer. By monitoring and restricting both the nature and quantum of non-audit services provided by the external auditors, the Committee seeks to safeguard auditor objectivity and independence.

The Board remains satisfied that the Group's systems of internal control and risk management, together with the work of the Chief Financial Officer, the Group Regulatory Compliance and the Security Officer and the Head of Trading, is effective in monitoring, controlling and reporting the Group's risks. The Audit Committee will review with management whether it is now appropriate for Unibet to establish an internal audit function.

LEGAL COMMITTEE REPORT

The Legal Committee's task is to reflect, discuss and stimulate interaction between the Board of Directors and the management. This gives the Board the opportunity to increase awareness and to better understand the legal, regulatory and political environments surrounding the Group, including the associated risks. The Committee, which met on three occasions during the year, comprises two independent non-executive Directors, Anders Ström (Committee Chairman) and Peter Lindell. Daniel Johannesson resigned as Chairman of the Board and Chairman of the Legal Committee and was replaced by Anders Ström as of May 2010.

The Legal Committee does not make any decisions, which remain with the Board of Directors.

NOMINATION COMMITTEE REPORT

The Nomination Committee has written Terms of Reference to lead the process for Board appointments and make recommendations to the AGM thereon.

The Nomination Committee met three times for the 2010 AGM. At the AGM on 6 May 2010, it was decided that the Nomination Committee for the AGM 2011 shall consist of the Chairman of the Board and representatives from at least four other of the largest shareholders in the Company at the end of the third quarter 2010.

The Nomination Committee shall appoint as its chairman the representative of the largest shareholder in terms of voting rights.

The Nomination Committee for the 2011 AGM will consist of Anders Ström, chairman, Carina Tovi, Swedbank Robur Fonder, Jesper Bonnivier, Länsförsäkringar Fondförvaltning, Ulf Strömsten, Catella Fondförvaltning and Mikael Nordberg, Danske Capital. Anders Ström is also chairman of the Board.

BOARD AND COMMITTEE MEETING ATTENDANCE

Name	Full Board	Audit Committee	Legal Committee	Nomination Committee	Remuneration Committee
Kristofer Arwin	12	4	–	–	–
Peter Boggs	12	–	–	–	–
Nigel Cooper	7	2	–	–	–
Daniel Johannesson, Chairman until May 2010	5	–	1	–	–
Peter Lindell	12	–	3	–	7
Stefan Lundborg	7	–	–	–	2
Staffan Persson resigned at the 2010 AGM	5	2	–	–	–
Anders Ström, Chairman from May 2010	12	–	2	3	5

CORPORATE GOVERNANCE STATEMENT

REMUNERATION COMMITTEE REPORT

A report on Directors' remuneration and the activities of the Remuneration Committee is set out on pages 38 to 39.

COMMUNICATION WITH INVESTORS

In the interests of developing a mutual understanding of objectives, the Investor Relations manager has met regularly with institutional investors to discuss the publicly disclosed performance of the Group and its future strategy. Institutional investors have also been able to meet the Chief Executive Officer, the Chief Financial Officer, line managers and other key persons of the Group.

The Board is kept informed of shareholder views and correspondence. Corporate and financial presentations are regularly made to fund managers, brokers and the media, particularly at the announcement of interim and year end results. Links to webcast presentations are published on the Group's website. All shareholders are invited to attend the AGM where they have the opportunity to put questions to the Directors, including the Chairmen of Board Committees.

At the AGM separate resolutions are proposed for each substantially different issue to enable all of them to receive proper and due consideration. Notice of the AGM and related papers are posted on the Group's website between four and six weeks in advance of the meeting. Further information on the activities of the Group and other shareholder information is available via the Unibet Group's corporate website, www.unibetgroupplc.com.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING FOR THE FINANCIAL YEAR 2010

Introduction

According to the Maltese Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report has been prepared according to the Swedish Code of Corporate Governance Provisions 7.4 and is accordingly limited to internal control over financial reporting. This report, which has not been reviewed by the auditors, is not part of the formal financial statements.

Description

a. Control environment

The Directors have ultimate responsibility for the system of internal controls and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

b. Risk assessment

The Executive management members are responsible for reviewing risks, and for identifying, evaluating and managing the significant risks applicable to their respective areas of business. Risks are reviewed and assessed on a regular basis by the Group Regulatory Compliance Officer and the Security Officer, the Head of Trading, the Audit Committee and the Board. The effectiveness of controls is considered in conjunction with the range of risks and their significance to the operating circumstances of individual areas of the business.

c. Control activities

The Board is responsible for all aspects of the Group's control activities.

The Audit Committee assists the Board in its review of the effectiveness of internal controls and is responsible for setting the strategy for the internal control review. In doing so, it takes account of the organisational framework and reporting mechanisms embedded within the Group, and the work of the Group Regulatory Compliance Officer and the Security Officer and the Head of Trading.

Working throughout the Group, the role of the Group Regulatory Compliance Officer and the Security Officer and the Head of Trading is to identify, monitor and report to the Board on the significant financial and operating risks faced by the Group to provide assurance that Unibet meets the highest standards of corporate governance expected by its stakeholders.

d. Information and communication

The Board receives regular formal reports from Executive management concerning the performance of the business, including explanations for material variations from expected performance and assessments of changes in the risk profile of the business that have implications for the system of internal control. In particular the Board receives direct periodic reports from the Group Regulatory Compliance Officer and the Security Officer.

The Board also takes account of the advice of the Audit Committee, reports received from the external auditors, and any other related factors which come to its attention.

e. Monitoring

Further information concerning the activities of the Audit Committee in relation to the monitoring of Unibet's internal controls, including the annual evaluation of the requirement to implement a special internal audit function and review of the financial reports published quarterly, is contained in the Audit Committee Report on page 41.

On behalf of the Board
Malta, 4 April 2011

Anders Ström
Chairman and Director

Peter Lindell
Director

Statement of Compliance with the Swedish Code of Corporate Governance

Unibet does not comply with Provision 2.4 of the Code since Anders Ström is both Chairman of the Board of Directors and Chairman of the Nomination Committee. However this procedure to nominate the Nomination Committee was decided by shareholders at the 2010 AGM.

Unibet does not comply with Provision 7.3 of the Code, which requires the Audit Committee to have at least three members. Unibet considers that the Audit Committee as presently constituted is effective in meeting the requirements of EU's 8th Company Law Directive.

No separate auditors' report on the corporate governance report is required under the Maltese Companies Act.

With the exception of the matters noted above, the Directors believe that they are in compliance with the Swedish Code of Corporate Governance.

CONSOLIDATED INCOME STATEMENT

GBP 000	Note	Year ended 31 December 2010	Year ended 31 December 2009
Gross winnings revenue	3	**147,479**	138,318
Cost of sales	4	**-18,486**	-17,641
Gross profit		**128,993**	**120,677**
Marketing costs	4	**-34,113**	-36,637
Administrative expenses	4	**-60,663**	-51,289
Profit from operations	3	**34,217**	**32,751**
Finance costs arising on bond repurchase	6	**–**	-1,353
Other finance costs	6	**-472**	-2,984
Total finance costs	6	**-472**	-4,337
Finance income	7	**169**	480
Share of loss from associate	13	**-101**	-12
Profit before tax		**33,813**	**28,882**
Income tax expense	8	**-1,431**	-2,116
Profit after tax		**32,382**	**26,766**

All the above amounts relate to continuing operations and are attributable to equity shareholders.

Key ratios

	Note	2010	2009
Operating margin % (Profit from operations/gross winnings revenue for the year)		**23**	24
Return on total assets % (Profit after tax/average of opening and closing assets for the year)		**15**	12
Return on average equity % (EBIT/average of opening and closing equity for the year)		**26**	29
Equity: asset ratio %		**65**	58
EBITDA margin %		**30**	30
Net cash/EBITDA (rolling 12-month basis)		**0.26**	0.27
Employees at year end		**493**	465
Earnings per share GBP	10	**1.154**	0.957
Fully diluted earnings per share GBP	10	**1.153**	0.956
Number of shares at year end	20	**28,258,038**	28,258,038
Fully diluted number of shares at year end		**28,268,771**	28,322,407
Average number of shares	10	**28,062,245**	27,955,464
Average number of diluted shares	10	**28,088,435**	27,989,238

More detailed definitions can be found on page 68.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GBP 000	Year ended 31 December 2010	Year ended 31 December 2009
Profit for the year	**32,382**	**26,766**
Other comprehensive income		
Currency translation adjustments taken to equity	**5,859**	-136
Comprehensive income for the year	**38,241**	**26,630**

Profit and comprehensive income relate to continuing operations and are wholly attributable to equity holders.

The translation adjustment relates primarily to foreign currency retranslation of goodwill and acquired intangibles and the net investment in the subsidiaries, to the closing exchange rate for each period.

CONSOLIDATED BALANCE SHEET

GBP 000	Note	As at 31 December 2010	As at 31 December 2009
Assets			
Non-current assets			
Goodwill	11	**127,197**	122,369
Other intangible assets	11	**26,299**	26,597
Investment in associate	13	**1,362**	–
Property, plant and equipment	12	**2,572**	2,952
Deferred tax asset	18	**293**	169
		157,723	**152,087**
Current assets			
Trade and other receivables	15	**11,926**	9,538
Taxation recoverable		**10,220**	11,327
Cash and cash equivalents	26	**38,495**	39,764
		60,641	**60,629**
Total assets		**218,364**	**212,716**
Equity and liabilities			
Capital and reserves			
Share capital	20	**141**	141
Share premium	20	**74,044**	74,044
Currency translation reserve	20	**15,780**	9,921
Reorganisation reserve	20	**-42,889**	-42,889
Retained earnings		**94,719**	81,517
Total equity		**141,795**	**122,734**
Non-current liabilities			
Deferred tax liability	18	**783**	2,048
		783	**2,048**
Current liabilities			
Trade and other payables	16	**26,489**	22,447
Customer balances	16	**27,191**	28,305
Deferred income	14	**1,536**	1,758
Tax liabilities		**13,685**	14,021
Borrowings	17	**6,885**	21,403
		75,786	**87,934**
Total liabilities		**76,569**	**89,982**
Total equity and liabilities		**218,364**	**212,716**

The notes on pages 47 to 65 are an integral part to these financial statements.

