

betinternet.com plc

(Formerly Offshore Betting Limited and Betinternet.com Limited)
Company incorporation No. 089278C

REPORT AND FINANCIAL STATEMENTS
Year ended 31 MAY 2000

REPORT AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Vincent Edward Caldwell	Chairman and Managing Director
William David Mummery	Technical Director
Harley Corkill	Non-Executive Director

SECRETARY

David Peter Craine

REGISTERED OFFICE

Burleigh Manor
Peel Road
Douglas
Isle of Man
IM1 5EP

PRINCIPAL BANKERS

Isle of Man Bank	Bank of Ireland
2 Athol Street	St Stephens Green
Douglas	Dublin 2
Isle of Man	Ireland
IM99 1AN	

ADVOCATES

Laurence Keenan
Victoria Chambers
47 Victoria Street
Douglas
Isle of Man
IM1 2LD

SOLICITORS

Binchys
40 Lower Baggot Street
Dublin 2
Ireland

AUDITORS

Deloitte & Touche
Chartered Accountants
Grosvenor House
P O Box 250
66/67 Athol Street
Douglas
Isle of Man
IM99 1XJ

NOMINATED BROKER

Capital International Limited
PO Box 15
Mill Court
Hope Street
Castletown
Isle of Man
IM99 5XH

NOMINATED ADVISER

English Trust Company Limited
12a Charterhouse Square
London
EC1M 6NA

REGISTRARS

Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

DIRECTORS' PROFILES

Vincent Edward Caldwell, aged 39, Chairman and Managing Director.

Vincent Caldwell has been an Isle of Man resident since March 1995. He was formerly resident in Dublin where he operated as a licensed bookmaker from 1989 to 1993. He owned, together with members of his family, and ran six licensed betting shops. Whilst resident on the Isle of Man he worked for Stanley Leisure plc and the Joe Jennings chain of betting shops from 1995 to 1997.

Mr Caldwell is a director of a number of companies involved in activities ranging from investment to computer software. He is the betinternet.com Designated Official and is therefore the manager with day-to-day responsibility for the running of the betting operation.

Vincent Caldwell was instrumental in the formation of the Isle of Man Association of Betting Office Licencees which was established in January 2000 and from which time he has been the elected Chairman of the Association.

William David Mummery, aged 54, Technical Director

William Mummery has over thirty years' experience in the electronics industry. In 1966 he joined Electronic Rentals and in 1974 was seconded to the group's South African operations in order to set up its infrastructure in advance of the advent of television broadcasting. He was subsequently appointed managing director of Electronic Rentals in Hong Kong in which position he was responsible for the sourcing and manufacture of electronic consumer products for distribution to the group's world-wide operations. In 1989 he managed the sale of the Hong Kong business to Thorn EMI before returning to join the UK board of another group subsidiary, Visionhire, where he remained until 1991 when he led a management buyout of the group's Isle of Man interests of which he remains a director and 50 per cent shareholder.

Harley Corkill ACIB, aged 58, Non-Executive Director.

Mr Corkill worked for many years in a number of senior management positions with the Isle of Man Bank. He is a Director of Ulster Bank (IOM) Limited and a Trustee of Nobles Isle of Man Hospital. Mr Corkill is betinternet.com's Compliance Director



CHAIRMAN'S STATEMENT

It gives me pleasure to report on betinternet.com's first set of annual results since the company's flotation on the Alternative Investment Market in May 2000. These results cover the 12 months to 31 May 2000. The first nine months of the year were incorporated in the flotation prospectus.

For the period under review turnover rose more than sevenfold to almost £11.7 million, compared with only £1.54 million for the 17 months to 31 May 1999. As we anticipated at the time of the flotation the company has produced pre-tax losses of £1.04 million, (against £303,682, for the period to 31 May 1999), reflecting our commitment to substantial investment in technological infrastructure and marketing. As a result there was a loss per share of 3.01p compared with a loss of 1.69p per share for the previous period. The Directors do not recommend payment of a dividend.