The financial statements on pages 43 to 65 were authorised for issue by the Board of Directors on 4 April 2011 and were signed on its behalf by:

Anders Ström
Chairman and Director

Peter Lindell
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GBP 000	Notes	Share capital	Share premium	Currency translation reserve	Re-organisation reserve	Retained earnings	Total
Balance as at 1 January 2009		141	73,838	10,057	-42,889	59,531	100,678
Comprehensive income							
Profit for the year		–	–	–	–	26,766	26,766
Other comprehensive income							
Foreign exchange differences on the translation of net equity investments in foreign enterprises		–	–	956	–	–	956
Translation adjustment on goodwill and acquired intangibles	11	–	–	-1,092	–	–	-1,092
		–	–	-136	–	–	-136
Total comprehensive income		**–**	**–**	**-136**	**–**	**26,766**	**26,630**
Transactions with owners							
Share options – value of employee services	19	–	–	–	–	659	659
Proceeds of shares issued	20	–	206	–	–	–	206
Disposal of treasury shares	20	–	–	–	–	988	988
Dividend paid	9	–	–	–	–	-6,427	-6,427
Total transactions with owners		**–**	**206**	**–**	**–**	**-4,780**	**-4,574**
At 31 December 2009	20	**141**	**74,044**	**9,921**	**-42,889**	**81,517**	**122,734**
Comprehensive income							
Profit for the year		–	–	–	–	32,382	32,382
Other comprehensive income							
Foreign exchange differences on the translation of net equity investments in foreign enterprises		–	–	-616	–	–	-616
Translation adjustment on goodwill and acquired intangibles	11	–	–	6,475	–	–	6,475
		–	–	5,859	–	–	5,859
Total comprehensive income		**–**	**–**	**5,859**	**–**	**32,382**	**38,241**
Transactions with owners							
Share options – value of employee services	19	–	–	–	–	425	425
Disposal of treasury shares	20	–	–	–	–	323	323
Dividend paid	9	–	–	–	–	-19,928	-19,928
Total transactions with owners		**–**	**–**	**–**	**–**	**-19,180**	**-19,180**
At 31 December 2010	20	**141**	**74,044**	**15,780**	**-42,889**	**94,719**	**141,795**

The notes on pages 47 to 65 are an integral part to these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

GBP 000	Notes	Year ended 31 December 2010	Year ended 31 December 2009
Operating activities			
Profit from operations		**34,217**	32,751
Adjustments for:			
Depreciation of property, plant and equipment	12	**1,714**	1,741
Amortisation of intangible assets	11	**7,833**	7,400
Loss on disposal of property, plant and equipment	12	**34**	99
Loss on sale of subsidiaries	21	**279**	–
Share-based payment	19	**425**	659
(Increase)/decrease in receivables		**-2,388**	630
Increase in payables		**2,631**	3,107
Cash flows from operating activities		**44,745**	**46,387**
Income taxes paid net of tax refunded		**-2,076**	-1,992
Net cash generated from operating activities		**42,669**	**44,395**
Investing activities			
Acquisition of subsidiaries, net of cash acquired and debt assumed	21	**-163**	354
Investment in associate	13	**-1,484**	–
Interest received	7	**169**	480
Interest paid		**-982**	-6,132
Purchases of property, plant and equipment	12	**-1,303**	-837
Purchases of intangible assets	11	**-6,179**	-2,642
Net cash used in investing activities		**-9,942**	**-8,777**
Financial activities			
Dividends paid	9	**-19,928**	-6,427
Proceeds of issue of new shares for share options	19,20	**–**	206
Disposal of treasury shares	19,20	**323**	988
Bond buy back	17	**–**	-64,266
Proceeds from borrowings	17	**–**	21,602
Repayment of borrowings	17	**-13,995**	–
Net cash used in financing activities		**-33,600**	**-47,897**
Net decrease in cash and cash equivalents		**-873**	**-12,279**
Cash and cash equivalents at the beginning of the year		**39,764**	**53,383**
Effect of foreign exchange rate changes		**-396**	-1,340
Cash and cash equivalents at the end of the year		**38,495**	**39,764**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRIC interpretations and the Maltese Companies Act 1995, applicable to companies reporting under IFRS as adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention, subject to modification where appropriate by the revaluation of financial assets and liabilities at fair value through profit or loss. The individual parent financial statements have been prepared separately.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2B.

(a) New and amended standards and interpretations effective from 1 January 2010 and adopted by the Group

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2010:

IFRS 3 (revised), 'Business combinations' (effective 1 July 2009). The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

IAS 27 (revised), 'Consolidated and separate financial statements' (effective 1 July 2009), requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

IFRIC 17, 'Distribution of non-cash assets to owners' (effective 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The standard does not have a material impact on the Group's financial statements.

IAS 38 (amendment), 'Intangible assets' (effective 1 January 2010). The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The standard does not have a material impact on the Group's financial statements.

IAS 1 (amendment), 'Presentation of financial statements' (effective 1 January 2010). The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counter-party to settle in shares at any time. The standard does not have a material impact on the Group's financial statements.

IAS 36 (amendment), 'Impairment of assets' (effective 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). As outlined in Note 11, Management considers the business to be one cash-generating unit. The amendment does not have a material impact on the Group's 2010 financial statements.

IFRS 2 (amendments), 'Group cash-settled share based payment transactions' (effective 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The standard does not have a material impact on the Group's financial statements.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' (effective 1 January 2010). The amendment provides clarification on IFRS 5 disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still applies, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The amendment does not have a material impact on the Group's financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IAS 32 (amendment), 'Classification of rights issues' (effective 1 February 2010). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The group will apply the amended standard from 1 January 2011, but its adoption is not expected to have a material impact on the Group's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Adoption is not expected to have a material impact on the Group's financial statements.

IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011). The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. The standard has not yet been endorsed by the EU, but the proposed revision will clarify and simplify the definition of a related party and remove the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is not expected to have a material impact on the Group's financial statements.

IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement' (effective 1 January 2011). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendments should be applied retrospectively to the earliest comparative period presented. The group will apply these amendments for the financial reporting period commencing on 1 January 2011, but does not expect a material impact on the Group's financial statements.

IFRS 9, 'Financial instruments' (effective 1 January 2013). This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The standard has not yet been endorsed by the EU. The group is yet to assess IFRS 9's full impact.

NOTE 2A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Unibet Group plc ('the Company') and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the ability to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group. All intercompany transactions and balances between Group companies are eliminated on consolidation. Subsidiaries are consolidated, using the purchase method of accounting, from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. All associate entities are accounted for by applying the equity accounting method.

Revenue recognition

Gross winnings revenue on sports betting represents the net receipt of bets placed and payouts made within the consolidated entity for the financial year. For the non-sports betting segment, gross winnings revenue equates to gross turnover.

Revenue is recognised when the amount of revenue can be measured reliably, and it is probable that future economic benefits will flow after specific criteria have been met. Where revenue can be measured reliably but transactions have not closed at balance sheet date, the revenue will be presented within the balance sheet as deferred income.

The Group considers:

i) gross winnings revenue to be financial instruments in which betting transactions are shown net, i.e. stakes (or turnover) less payouts, and
ii) the gains and losses arising as a result of customer bonuses (or free bets) as revenue, which is measured at the value of the consideration received or receivable from customers.

Segment reporting

Following adoption of IFRS 8 in 2009, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer who, subject to authorisation by the Board, makes strategic decisions.

Leasing

Unibet's leases are all operating leases (leases in which a significant portion of the risks and rewards of ownership are retained by the lessor). Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease (net of any incentive received from the lessor).

Foreign currencies

The Group operates in Malta and in a number of international territories. The presentation currency of the consolidated financial statements is GBP since that is the currency in which the shares of the Company are denominated.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the company operates; being the functional currency.

Transactions in currencies other than the functional currency of the company in which they are recorded are initially recorded at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the year. Gains and losses related to financing, including unrealised gains and losses arising on the retranslation of the loan, are recognised within finance costs. Gains and losses arising on operations are recognised within administrative expenses.

The Group does not enter into forward contracts nor options to hedge its exposure to foreign exchange risks. Translation differences related to retranslation of bank loans and the bond are recognised in the income statement as part of finance costs.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the exchange rate on the date the transaction took place. Exchange differences arising on the translation of subsidiary reserves are classified as equity and transferred to the Group's translation reserve.

Translation differences relating to long term non-trading inter-company balances are also included within the Group's translation reserve.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Retirement benefit costs and pensions

The Group does not operate any defined benefit pension schemes for employees or Directors. Certain Group companies do make contributions to defined contribution pension schemes for employees on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. The Group does not provide any other post-retirement benefits.

Taxation

The tax expense represents the sum of the tax currently payable, and movements in the deferred tax provision.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax may be offset where appropriate.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. Goodwill is carried at cost, less accumulated impairment losses. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity and translated at the closing rate. Adjustments arising on translation are taken to the currency translation reserve. Impairment tests on the carrying value of goodwill are undertaken every year. Impairment losses on goodwill are not reversed.

Associated companies

Associates are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies have been reported according to the equity method. This means that the Group's share of income after taxes in an associated company is reported as part of the Group's income. Investments in such a company are reported initially at cost, increased, or decreased to recognise the Group's share of the profit or loss of the associated company after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains or losses on transactions with associated companies, if any, have been recognised to the extent of unrelated investors' interests in the associate.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Other intangible assets

Expenditure on research activities is recognised at cost as an expense in the period in which it is incurred.

An internally-generated development intangible asset is recognised at cost only if all of the following criteria are met:

An asset is created that can be identified (such as a database or software)

It is probable that the asset created will generate future economic benefits

The development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally generated intangible assets are amortised on a straight-line basis over three to five years. Intangible assets identified as a result of a business combination are dealt with at fair value in line with IAS 38, and are brought on to the consolidated balance sheet at the date of acquisition. Where they arise as a result of the acquisition of a foreign entity they are treated as assets of the acquired entity and are translated at the closing rate. Acquired intangibles include brands, customer databases and trade names which are being amortised over a period of three to five years, as the Directors believe this to be their useful economic life. The 'Maria' brand is considered to have an indefinite economic life and is therefore not subject to amortisation, but is instead subject to an annual impairment review.

Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring in to use the specific software. These costs are amortised over their estimated useful life of three years. Costs associated with maintaining computer software are expensed as incurred.

Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment. In the event that non-financial assets other than goodwill suffer impairment, these non-financial assets are reviewed for possible reversal of the impairment annually.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation, less the estimated residual value, of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Plant and office equipment 3 years
Fixtures and fittings 3-5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within administrative expenses in the consolidated income statement.

The residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

If any impairment is identified in the carrying value of an asset, it is written down to its recoverable amount.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash, and cash equivalents in the balance sheet.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within gross winnings revenue.

The translation differences on monetary securities are recognised in the consolidated income statement, while translation differences on non-monetary securities are recognised in the statement of changes in equity. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment that is required when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the assets' carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification (i) financial liabilities at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognised in the income statement; and (ii) financial liabilities measured at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other revenues and finance costs.

The group derecognises a financial liability from its balance sheet when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

Trade payables

Trade payables, including customer balances, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Deferred income

Deferred income, representing revenue which can be measured reliably but where transactions have not closed at balance sheet date, is recognised at fair value with gains or losses recognised in the income statement.

Borrowings and finance costs

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Share-based employee remuneration

The Group operates a number of equity-settled share-based compensation plans, under which Group companies receive services from employees as consideration for equity instruments (options) in Unibet. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service or vesting conditions. The total amount expensed is recognised over the vesting period of the options, which is usually three years.

At the end of each reporting period, the Group revises the estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any direct costs are credited to share capital and share premium when options are exercised.

Cash and cash equivalents, and finance income

Cash and cash equivalents includes cash in hand, deposits held at call with banks, payment solution providers, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Finance income is recognised on bank balances as and when it is receivable.

Dividend distribution

Dividends are recognised as a liability in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

NOTE 2B: CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and other intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment, in accordance with the accounting policy stated above. The recoverable amount of cash-generating units has been determined based on value-in-use calculations which require the use of estimates. See Note 11.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business.

Legal environment

The Group operates in a number of markets in which its operations may be subject to litigation risks, as highlighted on pages 30 and 31. The Group routinely makes estimates concerning the potential outcome of such risks.

NOTE 2C: FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the Group's markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is managed by the finance team reporting through the Chief Financial Officer to the Board of Directors. The Board of Directors supervises strategic decisions, including the management of the Group's capital structure.

Market risk

Market risk is the risk that Unibet will lose money on its business due to unfavourable outcomes on the events where the Group offers odds. The Group has adopted specific risk management policies that control the maximum risk level for each sport or event where the Group offers odds. The results of the most popular teams in major football leagues comprise the predominant market risk. Through diversification, which is a key element of Unibet's business, the risk is spread across a large number of events and sports.

The heads of Odds compilation and Risk management are responsible for day-to-day monitoring of Unibet's market risk. It is also their responsibility to advise the odds compilers and risk managers on appropriate risk levels for certain events.

To achieve the desired risk profile, Unibet conducts proprietary trading with a small number of well-known companies.

The Compliance officer and the head of sports betting jointly assess risk levels for individual events as well as from a longer-term perspective. Independent staff make random risk evaluations for the various regions.

On non-sports betting, Unibet does not usually incur any significant financial risk, except for the risk of fraudulent transactions considered within credit risk below.

Foreign exchange risk

The Group operates internationally and in addition to GBP sterling, is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish kronor, Norwegian kroner, Danish kroner, Swiss franc and US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and pay-outs to customers in different territories are matched in the same currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. In addition, the Group reports in GBP sterling, which is the currency in which its own share capital is denominated, although it is incorporated and trading in Malta.

The spread of the Group's operations, including material revenue and expenses denominated in many different currencies, and taking into account the fact that customers can trade with the Group in currencies other than the currency of their territory of residence, makes it impractical to isolate the impact of single currency movements on the results from operations. During 2010 the rate of exchange of the euro weakened against GBP by 3.2% (from a rate of EUR 1.126 per GBP to a rate of EUR 1.162 per GBP). The rate of exchange of the Swedish kronor strengthened by 9.8% (from a rate of SEK 11.544 per GBP to a rate of SEK 10.416 per GBP). The main currency movements during 2010 occurred during the second and third quarters of the year. These movements in some of the Group's principal trading currencies contributed to the overall foreign exchange loss on operations as shown in Note 4 on page 54 and to the foreign exchange gain on the loan as shown on Note 6 on page 55. Additional foreign exchange disclosures are contained in Note 16 on page 59.

As the borrowings of the Group at the end of the financial year are denominated in euros, there is a currency translation exposure related to that financial liability. Based on the exchange rate between the euro and GBP at 31 December 2010, a 5% fall in the value of the GBP against the euro would give rise to an exchange loss of approximately GBP 0.36 (2009: GBP 1.1) million, while a 5% gain in the value of the GBP against the euro would give rise to an exchange gain of approximately GBP 0.33 (2009: GBP 1.0) million. Foreign exchange risk on the loan has reduced as at 31 December 2010, in accordance with the level of the outstanding loan balance of EUR 8 million (2009: EUR 24 million). Until such time as the loan becomes repayable, such translation gains and losses are unrealised. The potential translation gains and losses arising on the loan would be offset to the extent that the Group generates positive future cash flows in euros.

Interest rate risk

The Group interest rate risk was managed during the year through the negotiation of fixed rates on the individual tranches of the bank loan.

The substantial majority of the Group's liquid resources are held in short-term accounts in order to provide the necessary liquidity to fund the Group's operations, so there is no significant exposure to interest rate risk in respect of the Group's interest-bearing assets.

Credit risk

The Group manages credit risk on a group-wide basis. The Group does not in normal circumstances offer credit to any customers and therefore the only exposure to credit risk in respect of its sports betting business arises in respect of the limited trading activities that it occasionally conducts with other parties in order to lay off its exposure. In non-sports betting the Group works with a small number of partners and at any time may have a small degree of credit exposure.

The principal credit risk that the Group faces in its gaming operations comes from the risk of fraudulent transactions and the resulting charge-backs from banks and other payment providers. The Group has a Fraud department that is independent of its Finance function that investigates each case that is reported and also monitors the overall level of such transactions in connection with changes in the business of the Group, whether in terms of new markets, new products or new payment providers. See also Note 2F overleaf.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding for the business. The Group ensures adequate liquidity through the management of rolling cash flow forecasts, the approval of investment decisions by the Board and the negotiation of appropriate financing facilities. The Group also monitors adherence to debt covenants related to the bank loan in accordance with the conditions of those instruments, and is fully compliant with such conditions.

The maturity of the Group's borrowings is disclosed in Note 17 on page 59. The Group's financial liabilities of GBP 62.1 (2009: 73.9) million all mature in less than one year.

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. See also Notes 14 and 16 for further information on the Group's financial liabilities.

	At 31 December 2010			At 31 December 2009		
GBP 000	Less than 1 year	Between 1-2 years	Between 2-5 years	Less than 1 year	Between 1-2 years	Between 2-5 years
Bank and other borrowings	**6,885**	–	–	21,403	–	–
Deferred income	**1,536**	–	–	1,758	–	–
Trade and other payables	**26,489**	–	–	22,447	–	–
Customer balances	**27,191**	–	–	28,305	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2D: CAPITAL RISK MANAGEMENT

Unibet's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure both to reduce the cost of capital and to provide appropriate funding for expansion of the business. Unibet has a consistent record of positive operating cash flows as well as significant ability to manage the timing and extent of discretionary expenditure in the business. Although the balance sheet at 31 December 2010 showed net current liabilities, the Group expects to move into a net current asset position in 2011.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Unibet monitors capital on the basis of the gearing ratio, which is calculated as net cash less debt, divided by total capital. Net cash is calculated as cash and cash equivalents less customer balances. Total capital is calculated as 'equity' as shown in the consolidated balance sheet, plus net cash less debt.

The gearing ratios at 31 December 2010 and 2009 were as follows:

GBP 000	Note	2010	2009
Cash and cash equivalents		**38,495**	39,764
Less: Customer balances	16	**-27,191**	-28,305
Net cash		**11,304**	11,459
Total borrowings	17	**-6,885**	-21,403
Net cash less debt		**4,419**	-9,944
Total equity		**141,795**	122,734
Total capital		**146,214**	132,678
Gearing ratio		**-3%**	**7%**

NOTE 2E: FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 2F: CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Since Unibet does not have significant trade receivables other than payment solution providers, the credit risk associated with its normal operations is principally in relation to fraudulent transactions as described in Note 2C overleaf.

Unibet uses a large number of banks and payment solution providers both in order to provide maximum access to markets and convenience for customers and also to ensure that credit risk in banking relationships is spread.

The credit ratings of Unibet's principal banking partners at 31 December 2010, based on publicly reported Fitch ratings, are as follows:

GBP 000	2010	2009
AA	**1**	417
AA-	**16,271**	18,238
A+	**11,450**	10,929
A	**90**	2,456
A-	**608**	940
Not rated	**9,429**	5,645
Other	**646**	1,139
Total cash and cash equivalents	**38,495**	**39,764**

Unibet continually monitors its credit risk with banking partners and did not incur any losses during 2010 as a result of bank failures.