Since the flotation substantial progress has been made on a number of fronts. As we stated in the prospectus we have continued our strategy of reducing our reliance on horse racing. This sport now accounts for less than 40% of our turnover compared with approximately 90% a year ago.

Betting on soccer now represents approximately 40% of turnover. The European Soccer Championships during the summer enabled the company to combine with Eurosport TV to provide Eurosport viewers with the ability to bet 'in running' (ie during the match) on those matches given live coverage by the Eurosport channel. The company now offers betting facilities on a much wider range of sports including Golf, Rugby, American Football, Ice Hockey, Basketball, Gaelic Football, Formula 1, and International Greyhound and Horse Racing to customers in 85 countries. Customers have the choice of telephone and Internet betting.

Turnover has risen dramatically since flotation. For the first four months of the current financial year turnover totalled over £14 million, a figure in excess of the whole of the previous financial year, and is currently running at a rate of approximately £1.3 million per week, compared with £340,000 at the time of the flotation. The proportion of turnover attributable to Internet betting is in line with our expectations and is expected to continue to grow considerably.

We have now launched our own Far East website, www.fadainternet.com which is a sports information portal and supported by a dedicated team of Cantonese and Mandarin speakers, as part of our drive into this large and exciting market.

We have successfully negotiated an agreement with a major international bank, which will enable the provision of fully automated e-commerce transactability from our website in eight major currencies. This will enhance further the attractiveness and usability of our site and is expected to be operational by the end of November 2000.

On 2nd October 2000 we announced a further expansion of our service through the formation of Euro Off-Track Limited Partnership, a 50-50 partnership with Greyhound Channel, Inc ("GCI") of America to enable, for the first time, non-United States customers to bet directly into US Totes through the provision of live broadcasts of US greyhound and thoroughbred horse racing from more than 30 tracks. It is anticipated that the service will be available from the end of this year

In the US GCI provides live greyhound racing content for "direct to home" broadcasting via The Racing Network and an Internet tote wagering service. GCI's racing content will be made available to Euro Off-Track, enabling it to provide live racing, initially via satellite, to a variety of users including betting shops, casinos and other forms of licensed premises. It is intended that this service will be available, in due course, generally via the Internet. It is also proposed that Euro Off-Track will provide non-US greyhound racing content for transmission in the US.

The partnership will also create a European hub and wagering communications centre, through the installation of an Amtote Spectrum System and replication of GCI's existing US system, enabling real time links directly into US Totes. In addition, it creates the opportunity for links with European Totes.

Vincent Caldwell
Chairman

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 May 2000.

CHANGE OF NAME, RE-REGISTRATION AS A PUBLIC COMPANY AND ADMISSION TO AIM

On 2 February 2000 the company changed its name from Offshore Betting Limited to Betinternet.com Limited. On 23 March 2000 the company re-registered as a public limited company and its name was changed to betinternet.com plc.

On 9 May 2000 the company's shares were admitted to trading on the Alternative Investment Market of the London Stock Exchange and at the same time the company raised approximately £3 million via a placing of 6,666,667 new ordinary shares to provide the funds necessary for the promotion and development of its business.

ACCOUNTING PERIOD

As part of the preparatory work for the flotation of betinternet.com plc a set of audited consolidated accounts were prepared for the nine month period from 1 June 1999 to 29 February 2000. However, the company's accounting reference date was, and remains, 31 May. Accordingly these consolidated financial statements cover the year ended 31 May 2000.

ACTIVITIES

The company holds a Betting Office Licence issued by the Isle of Man Government and has operated an international telephone betting service since October 1998 and an on-line Internet betting service since 17 March 2000. In order to avail of the preferential rate of betting duty applicable to "international telephone bets" the company undertook not to accept bets from persons resident either in the Isle of Man or the United Kingdom. The company's licence is renewable annually with the next renewal due at 31 May 2001.