Not rated consists of payment solution providers where credit risk is managed by maintaining a spread of Unibet funds across a number of industry established providers.

Other consists of a large number of banks, none of whom held more than 3% of the Group's total cash and cash equivalents at 31 December 2010 and 2009.

None of the financial assets that are fully performing have been renegotiated during the year.

The maximum exposure to credit risk for cash and cash equivalents, receivables, and other financial assets is represented by their carrying amount.

NOTE 3: OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the CEO and Executive management team and provided to the Board, which are used to make strategic decisions.

Management considers the business primarily from a geographic perspective and during 2009 had reorganised the business to reinforce the primary role of territory management in driving the business forward. Products are an important part of Unibet's operational matrix but the product teams are considered as suppliers of products and services to the territory managers. This reflects the fact that products may be sourced both internally and externally from independent suppliers.

Where products, such as the Sportsbook, are sourced internally, it is Unibet's intention that the provision of the products and related services should be conducted on a professional basis, consistent with Unibet's strategy of offering such products on a business-to-business basis to external customers in such a way that the integrity of the offering is assured.

The reportable operating segments derive their revenues from online sports and non-sports betting operations.

The primary measure used by the CEO and Executive management to assess the performance of operating segments is gross profit, which is defined as gross winnings revenue (net of commissions and bonuses), less cost of sales. This measurement basis excludes central overheads incurred in support of the integrated operating model applied by Unibet in order to derive maximum operational efficiency.

Unibet does not allocate such central operating and administrative expenses by segment since any allocation would be arbitrary. The measure also excludes the effects of equity-settled share-based payments, depreciation and amortisation, and finance costs and income.

Unibet operates an integrated business model and does not allocate either assets or liabilities of the operating segments in its internal reporting, except for certain acquired intangibles as shown in the tables below.

The segment information provided to the CEO and Executive management team for the reportable segments during the year ended 31 December 2010 is as follows:

31 December 2010 GBP 000	Nordic Region	Western Europe	Central, Eastern and Southern Europe	Other	Total
Revenue					
Gross winnings revenue from external customers	75,091	55,034	20,282	3,222	**153,629**
Free Bets	-2,249	-2,039	-1,836	-26	**-6,150**
Gross winnings revenue as reported	72,842	52,995	18,446	3,196	**147,479**
Cost of sales	-3,820	-4,071	-6,095	-4,500	**-18,486**
Gross profit	69,022	48,924	12,351	-1,304	**128,993**
Marketing costs	–	–	–	–	**-34,113**
Administrative expenses	–	–	–	–	**-60,663**
Profit from operations	–	–	–	–	**34,217**
Assets by reportable segments					
Goodwill	54,486	61,804	10,907	–	**127,197**
Intangibles acquired through business combinations	16,140	–	–	–	**16,140**
Other assets not allocated to reportable segments					
Other intangible assets	–	–	–	10,159	**10,159**
Investment in associate	–	–	–	1,362	**1,362**
Property, plant and equipment	–	–	–	2,572	**2,572**
Deferred tax assets	–	–	–	293	**293**
Trade and other receivables	–	–	–	11,926	**11,926**
Taxation recoverable	–	–	–	10,220	**10,220**
Cash and cash equivalents	–	–	–	38,495	**38,495**
	70,626	**61,804**	**10,907**	**75,027**	**218,364**

Liabilities

Liabilities are not allocated by reportable segment in the internal management reporting of Unibet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: OPERATING SEGMENTS CONTINUED

The segment information provided to the CEO and Executive management team for the reportable segments during the year ended 31 December 2009 is as follows:

31 December 2009 GBP 000	Nordic Region	Western Europe	Central, Eastern and Southern Europe	Other	Total
Revenue					
Gross winnings revenue from external customers	66,318	56,424	19,943	1,485	**144,170**
Free Bets	-2,014	-2,538	-1,265	-35	**-5,852**
Gross winnings revenue as reported	64,304	53,886	18,678	1,450	**138,318**
Cost of sales	-3,968	-5,551	-5,474	-2,648	**-17,641**
Gross profit	60,336	48,335	13,204	-1,198	**120,677**
Marketing costs	–	–	–	–	**-36,637**
Administrative expenses	–	–	–	–	**-51,289**
Profit from operations	–	–	–	–	**32,751**
Assets by reportable segments					
Goodwill	49,628	61,830	10,911	–	**122,369**
Intangibles acquired through business combinations	15,294	611	108	–	**16,013**
Other assets not allocated to reportable segments					
Other intangible assets	–	–	–	10,584	**10,584**
Investment in associate	–	–	–	2,952	**2,952**
Property, plant and equipment	–	–	–	169	**169**
Deferred tax assets	–	–	–	9,538	**9,538**
Trade and other receivables	–	–	–	11,327	**11,327**
Cash and cash equivalents	–	–	–	39,764	**39,764**
	64,922	**62,441**	**11,019**	**74,334**	**212,716**

Liabilities

Liabilities are not allocated by reportable segment in the internal management reporting of Unibet.

Product revenues

Gross winnings revenue by principal product groups:

GBP 000	2010	2009
Sports betting (after Free Bets)	**62,639**	51,166
Casino	**54,146**	52,077
Poker	**20,210**	24,439
Other	**10,484**	10,636
	147,479	**138,318**

NOTE 4: EXPENSES BY NATURE

GBP 000	31 December 2010	31 December 2009
Cost of sales	**18,486**	17,641
Marketing costs	**34,113**	36,637
Administrative expenses		
Fees payable to statutory auditor	**446**	449
Operating lease rentals	**1,149**	1,261
Depreciation of property, plant and equipment	**1,714**	1,741
Amortisation of intangibles	**7,833**	7,400
Loss on disposal of property, plant and equipment	**34**	99
Loss on sale of subsidiaries	**279**	–
Staff costs	**23,233**	21,033
Research and development expenditure	**6,867**	6,084
Foreign exchange losses/(gains) on operations	**1,244**	-1,114
Other	**17,864**	14,336
Total administrative expenses	**60,663**	51,289
Total expenses	**113,262**	**105,567**

Fees payable to statutory auditor can be broken down as follows:

GBP 000	31 December 2010	31 December 2009
Annual statutory audit	**330**	315
Tax advisory and compliance services	**39**	84
Other assurance services	**77**	50
	446	**449**

NOTE 5: STAFF COSTS

The work of all employees relates principally to marketing of sports betting and non-sports betting products.

Average number of employees	31 December 2010	31 December 2009
Finance, administration and management	**75**	69
Marketing and customer service	**238**	175
Kambi	**123**	107
Research and development	**53**	67
	489	**418**

Staff costs can be broken down as follows:

GBP 000	31 December 2010	31 December 2009
Wages and salaries	**19,657**	17,439
Share option charge – value of employee services	**425**	659
Social security costs	**2,713**	2,503
Other pension costs	**438**	432
	23,233	**21,033**

The remuneration of the Directors and Executive management is disclosed on page 39.

NOTE 6: FINANCE COSTS

GBP 000	31 December 2010	31 December 2009
Interest on bond	–	6,190
Loan interest payable	**954**	305
Finance costs on loan & bond repurchase	**166**	1,353
Foreign exchange gain on borrowings	**-648**	-3,511
	472	**4,337**

Foreign exchange gains or losses on operating activities are included within operating costs.

NOTE 7: FINANCE INCOME

GBP 000	31 December 2010	31 December 2009
Interest on bank deposits	**169**	480
	169	**480**

NOTE 8: INCOME TAX EXPENSE

GBP 000	Note	31 December 2010	31 December 2009
Current tax:			
Income tax (expense)/credit		**-2,862**	2,072
		-2,862	**2,072**
Deferred tax:			
Deferred tax credit/(expense)	18	**1,431**	-4,188
		1,431	**-4,188**
Total tax expense		**-1,431**	**-2,116**

Income tax in Malta is calculated at a basic rate of 35% (2009: 35%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The tax expense for the year can be reconciled to the profit per the income statement as follows:

GBP 000	31 December 2010	31 December 2009
Profit before tax	**33,813**	28,882
Taxation at the basic income tax rate of 35% (2009: 35%)	**-11,835**	-10,109
Effects of:		
Utilisation/non-utilisation of tax losses	**92**	-571
Double-taxation relief	**82**	40
Tax refund	**10,219**	9,163
Overseas tax rates	**218**	70
Items of income/expenditure not taxable/deductible	**-2,614**	-2,377
Other	**1,444**	1,793
Reversal of prior years' deferred tax credit/(expense)	**963**	-125
Tax expense	**-1,431**	**-2,116**

The tax refund of GBP 10,219,000 (2009: GBP 9,163,000) represents Malta tax recoverable by the Company in accordance with applicable fiscal legislation on dividends distributed during the year.

NOTE 9: DIVIDENDS

GBP 000	31 December 2010	31 December 2009
Dividend paid GBP 0.71 per share (2009: GBP 0.23 per share)	**19,928**	**6,427**

The Board of Directors do not propose to pay a dividend in respect of the financial year 2010. The cash reserve being built up combined with the Group's strong profitability and cash flow gives the Board flexibility to consider strategic opportunities including acquisitions. The cash reserve may be distributed at a later stage should the opportunities not materialise.

NOTE 10: EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

GBP 000	31 December 2010	31 December 2009
Earnings		
Earnings for the purposes of basic earnings per share	**32,382**	26,766
Earnings for the purposes of diluted earnings per share	**32,382**	26,766
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**28,062,245**	27,955,464
Effect of dilutive potential ordinary shares – Share options	**26,190**	33,774
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**28,088,435**	27,989,238
Earnings per share GBP		
Basic earnings per share	**1.154**	0.957
Fully diluted earnings per share	**1.153**	0.956

The nominal value per share is GBP 0.005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: INTANGIBLE ASSETS

GBP 000	Note	Goodwill	Other intangible assets				
			Development costs	Computer software	Customer database	Brands and other	Total
Cost							
At 1 January 2009		123,165	20,151	5,034	6,899	16,316	48,400
Additions		–	2,085	557	–	–	2,642
Disposals		–	–	-156	–	–	-156
Acquisitions – through business combination	21	12	–	66	–	–	66
Reclassifications		–	–	134	–	–	134
Currency translation adjustment		-808	–	-101	-24	-224	-349
At 31 December 2009		122,369	22,236	5,534	6,875	16,092	50,737
Additions		–	5,201	978	–	–	6,179
Disposals	21	-12	–	-619	–	–	-619
Currency translation adjustment		4,840	–	140	222	1,694	2,056
At 31 December 2010		**127,197**	**27,437**	**6,033**	**7,097**	**17,786**	**58,353**
Accumulated amortisation							
At 1 January 2009		–	9,651	2,564	3,581	1,034	16,830
Charge for the year	4	–	3,990	1,043	1,627	740	7,400
Disposals		–	–	-145	–	–	-145
Reclassifications		–	–	111	–	–	111
Currency translation adjustment		–	–	-92	13	23	-56
At 31 December 2009		–	13,641	3,481	5,221	1,797	24,140
Charge for the year	4	–	5,024	1,371	1,304	134	7,833
Disposals		–	–	-340	–	–	-340
Currency translation adjustment		–	–	132	194	95	421
At 31 December 2010		**–**	**18,665**	**4,644**	**6,719**	**2,026**	**32,054**
Net book value							
At 31 December 2010		**127,197**	**8,772**	**1,389**	**378**	**15,760**	**26,299**
At 31 December 2009		122,369	8,595	2,053	1,654	14,295	26,597

Goodwill arising on business combinations is not subject to amortisation, but is reviewed for impairment as described below. The amortisation period for development costs is between three and five years depending on the nature of the project. For other intangible assets, the amortisation period is between three and five years, based on the Directors' assessment of their useful economic lives.

Impairment Review

Following the acquisition of the MrBookmaker Group in 2005, the Maria Group in 2007, and Guildhall Media Invest in 2008, the activities of the acquired businesses have been integrated into the existing businesses of Unibet and the combined businesses are now managed on a unified basis. Management considers the combined business to be one cash-generating unit, as the originally purchased businesses are no longer separately identifiable.

Goodwill was subject to foreign currency adjustments in 2010 as shown in the above table and explained within the Group's accounting policies.

During the year, therefore, the goodwill of GBP 127.2 million, and the Maria Brand of GBP 15.7 million was tested for impairment on a value-in-use basis, based on the budget approved by the Board and extrapolated projections of the Group. These calculations used post-tax cash flow projections based on the 2010 trading performance of Unibet, extrapolated forward using growth rates consistent with the forecasts included in industry reports. The projections do not take account of any growth after the first five years. Based on Management's review, there is no indication of impairment.

The key assumptions which have been approved by the Board used for the value-in-use calculations were as follows:

EBITDA margin	23.0%
Effective tax rate applicable to operating income	5.0%
Discount rate	10%

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

GBP 000	Note	Fixtures and fittings	Plant and office equipment	Total
Cost				
At 1 January 2009		1,812	7,177	8,989
Additions		108	730	838
Disposals		-65	-371	-436
Acquisitions – through business combinations		–	13	13
Foreign exchange translation difference		-24	-52	-76
At 31 December 2009		1,831	7,497	9,328
Additions		98	1,205	1,303
Disposals		-14	-177	-191
Foreign exchange translation difference		57	151	208
At 31 December 2010		**1,972**	**8,676**	**10,648**
Accumulated depreciation				
At 1 January 2009		761	4,235	4,996
Charge for the year	4	302	1,439	1,741
Disposals		-34	-315	-349
Foreign exchange translation difference		-1	-11	-12
At 31 December 2009		**1,028**	**5,348**	**6,376**
Charge for the year	4	301	1,413	1,714
Disposals		-11	-146	-157
Foreign exchange translation difference		33	110	143
At 31 December 2010		**1,351**	**6,725**	**8,076**
Net book value				
At 31 December 2010		**621**	**1,951**	**2,572**
At 31 December 2009		803	2,149	2,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's principal subsidiaries and associated companies at 31 December 2010 are as follows:

	Place of incorporation	Proportion of ownership & voting power %
Name of subsidiary		
Global Leisure Partners Limited	Malta	100%
Unibet (Holding) Limited	Malta	100%
Unibet (International) Limited	Malta	100%
MrBookmaker.com Limited	Malta	100%
Maria Holdings Limited	Malta	100%
Maria Services Limited	Malta	100%
Moneytainment Media (Malta) Limited	Malta	100%
UGP Limited	Great Britain	100%
Unibet (London) Limited	Great Britain	100%
Firstclear Limited	Great Britain	100%
North Development AB	Sweden	100%
PR Entertainment AB	Sweden	100%
E-Gaming United Limited	Belize	100%
Global Entertainment (Antigua) Limited	Antigua	100%
Global IP and Support Services LP	British Virgin Islands	100%
Unibet Italia SRL	Italy	100%
Kambi Group Limited	Malta	100%
Kambi Services Limited	Great Britain	100%
Kambi Sweden AB	Sweden	100%

On 4 May 2010, Unibet acquired 25.9 per cent of Bingo.com Limited, listed on Other OTC market on the NASDAQ Stock Market, through a directed rights issue/ private placement of USD 2.25 million.

The cost of acquisition was GBP 1.484 million, of which the amount determined as goodwill is included within the carrying value of the investment in accordance with IAS 28, and is re-translated at balance sheet date.

The carrying value of the investment is adjusted for Unibet's share of the losses of the associate, and is assessed for impairment at year end.

As a result of the associate issuing further shares during September 2010, Unibet held 23.5 per cent of Bingo.com's total issued shares as at 31 December 2010.

In November 2009, the Group increased its interest in Monnet Enterprises Limited from 50% to 100%, and consequently the company ceased to be an associate at the end of 2009. As explained in Note 21, Monnet Enterprises Limited was no longer a subsidiary of the Group as at 31 December 2010.

The movements in the Group's interests in associates are shown below:

GBP 000	2010	2009
Carrying value at 1 January	**–**	119
Additions	**1,484**	–
Foreign exchange movement	**-21**	–
Share of associate's loss	**-101**	-12
	1,362	107
Converted to subsidiary	**–**	-107
Carrying value at 31 December	**1,362**	**–**

NOTE 14: FINANCIAL INSTRUMENTS

The carrying value of the Group's financial assets and financial liabilities approximated to their fair values at the year end. At 31 December 2010, other receivables of GBP 9.9 (2009: GBP 6.4) million were considered to be fully performing. Because of the nature of the Group's business, the Group does not carry any provision for impairment of receivables. The Group does not hold any collateral as security for its receivables.

The Group's financial assets consist of loans and receivables, except for assets at fair value through profit and loss of GBP 0.6 (2009: GBP 0.5) million.

The Group's financial liabilities consist of other financial liabilities, except for liabilities at fair value through profit and loss of GBP 1.536 (2009: GBP 1.758) million. Financial liabilities at fair value through profit and loss consist of deferred income relating to unsettled bets at balance sheet date.

IFRS7 requires management to identify a three level hierarchy of financial assets and liabilities at fair value. As noted above, the financial assets at fair value are immaterial and the financial liabilities at fair value have been measured using inputs based on unobservable market data (defined as level three by IFRS 7). A reasonable change in assumptions would not give rise to a material change in value.

NOTE 15: TRADE AND OTHER RECEIVABLES

GBP 000	31 December 2010	31 December 2009
Due within 1 year:		
Other receivables	**9,870**	6,408
Prepayments and accrued income	**2,056**	3,130
	11,926	**9,538**

NOTE 16: TRADE AND OTHER PAYABLES, INCLUDING CUSTOMER BALANCES

GBP 000	31 December 2010	31 December 2009
Due within 1 year:		
Trade payables	**5,554**	5,342
Other taxation and social security	**153**	119
Other payables	**1,282**	686
Accruals	**19,500**	16,300
	26,489	**22,447**

Customer balances of GBP 27.191 (2009: 28.305) million are repayable on demand, subject to the terms and conditions of the Group's websites.

The following table shows the split by currency of customer balances:

	31 December 2010	31 December 2009
EUR	**64%**	71%
SEK	**14%**	11%
NOK	**6%**	4%
DKK	**4%**	4%
USD	**4%**	4%
GBP	**4%**	3%
Other	**4%**	3%
	100%	**100%**

Certain third-party suppliers used by Unibet in its non-sports business use either EUR or USD as their standard currency and therefore the above analysis does not represent the spread of customer balances by territory.

The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and pay-outs to customers in different territories are matched in the same currency.

NOTE 17: BORROWINGS

GBP 000	31 December 2010	31 December 2009
Due within 1 year:		
Bank borrowings	**6,885**	21,314
Other short-term borrowings	**–**	89
	6,885	21,403
Total borrowings	**6,885**	**21,403**

Borrowings are repayable with the following maturity:

GBP 000	31 December 2010	31 December 2009
Due in 1 year	**6,885**	21,403
Due in 1 to 2 years	**–**	–
Due in 2 to 5 years	**–**	–
	6,885	**21,403**

Bank borrowings:

In November 2009 Unibet signed a revolving credit facility with a maximum of EUR 24 million with a leading international bank. In October 2010 Unibet renewed the revolving credit facility of EUR 24 million, with no significant changes to the terms of the contract. Following repayment of EUR 8 million of the loan in October 2010, and a further EUR 8 million repayment in December 2010, EUR 8 million of the facility was utilised as at 31 December 2010.

Bank borrowings are denominated in EUR at a fixed interest rate of 3.5 per cent above EURIBOR at inception, and are unsecured. The bank borrowings under the revolving credit facility are repayable by 18 December 2011. The fair value of the bank borrowings was EUR 8 (2009: EUR 24) million at 31 December 2010.