RESULTS AND DIVIDENDS

The group made a loss for the year ended 31 May 2000 of £1,035,616 (period from incorporation on 13 January 1998 to 31 May 1999 : loss of £303,682). The directors do not propose the declaration of a dividend (period from incorporation on 13 January 1998 to 31 May 1999 : £nil). The loss for the year ended 31 May 2000 (period from incorporation on 13 January 1998 to 31 May 1999 : loss of £303,682) has been transferred from reserves.

POST BALANCE SHEET EVENTS

On 2 October 2000 the company announced it had formed Euro Off-Track Limited Partnership ("Euro Off-Track"), a 50-50 partnership with Greyhound Channel, Inc. ("GCI") of America to enable, for the first time, non-United States customers to bet directly into US Totes through the provision of live broadcasts of US greyhound and thoroughbred horse racing from more than 30 tracks. It is anticipated that the service will be available from the end of this year.

In the US GCI provides live greyhound racing content for direct to home broadcasting via The Racing Network and an Internet tote wagering service. GCI's racing content will be made available to Euro Off-Track, enabling it to provide live racing, initially via satellite, to a variety of users including betting shops, casinos and other forms of licensed premises. It is intended that this service will be available, in due course, generally via the Internet. It is proposed that Euro Off-Track will provide live international greyhound racing content for transmission in the US.

The partnership will also create a European hub and wagering communications centre, through the installation of an Amtote Spectrum System and replication of GCI's existing US system, enabling real time links directly into US Totes. In addition it creates the opportunity for links with European Totes.

Euro Off-Track will be the first organisation to make US Tote betting via the Internet and the telephone a reality for both individuals and corporate customers alike. Euro Off-Track will provide a unique gateway to betinternet's customers and those of other betting service providers to participate in global Tote opportunities at no wagering risk to either the partnership or betinternet.com plc.

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS (CONT.)

Euro Off-Track will retain a proportion of turnover generated through the hub. In the US GCI comprises a number of partners with a combined Tote betting turnover of approximately \$500m.

FUTURE DEVELOPMENTS

The Board of Directors believes that the partnership with GCI represents a significant opportunity for betinternet.com as it will provide betinternet.com's customers with the ability to bet directly into the US Totes and gives the company a platform upon which to expand the existing range of services. In addition, the company intends to develop further global strategic partnerships with other betting service providers in pursuance of its strategy of positioning betinternet.com as a global provider of Internet betting services.

DIRECTORS

The present directors of the company are as set out on page 1. Movements in the membership of the directors during the year ended 31 May 2000 and to date are as follows:

	Appointed	Resigned
B J Eastwood		2 August 1999
R J Bennett		20 January 2000
H Corkill	20 January 2000	
W D Mummery	20 January 2000	

As at 31 May 1999 V E Caldwell and B J Eastwood each held 50% of the issued share capital of the company.

As at 31 May 2000 the directors held the following number of shares:

	Beneficial Holdings		Share Options	
	2000 No. (1p shares)	1999 No. (£1 shares)	2000 No. (1p shares)	1999 No. (£1 shares)
V E Caldwell	15,633,500	125,000	300,000	-
W D Mummery	-	-	500,000	2,500
H Corkill	21,600	-	100,000	-
B J Eastwood	-	125,000	-	-

The holding of V E Caldwell includes 220,000 shares beneficially owned by his wife. At 31 May 2000, H Corkill held, via a nominee company, 21,600 ordinary shares in the company. The exercise price of the options ranges from 1p to 23.15p per share.

The directors had no interests in the shares of any of the company's subsidiaries.

In accordance with the Articles of Association, V E Caldwell being the longest serving director retires by rotation and, being eligible, offers himself for re-appointment.