The revolving credit facility is subject to financial undertakings, principally in relation to debt service ratio and limitations in respect of permitted business acquisitions and disposals. At 31 December 2010 Unibet was in compliance with these undertakings. Unibet anticipates continued full compliance and that the facility will be repaid in accordance with contracted terms.

NOTE 18: DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

GBP 000	Note	Unremitted earnings	Tangible fixed assets	Unrealised exchange differences	Tax losses	Unused tax credits	Intangible assets	Other	Total
At 1 January 2009:									
Deferred tax liability		1,050	149	1,720	–	–	758	–	3,677
Deferred tax asset		–	-40	-1,891	-525	-3,750	–	-20	-6,226
(Credit)/charge to income for the year	8	–	-100	468	525	3,506	-147	-64	4,188
Transfer to currency translation reserve		–	-4	-10	–	244	11	–	241
At 31 December 2009:									
Deferred tax liability		1,050	85	291	–	–	622	–	2,048
Deferred tax asset		–	-80	-5	–	–	–	-84	-169
(Credit)/charge to income for the year	8	-1,050	-148	-171	-71	–	-14	23	-1,431
Transfer to currency translation reserve		–	-4	–	–	–	46	–	42
At 31 December 2010									
Deferred tax liability		–	–	**129**	–	–	**654**	–	**783**
Deferred tax asset		–	**-147**	**-14**	**-71**	–	–	**-61**	**-293**

Certain deferred tax assets and liabilities may have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

GBP 000	31 December 2010	31 December 2009
Deferred tax liabilities	**783**	2,048
Deferred tax assets	**-293**	-169
Net liabilities	**490**	1,879

At 31 December 2010 the Group had unused trading tax losses of GBP 332,000 (2009: GBP 128,000) and other unused tax losses of GBP 1,471,000 (2009: GBP 2,255,000) available for offset against future profits. The amount of unused trading tax losses at 31 December 2010 for which a deferred tax asset has been recognised is GBP 204,000 (2009: GBP Nil). No deferred tax asset has been recognised in respect of the remaining unused trading tax losses and in respect of the other unused tax losses (2009: GBP Nil) due to insufficient evidence of their reversal in future periods.

The aggregate amount of other deductible temporary differences at 31 December 2010 for which deferred tax assets have been recognised are GBP 901,000 (2009: GBP 675,000). A deferred tax asset has not been recognised in respect of unexercised share options for GBP 444,000 (2009: GBP 325,000) and other deductible temporary differences of GBP 2,559,000 (2009: GBP 2,126,000).

NOTE 19: SHARE-BASED PAYMENTS

The Unibet Group plc Executive Share Option Scheme was first introduced in December 2000 and revised in May 2004. Under the scheme, the Board can grant options over shares in the Company to employees of the Company. Options are normally granted with a fixed exercise price equal to 110 per cent of the average closing share price in the five days prior to the date of grant. Awards under the scheme are generally made to employees at a senior level. Options granted under the scheme during 2010 will become exercisable during 2013-14. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. Certain performance conditions are attached to share options. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	28 Sept 2007	30 April 2008	03 Sept 2008	29 Sept 2008	29 Sept 2008	5 March 2009	11 Aug 2010	16 Sept 2010	7 Dec 2010
Average share price prior to grant GBP	16.29	13.26	11.98	12.72	12.72	12.78	12.25	11.88	11.86
Exercise price GBP	17.93	14.59	13.18	13.99	12.72	14.05	13.48	13.07	13.01
Number of employees	21	19	11	11	8	33	1	47	46
Shares under option	44,394	190,801	17,018	42,93	70,087	83,431	86,061	117,319	101,830
Vesting period (years)	3.13	3.11	3.18	3.10	3.10	3.25	3.50	3.50	3.50
Expected volatility %	35	35	40	39	39	42	43	43	42
Option life (years)	3.13	3.11	3.18	3.10	3.10	3.25	3.50	3.50	3.50
Expected life (years)	3.13	3.11	3.18	3.10	3.10	3.25	3.50	3.50	3.50
Risk-free rate %	4.09	4.00	4.15	3.72	3.72	1.75	1.50	1.50	1.93
Expected dividends expressed as dividend yield %	5.75	3.64	4.08	4.08	4.08	1.65	5.81	6.03	5.89
Fair value per option GBP	2.59	3.47	2.92	2.27	2.12	3.27	2.32	2.16	2.29

Note: The options granted on 29 September 2008 at an exercise price of GBP 12.72 [SEK 155] were subject to a cap on the potential gain of SEK 200 per share.

The exercise prices for share options granted in 2010 were also denominated in SEK as follows (GBP figures are translated at the rates ruling at the respective dates of grant):

11 Aug 2010 – SEK 152 (GBP13.48) 16 Sep 2010 – SEK 144 (GBP13.07) 7 Dec 2010 – SEK 140 (GBP13.01)

The risk-free rates of return applied to the 2010 grants is the approximate implicit risk-free interest rate for the options' term to maturity, based on the three-year maturity rate offered by Riksbank at the respective dates of each grant. A reconciliation of option movements over the year to 31 December 2010 is shown below:

	2010		2009	
	Number	Weighted average exercise price GBP	Number	Weighted average exercise price GBP
Outstanding at 1 January	**613,493**	**14.27**	647,214	13.99
Exercised	**-25,695**	**12.16**	-98,176	12.16
Granted	**366,267**	**14.57**	180,237	14.05
Lapsed	**-200,161**	**16.43**	-115,782	14.29
Outstanding at 31 December	**753,904**	**13.91**	613,493	14.27

Dilution effects

Options over 200,161 shares lapsed or were cancelled during 2010 (2009: 115,782). If all option programmes are fully exercised, the nominal share capital of the Company will increase by a total maximum of GBP 3,769.52 (2009: GBP 3,067.47) by the issue of a total maximum of 753,904 (2009: 613,493) ordinary shares, corresponding to 2.60 (2009: 2.17) per cent of the capital and votes in the Company.

Included in the 366,267 share option grants in 2010 were 60,210 share options granted by the Board at an exercise price of SEK 231 in March 2010. This grant, less 2,552 options that had lapsed in the intervening period, was cancelled in its entirety by the Board in December 2010 when the Board determined that the performance conditions relating to the options would not be met. Since the year end, the Board has decided not to cancel any of the options held at that date (2009: 84,860).

		2010				2009	
		Weighted average remaining life				Weighted average remaining life	
Exercise price GBP	Number of shares	Expected	Contractual	Exercise price GBP	Number of shares	Expected	Contractual
17.93	**44,394**	**0.9**	**0.9**	12.16	33,392	0.1	0.7
14.59	**190,801**	**0.4**	**0.4**	17.93	53,081	0.9	0.9
13.18	**17,018**	**0.9**	**0.9**	14.59	206,669	1.4	1.4
13.99	**42,963**	**0.9**	**0.9**	13.18	19,162	1.9	1.9
12.72	**70,087**	**0.9**	**0.9**	13.99	48,471	1.9	1.9
14.05	**83,431**	**1.4**	**1.4**	12.72	76,303	1.9	1.9
13.48	**86,061**	**3.2**	**3.2**	14.05	176,415	2.4	2.4
13.07	**117,319**	**3.3**	**3.3**	–	–	–	–
13.01	**101,830**	**3.5**	**3.5**	–	–	–	–

25,695 (2009: 98,176) options were exercised during 2010. The total charge for the year relating to employee share-based payment plans was GBP 425,000 (2009: GBP 659,000), all of which related to equity-settled share-based payment transactions.

Options

The Company operates two Option Schemes, the Unibet Group plc Unapproved Executive Share Option Scheme (the 'Unapproved Scheme') and the Unibet Group plc Approved Executive Share Option Scheme (the 'Approved Scheme') under which employees may acquire ordinary shares or SDRs. The difference between the Schemes is that the Unapproved Scheme does not comply with the relevant United Kingdom tax legislation while options granted under the Approved Scheme attract UK tax benefits. The main differences between the Approved Scheme and Unapproved Scheme are as follows. A participant may not hold HM Revenue and Customs (HMRC) approved options over more than GBP 30,000 worth of Ordinary Shares (valued at date of grant). Alterations to key features of the Approved Scheme are subject to the prior approval of HMRC. The Directors can make, without shareholder approval, amendments to the Approved Scheme to obtain or maintain HMRC approval. The principal terms of the Unapproved Scheme and Approved Scheme are set out below.

The share option schemes described in this section were established when the holding company of the Unibet Group was a company incorporated in the UK. Following the Scheme of Arrangement during 2006 which inserted a new Maltese company as the holding company for the Unibet Group, all employees holding share options were offered the opportunity to exchange those options for equivalent options to acquire shares of Unibet Group plc on substantially the same terms.

The Unapproved Scheme

Responsibility for operation

The Unapproved Scheme is operated by the Directors or, in respect of Executive Directors of the Company, by the Remuneration Committee appointed by the Board, which consists mainly of non-executive Directors of the Company.

Eligibility

Employees and Executive Directors of the Company and any subsidiary companies are eligible to participate in the Unapproved Scheme. Non-executive Directors of these companies are not eligible to participate.

Grant of options

Options may be granted at the discretion of the Directors, or the Remuneration Committee in the case of Executive Directors of the Company, to selected employees. Options are not pensionable or transferable.

Option price

The option price must not be less than the market value of the ordinary shares or SDRs. For this purpose, market value means the weighted average of the market quotations on the five trading days immediately prior to the date of grant.

Individual limits

The Board of Directors will decide the maximum number of ordinary shares or SDRs, which may be granted under option to individual participants. At any given time, the number of ordinary shares or SDRs under subsisting options will not exceed the following:

In the case of subsisting options held by the Chief Executive Officer of the Company, 2.75 per cent of the ordinary share capital of the Company.

In the case of subsisting options held by the Executive management (including the Chief Executive Officer) of the Company and other participating companies, 3.75 per cent of the ordinary share capital of the Company.