DIRECTORS' REPORT

SUBSTANTIAL INTERESTS

In addition to the directors' interests, the company had been advised by 8 October 2000 of the following notifiable shareholdings in excess of 3%:

	%	Number of Ordinary Shares
Pershing Nominees Limited	20.81	16,290,534
Mill Properties Limited	13.94	10,913,500
Jennifer Caldwell	6.31	4,937,600
Diplomat Trust Company Limited	5.75	4,500,000
The European Trustee Company Limited	4.45	3,486,673
Martin Caldwell	3.49	2,735,321

J Caldwell and M Caldwell are respectively a sister and brother of a director of the company, V E Caldwell. Shares held by Diplomat Trust Company Limited are held for the benefit of Caldwell family members and trusts, whilst the shares held by Mill Properties Limited represent a family related shareholding of the Caldwell family.

FIXED ASSETS

Movements in intangible assets, tangible assets and long leasehold property are disclosed in notes 6, 7 and 8 of the financial statements.

SUPPLIER PAYMENT POLICY

It is group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based upon the timely receipt of an accurate invoice.

SPECIAL BUSINESS

Your attention is drawn to the notice of the Annual General Meeting of the Company set out on page 25. In addition to the usual business to be transacted at that meeting (as set out in Resolutions 1 to 5 in the notice of the meeting) various items of special business are to be proposed at the meeting. The two items of special business, being Resolutions 6 and 7 set out in the notice of the meeting, relate to the share capital of the Company.

Under Resolution 6 shareholders are being asked to renew the Directors authority to allot and issue relevant securities under Article 6(A) of the Articles of Association of the Company up to an amount not exceeding the authorised but unissued share capital of the Company for the time being, which is currently 41,815,953 ordinary shares, having an aggregate nominal value of £418,159.53 and representing approximately 34.85% of the nominal value of the existing issued ordinary share capital.

In addition, the shareholders are being asked under Resolution 7 in the notice of the meeting, to renew, until the next Annual General Meeting, the authority to disapply the strict pre-emption provisions set out in the Articles of Association of the Company in the event of a rights issue (subject to the limits in the authority referred to in Resolution 6), an issue of shares pursuant to the Company's share option scheme or any other issue up to an aggregate nominal value of £39,092, representing 5% of the nominal value of the Company's issued ordinary share capital for the time being. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2001.

AUDITORS

Deloitte & Touche have expressed their willingness to continue as auditors, and, accordingly, will be reappointed at the Annual General Meeting of the company without any resolution being passed in accordance with Section 12 (2) of the Companies Act 1982.

Approved by the Board of Directors
and signed on behalf of the Board

D P Craine - Secretary

20 October 2000

CORPORATE GOVERNANCE

In June 1998 the Hamble Committee and the London Stock Exchange published the Combined Code on corporate governance. This combines the Cadbury Code on corporate governance, the Greenbury Code on directors' remuneration and new requirements arising from the findings of the Hamble Committee. The Combined Code contains recommendations for best practice focusing on control and reporting functions of the Board.

Although the company's shares have been admitted to trading on the Alternative Investment Market the company is not required to comply with the Combined Code, the Board monitors the company's established procedures and continues, so far as possible to comply with the Code to the extent that it is appropriate for the size and stage of development of the company.

The Board has established audit and remuneration committees and still proposes to appoint a non executive chairman who is expected to be appointed to both committees. The appointment of a non executive chairman would allow for the separation of the role of chairman and managing director.

The audit committee, at present comprising Mr H Corkill (chairman), Mr V E Caldwell and Mr B O'Sullivan, financial controller to the company, assists the Board in discharging its responsibilities for accounting policies, internal controls and financial reporting.

The remuneration committee, presently comprising Mr H Corkill (chairman) and Mr V E Caldwell, recommends to the Board terms and conditions, including annual remuneration, for executive directors and senior management.

The company is incorporated in the Isle of Man and complies only with the requirements of that jurisdiction regarding the disclosure of directors remuneration. Details of directors share options are included in the directors' report.

Directors Liability Insurance

The company does not maintain insurance cover for directors liability in relation to the group, however it is proposed that such cover will be obtained in the near future.

Fixed Assets

The investment in fixed tangible and intangible assets during the year is set out in notes 6 to 8 to the financial statements.