In the case of subsisting options held by the Executive management (including the Chief Executive Officer) of the Company and other participating companies, and all other employees, 5 per cent of the ordinary share capital of the Company.

Scheme limit

At any time, not more than 5 per cent of the issued ordinary share capital of the Company may be issued or be issuable under the Unapproved Scheme and all other employees' share schemes operated by the Company. This limit does not include options which have lapsed or been surrendered.

Exercise of options

Options will normally be exercisable in accordance with a vesting schedule set at the date of grant and will expire not later than the fifth anniversary of the date of grant. It is intended to grant options on the basis that they will become exercisable on the third anniversary of grant, for a period of one year, and expire on the fourth anniversary of grant. Exercise of options may take place only within prescribed exercise windows during the one-year exercise period. The rules of the Unapproved Scheme allow the Directors to grant options on the basis that they will be exercisable only to the extent that certain performance conditions have been satisfied. Options may, however, be exercised early in certain circumstances. These include, for example, an employee leaving because of ill health, retirement, redundancy or death. On cessation of employment for other reasons, options will normally lapse.

Change of control, merger or other reorganisations

Options may generally be exercised early on a takeover, scheme of arrangement, merger or other corporate reorganisation. Alternatively, participants may be allowed or, in certain cases, required to exchange their options for options over shares in the acquiring company. No options were exercised under these provisions following the Scheme of Arrangement.

Issue of shares

Any ordinary shares issued on the exercise of options will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

Variation in share capital

If there is a consolidation or reduction in the share capital of the Company, options may be adjusted as the Directors consider appropriate in order to ensure that the number of ordinary shares or SDRs comprised in an option and the option price equal the same proportion of the share capital as against the same option price as was the case before the variation took place.

The Unapproved Scheme

Option programme	Number of options	Exercise period	Exercise price per option GBP
16	40,709	1-15 Nov 2011	17.93
18	58,526	1-15 Jun 2011	14.59
20	122,315	1-15 Jun 2011	14.59
22	17,018	1-15 Nov 2011	13.18
23	25,269	1-15 Nov 2011	13.99
25	70,087	1-15 Nov 2011	12.72
26	34,280	1-15 Jun 2012	14.05
28	33,257	1-15 Jun 2012	14.05
29	5,257	1-15 Jun 2012	14.05
30	86,061	1-15 Mar 2013	13.48
32	78,186	1-15 Mar 2013	13.07
34	95,079	1-15 Jun 2013	13.01
Total	**666,044**		

Approved Scheme

The Approved Scheme is substantially the same as the Unapproved Scheme, except that it has been drafted to comply with the relevant United Kingdom tax legislation so that options granted under it will attract UK tax benefits. Options may be granted in respect of ordinary shares only.

The Approved Scheme

Option programme	Number of options	Exercise period	Exercise price per option GBP
17	3,685	1-15 Nov 2011	17.93
19	7,284	1-15 Jun 2011	14.59
21	2,676	1-15 Jun 2011	14.59
24	17,694	1-15 Nov 2011	13.99
27	10,637	1-15 Jun 2012	14.05
31	39,133	1-15 Mar 2013	13.07
33	6,751	1-15 Jun 2013	13.01
Total	**87,860**		

NOTE 20: SHARE CAPITAL AND RESERVES

a) Share capital

GBP	2010	2009
Authorised:		
200,000,000 ordinary shares of GBP 0.005 each (2008: 200,000,000 ordinary shares of GBP 0.005 each)	**1,000,000**	1,000,000
At 31 December	**1,000,000**	1,000,000
Issued and fully paid up:		
At 1 January – 28,258,038 (2009: 28,241,092 ordinary shares of GBP 0.005 each)	**141,290**	141,206
Issue of share capital – (2009: 16,946 ordinary shares of GBP 0.005 each)	**–**	84
At 31 December – 28,258,038 ordinary shares of GBP 0.005 each	**141,290**	**141,290**

There were no shares issued by the company during 2010.

During 2009, 16,946 shares were issued by the Company at a price of GBP 12.16 per share, as a result of the exercise of employee share options. The total proceeds of this issue of new shares was GBP 206,063, of which GBP 84 was an increase in issued share capital and GBP 205,979 was an increase in share premium.

During 2010 and 2009 no shares were repurchased by the Company. During 2010, 25,695 of the shares repurchased by the Company in 2007 were sold for net proceeds to the Company of GBP 323,000 in connection with the exercise of employee share options at the option prices of GBP 12.16 and GBP 13.99. In 2009, 81,230 of the shares sold for net proceeds to the Company of GBP 988,000 with the exercise price of GBP 12.16. The net proceeds are disclosed as increases in retained earnings in the consolidated statement of changes in equity. See also Note 19 for further information.

Of the 297,900 shares that were acquired by the Company in 2007, a balance of 190,975 (2009: 216,670) of those shares remains held by the Company as at 31 December 2010.

b) Share premium

There was no movement in share premium in 2010. The only movement during 2009 arose on the issue of new shares related to the share option scheme.

c) Reorganisation reserve

This reserve of GBP -42.9 million (2009: GBP -42.9 million) arises in the consolidated financial statements, as a result of the application of the principles of predecessor accounting to the Group reorganisation in 2006. The reorganisation reserve represents the differences between the share capital and non-distributable reserves of Unibet Group plc and the share capital and non-distributable reserves of the former parent company, UGP Limited. This reserve does not arise in the separate financial statements of the parent company and therefore has no impact on distributable reserves.

d) Currency translation reserve

This reserve of GBP 15.8 million (2009: GBP 9.9 million) is a non-distributable reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21: ACQUISITIONS

On 30 April 2010 a subsidiary of Unibet acquired 100% of the issued share capital of Bingo.com Operations Limited, a company incorporated in Malta and 100% of the issued share capital of Bingo.com Services Limited, a company registered in England and Wales, for a combined consideration of GBP 163,000 (USD 250,000).

Following an internal reorganisation of subsidiary activities, on 4 May 2010, Unibet sold 100% of the share capital of its subsidiary company, Vicarius Limited for a cash consideration of GBP 65 (USD 100). Unibet recorded a loss on disposal of GBP 279,000 on this transaction.

On 5 November 2009, Unibet Group plc increased its holding from 50 per cent to 100 per cent of the voting share capital of Monnet Enterprises (Malta) Limited (Monnet).

The cumulative consideration for the acquisition was GBP 84,000, comprising GBP 39,000 being the existing cost of Unibet's investment in the 50 per cent of ordinary shares already owned by Unibet plus a payment of GBP 45,000 for the additional 50 per cent of ordinary shares. The purchase consideration was settled in full in December 2009 following the completion of legal formalities.

The net assets of Monnet at the date of acquisition were GBP 72,000 and accordingly Unibet has recognised provisional goodwill of GBP 12,000 on this acquisition. Unibet has not made any adjustments to the fair values of the assets and liabilities of Monnet. The acquisition has not had a material effect on the financial results or position of Unibet.

The balance sheet of Monnet at the date of acquisition is set out below:

GBP 000	Carrying values pre-acquisition	Provisional fair value
Intangible assets	66	66
Property, plant and equipment	13	13
Receivables	5	5
Payables	-411	-411
Taxation		
Current	–	–
Deferred	–	–
Cash and cash equivalents	399	399
Net assets acquired		72
Goodwill		12
Consideration		**84**

Consideration satisfied by:	
Existing cost of investment by Unibet	39
Cash (including costs)	45

The intangible assets acquired as part of the acquisition of Monnet consisted of computer software at cost less accumulated amortisation.

Monnet was part of the sub-group owned by Vicarius Limited that was sold by Unibet on 4 May 2010, as described above.

NOTE 22: CAPITAL AND OTHER COMMITMENTS

The Group has not entered into any contracted fixed asset expenditure as at 31 December 2010. As at 31 December 2010, the Group had an outstanding guarantee of GBP 258,176 (2009: GBP 266,430) to the UCI.

NOTE 23: OPERATING LEASE COMMITMENTS

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, including provision for rent reviews and for early termination.

The total of future aggregate minimum lease payments under non-cancellable operating leases are as follows:

GBP 000	31 December 2010	31 December 2009
No later than 1 year	1,251	1,208
Later than 1 year and no later than 5 years	365	1,558
	1,616	**2,766**

Operating lease payments represent rent payable by the Group on properties in Malta and other territories.

There are no future aggregate minimum lease payments under non-cancellable operating leases payable after 5 years.

NOTE 24: RELATED PARTY TRANSACTIONS

For details of Directors' and Executive Management Remuneration please refer to the Remuneration Committee Report on pages 38 and 39.

Former executive management have loans outstanding with a Group company at varying rates of interest based on market rates. The aggregate loans and interest at 31 December 2010 were GBP 172,117 (2009: GBP 177,620).

During the year, the Group entered into a contract with a company related to Petter Nylander, former CEO of Unibet, under which certain services associated with public affairs are provided to the Group. Total services rendered and paid during 2010 were GBP 102,648.

Anders Ström and Peter Lindell remain as partners and board members of a company that maintains investments in Klikki AB, which has an ongoing commercial relationship with the Group. Services rendered and paid by the Group during 2010 were GBP 187,559 (2009: GBP 33,526). There was no outstanding amount owed to Klikki AB as at 31 December 2010 (2009: GBP Nil).

NOTE 25: CONTINGENT LIABILITIES

Currently the Group has not provided for potential or actual claims arising from the promotion of gaming activities in certain jurisdictions. Based on current legal advice the Directors do not anticipate that the outcome of proceedings and potential claims, if any, will have a material adverse effect upon the Group's financial position. Further details can be found in the General Legal Environment section on pages 30 and 31.

NOTE 26: CASH AND CASH EQUIVALENTS

GBP 258,176 (2009: GBP 266,430) of the total cash and cash equivalents of GBP 38,495,000 at 31 December 2010 (2009: GBP 39,764,000) represented restricted cash, since this amount was set aside to back the guarantee given to the UCI in 2007 as part of Unibet's Pro tour 2007 engagement.

NOTE 27: RECONCILIATION OF EBITDA TO OPERATING PROFIT

GBP 000	2010	2009
EBITDA	43,764	41,892
Depreciation	-1,714	-1,741
Amortisation	-7,833	-7,400
Profit from operations	**34,217**	**32,751**

The table above shows how EBITDA, which is a non-GAAP measure, is derived from the profit from operations reported in the consolidated income statement.

NOTE 28: RECONCILIATION OF ADJUSTED OPERATING CASH FLOW TO PROFIT FROM OPERATIONS

GBP 000	Year ended 31 December 2010	Year ended 31 December 2009
Profit from operations	**34,217**	32,751
Adjustments for:		
Depreciation of property, plant and equipment	**1,714**	1,741
Amortisation of intangible assets	**7,833**	7,400
Loss on disposal of property, plant and equipment	**34**	99
Loss on sale of subsidiaries	**279**	–
Share-based payment	**425**	659
Operating cash flows before movements in working capital	**44,502**	**42,650**
Income taxes paid	**-2,076**	-1,992
Purchases of property, plant and equipment	**-1,303**	-837
Purchases of intangible assets	**-6,179**	-2,642
Operating cash flows before movements in working capital and after tax and capital expenditure	**34,944**	**37,179**

The table above shows how adjusted operating cash flow, which is a non-GAAP measure, is derived from the profit from operations reported in the consolidated income statement.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNIBET GROUP PLC

We have audited the accompanying consolidated financial statements of Unibet Group plc which comprise the balance sheet as at 31 December 2010, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 65.

Report on the consolidated financial statements

Directors' responsibility for the consolidated financial statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 37, the directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the financial position of Unibet Group plc as at 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with IFRSs as adopted by the European Union and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on other legal and regulatory requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

Other Matters

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 179 of the Maltese Companies Act 1995 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We have reported separately on the parent company financial statements of Unibet Group plc for the year ended 31 December 2010.

Lucienne Pace Ross (Partner)
for and on behalf of PricewaterhouseCoopers
Registered Auditors
167 Merchants Street
Valletta
Malta

David Snell (Partner)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH
United Kingdom

4 April 2011

BOARD OF DIRECTORS, CEO AND INDEPENDENT AUDITORS

Anders Ström
Chairman of the Board, chairman of the Legal Committee and the Nomination Committee
Swedish citizen. Born 1970. Board member since incorporation. Mr. Ström was the original founder of the Company in 1997. He started his career as a teacher in 1989 and went on to study Mathematics, Statistics and Economics from 1991 to 1993. After a period as a journalist, Mr. Ström then founded Trav- och Sporttjänst in 1993. By 1997, Trav- och Sporttjänst was sold in order to found Unibet.

Holding: 2,950,000 Unibet SDRs (through company).

Kristofer Arwin
Board member, member of the Audit Committe
Swedish citizen. Born in 1970. Board member since 2008. B.Sc. in Business Administration and Economics from the Stockholm University. Mr Arwin is a co-founder of the consumer buying guide www.TestFreaks.com and its CEO since the start in 2006. He is also the founder of the price comparison site PriceRunner in 1999 which he then sold to the NASDAQ-listed company ValueClick in 2004. Mr. Arwin is a Non-executive Director of TradeDoubler AB and AlertSec AB.

Holding: 500 SDRs.

Peter Boggs
Board member
US citizen. Born 1948. Board member since 2002. B.A. in American Studies from Washington College, Maryland USA. Previous engagements include: 1975-1981: President and COO of NDMS Inc. a US political lobbying and fundraising company; 1981-1985: Managing Director of Brown Direct, Division of Earle Palmer Brown Inc. a US advertising agency; 1985-1991: Director of Ogilvy & Mather Direct Plc, London; 1991-2002: President and COO of Grey Direct Worldwide, a division of Grey Worldwide Inc. New York.

Holding: 13,100 Unibet SDRs.

Nigel Cooper
Board member, chairman of the Audit Committee
British citizen. Born 1949. Board member since 2010. Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Cooper has spent 33 years in the accounting profession, 21 years as a partner with KPMG in Milan and London specialising in advertising, media and technology clients. On leaving KPMG in 2005 he joined Rightmove plc, the real estate internet portal, as a Non-executive director prior to floatation on the London Stock Exchange. He resigned from Rightmove in March 2009. Nigel Cooper joined Metro International SA as Non-executive director and chairman of the Audit committee in May 2008.

Holding: 3,000 SDRs

Peter Lindell
Board member, chairman of the Remuneration Committee, member of the Legal Committee
Swedish citizen. Born 1954. Board member since 2003. M. Sc. in Industrial Engineering and Management from the Linköping Institute of Technology, Sweden. Partner at Rite Ventures. Other significant board assignments: Allt för föräldrar AB, Nebula Oy and Verkkokauppa.com, Syntetich MR AB, Add-Bio AB and Cidro Invest AB. Some of the previous engagements include Djurgården Fotboll AB, Accelerator AB, Nordic Edge AB, Springtime AB and Swedish Private Equity & Venture Capital Association.

Holding: 542,570 Unibet SDRs (through company).

Stefan Lundborg
Board member, member of the Remuneration Committee
Swedish citizen. Born in 1965. Board member since 2010. Mr. Lundborg has a background from private banking, business development and entrepreneurial companies and has been managing director of Stockholms Travsällskap with a wide experience from international gaming.

Holding in the Company: 3,000 SDRs

Henrik Tjärnström
CEO
Swedish citizen. Born 1970. MSc in Industrial Engineering and Management from the Institute of Technology, Linköping University, Sweden. Senior Financial Manager at Skanska Infrastructure Development AB 2000-2008. Member of the Unibet Board of Directors 2003-2008. CFO Unibet 2008-2010.

Holding in the Company: 20,000 SDRs and 86,061 options.

The above-mentioned holdings include personal holdings, family holdings and holdings through companies in which they have an interest, and are as at 28 February 2011.

Independent Auditors of the Company PricewaterhouseCoopers, Malta and PricewaterhouseCoopers LLP, London
With audit partners Ms. Lucienne Pace Ross from the PricewaterhouseCoopers Malta office and Mr. David Snell, from the PricewaterhouseCoopers LLP London office.

DEFINITIONS

Average number of employees: Average number of employees based on headcounts at each month end.

Dividend per share: Dividends paid divided by the fully diluted weighted average number of ordinary shares for the period.

Earnings per share, fully diluted: Profit after tax adjusted for any effects of dilutive potential ordinary shares divided by the fully diluted weighted average number of ordinary shares for the period.

EBIT: Earnings before interest and taxation, equates to profit from operations.

EBIT margin: EBIT as a percentage of gross winnings revenue.

EBITDA: Profit from operations before depreciation and amortisation charges.

Equity:assets ratio: Shareholders' equity as a percentage of total assets.

Equity per share: Total assets less total liabilities, divided by the number of ordinary shares at the balance sheet date.

Gross profit: Gross winnings revenue less cost of sales.

Gross winnings revenue: For sports betting, represents gross turnover less payouts; for non-sports betting, equates to gross turnover. All references to gross winnings revenue in this Annual Report is after Free Bets unless otherwise disclosed.

Net cash: Total cash at period end less customer balances.

Number of active customers: Number of active customers is defined as total registered customers who have placed a bet with Unibet during the last three months.

Number of registered customers: Number of registered customers means the total number of customers on Unibet's customer base.

Operating margin: Profit from operations as a percentage of gross winnings revenue.

Profit margin: Profit after tax as a percentage of gross winnings revenue.

Return on average equity: EBIT as a percentage of average equity.

Return on total assets: Profit after tax as a percentage of average total assets.

Return on total capital: Profit after tax as a percentage of total capital.

Total capital: Total capital is equal to total equity as disclosed on the consolidated balance sheet, plus net debt (comprising total borrowings and customer balances, less cash and cash equivalents).

Turnover: Amounts of bets placed on sporting events and non-sports games.

Weighted average number of shares: Calculated as the weighted average number of ordinary shares outstanding during the year.

Weighted average number of shares, fully diluted: Calculated as the weighted average number of ordinary shares outstanding and potentially outstanding (i.e. including the effects of exercising all share options) during the year.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Unibet Group plc will be held at 10.30 CET on Thursday 12 May 2011, at Moderna Museet, Skeppsholmen, Stockholm in Sweden.

Right to participate

Holders of Swedish Depositary Receipts (SDRs) who wish to attend the AGM must be registered at Euroclear Sweden AB/VPC on Monday 2 May 2011 and notify Skandinaviska Enskilda Banken AB (publ) of their intention to attend the AGM no later than 11.00 CET on Friday 6 May 2011, by filling in the enrolment form provided at www.unibetgroupplc.com/AGM, Notification to holders of Swedish Depository Receipts in Unibet Group plc. The form must be completed in full and delivered electronically.

Please note that conversions to and from SDRs and ordinary shares will not be permitted between 2 May and 12 May 2011.

Dividend

The Board of Directors does not propose to pay a dividend for the financial year 2010. The cash reserve being built up combined with the Group's strong profitability and cash flow gives the Board flexibility to consider strategic opportunities including acquisitions. The cash reserve may be distributed at a later stage should the opportunities not materialise.

Financial information

Unibet Group plc's financial information is available in Swedish and English. Reports can be obtained from Unibet's website, www.unibetgroupplc.com or ordered by email at info@unibet.com. Distribution will be via email.

Annual Reports can be ordered through the website, www.unibetgroupplc.com or ordered by email at info@unibet.com.

Unibet will publish financial reports for the financial year 2011 on the following dates:

Interim Report January – March 2011, on 11 May 2011

Interim Report January – June 2011, on 10 August 2011

Interim Report January – September 2011, on 2 November 2011.

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