The directors are of the opinion that the market value of the group's land and property is not less than its book value.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 1993. They are also responsible for the group's system of internal control, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF BETINTERNET.COM PLC

(formerly Offshore Betting Limited and Betinternet.com Limited)

We have audited the financial statements on pages 10 to 24 which have been prepared under the accounting policies set out on page 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 8 the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statement give a true and fair view and are properly prepared in accordance with the Companies Acts 1931 to 1993. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 May 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Acts 1931 to 1993.

Deloitte & Touche
Chartered Accountants
Grosvenor House
PO Box 250
66/67 Athol Street
Douglas
Isle of Man
IM99 1XJ

20 October 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year Ended 31 May 2000

	Note	Year ended 31 May 2000 £	Period from incorporation on 13 January 1998 to 31 May 1999 £
Turnover			
Betting stakes received	2	11,695,342	1,543,800
Cost of sales			
Winnings paid and bets laid off		(11,285,097)	(1,559,351)
Betting duty paid	2	(35,294)	(4,682)
Gross profit/(loss)			
Administration expenses		374,951	(20,233)
		(1,428,546)	(283,934)
Operating loss			
Interest receivable and similar income	3	(1,053,595)	(304,167)
Interest payable and similar charges		27,303	6,219
		(9,324)	(5,734)
Loss on ordinary activities before taxation and retained loss for the year/period	4,13,14	(1,035,616)	(303,682)
Basic Loss Per Share (pence)	5	(3.01)	(1.69)

The directors consider that all results derive from continuing operations for both the current year and prior period. A statement of total recognised gains and losses is not required as there were no recognised gains and losses other than the loss for the current year. This was also the case for the prior period.

CONSOLIDATED BALANCE SHEET

31 May 2000

	Note	31 May 2000 £	31 May 1999 £
FIXED ASSETS			
Intangible assets	6	257,028	4,457
Tangible assets	7	198,705	31,945
Long leasehold property	8	120,282	-
		<u>576,015</u>	<u>36,402</u>
CURRENT ASSETS			
Debtors	10	203,806	13,746
Cash at bank and in hand		3,421,795	24,873
		<u>3,625,601</u>	<u>38,619</u>
CREDITORS:			
amounts falling due within one year	11	<u>(1,142,534)</u>	<u>(128,703)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2,483,067</u>	<u>(90,084)</u>
TOTAL ASSETS/(LIABILITIES)		<u><u>3,059,082</u></u>	<u><u>(53,682)</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	781,841	250,000
Share premium	12	3,616,539	-
Profit and loss account	13	<u>(1,339,298)</u>	<u>(303,682)</u>
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	14	<u><u>3,059,082</u></u>	<u><u>(53,682)</u></u>

These financial statements were approved by the board of directors on 20 October 2000.

Signed on behalf of the board of directors

V E Caldwell
Director

W D Mummery
Director

BALANCE SHEET

31 May 2000

	Note	31 May 2000 £	31 May 1999 £
FIXED ASSETS			
Intangible assets	6	558	4,457
Tangible assets	7	14,576	31,945
Investments	9	4	-
		<u>15,138</u>	<u>36,402</u>
CURRENT ASSETS			
Debtors	10	648,168	13,746
Cash at bank and in hand		3,421,795	24,873
		<u>4,069,963</u>	<u>38,619</u>
CREDITORS:			
amounts falling due within one year	11	<u>(998,690)</u>	<u>(128,703)</u>
NET CURRENT ASSETS/(LIABILITIES)		3,071,273	(90,084)
TOTAL ASSETS/(LIABILITIES)		<u>3,086,411</u>	<u>(53,682)</u>
CAPITAL AND RESERVES			
Called up share capital	12	781,841	250,000
Share premium	12	3,616,539	-
Profit and loss account	13	<u>(1,311,969)</u>	<u>(303,682)</u>
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		<u>3,086,411</u>	<u>(53,682)</u>

These financial statements were approved by the board of directors on 20 October 2000.

Signed on behalf of the board of directors

V E Caldwell
Director

W D Mummery
Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 May 2000

	Note	Year ended 31 May 2000 £	Period from incorporation on 13 January 1998 to 31 May 1999 £
Net cash outflow from operating activities	15	(267,471)	(183,026)
Returns on investments and servicing of finance	16	17,979	485
Taxation		-	-
Capital expenditure and financial investment	16	(629,682)	(53,713)
Cash outflow before use of liquid resources and financing		(879,174)	(236,254)
Financing	16	4,148,380	250,000
Increase in cash in the year/period		3,269,206	13,746

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

1. ACCOUNTING POLICIES

In the absence of comparable accounting standards in the Isle of Man, the directors have chosen to apply United Kingdom Accounting Standards published by the United Kingdom's Accounting Standards Board in the preparation of the financial statements, provided that they are not inconsistent with the requirements of the Isle of Man Companies Acts 1931 to 1993.

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiaries.

Betting stakes and winnings

Stakes received from customers less voids are recognised as income at the point the event to which they relate has been completed. Winnings paid are reflected at the point the outcome of the event to which the bet relates becomes known. Any stakes received prior to the balance sheet date, where the event to which they relate occurs after the balance sheet date, are not recognised as income, but are reflected as deferred income in the balance sheet.

Foreign currency

Foreign currency balances are translated to Sterling at the rate of exchange ruling on the last business day in the group's financial period.

Foreign currency transactions are converted to Sterling at the rate of exchange ruling at the date of the transaction.

Profits and losses on foreign currency translations and conversions are included in the profit and loss account.

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Bank interest

Bank interest income is recognised in the profit and loss account on a received basis and accordingly amounts are reflected in the balance sheet for interest receivable at the balance sheet date.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Computer equipment and computer software	50%
Fixtures and fittings, and office equipment	25% - 50%
Long leasehold property	2%

Intangible assets

Development costs are capitalised where, in the opinion of the directors, there is a benefit that will be derived from the expenditure incurred. Given the nature of such costs they are written off in equal annual instalments over a period not exceeding two years.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

2. BETTING STAKES RECEIVED / BETTING DUTY PAID

Turnover represents the stakes received from customers less any void bets recorded. Betting duty is payable at the rate of 0.3% of gross stakes received, and is payable to Customs and Excise.

The company provides an international telephone and on-line Internet betting service from the Isle of Man. The directors are of the opinion that the markets to which its services are supplied do not differ substantially and accordingly may be treated as one.

3. OPERATING LOSS

Operating loss is stated after charging:

	Year ended 31 May 2000 £	Period from incorporation on 13 January 1998 to 31 May 1999 £
Depreciation on tangible fixed assets	49,531	15,083
Amortisation of intangible assets	40,538	2,228
Auditors' remuneration - audit fees	37,050	7,050
Directors' remuneration	58,750	54,989
Operating lease rentals		
- other than plant and machinery	17,232	6,529

Directors' remuneration above excludes any employer national insurance costs borne by the group. Under the provisions of the Isle of Man Companies Acts 1931 to 1993 there are no requirements to disclose any additional information regarding staff costs, staff numbers, or information regarding the remuneration of directors.

Fees of £85,775, which have been written off against the share premium account (see note 12), were paid to the company's auditors in their capacity as Reporting Accountants in connection with the admission of the company's shares to the Alternative Investment Market of the London Stock Exchange.

4. TAX ON LOSS ON ORDINARY ACTIVITIES

No provision for tax is required for either the current year, or the previous period, due to the level of losses incurred.

5. LOSS PER SHARE

The basic earnings per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares during the period.

Movements in the issued share capital are disclosed in note 12. During the year ended 31 May 2000 there were two sub-divisions of share capital from £1 to 10p shares, and then to 1p ordinary shares. In order to provide a meaningful comparison the weighted average number of ordinary shares during both periods has been adjusted to reflect the position as though the shares in issue had been 1p ordinary shares.

Calculation of earnings per share is based on losses of £1,035,616 (period from incorporation on 13 January 1998 to 31 May 1999 : £303,682 loss) and the weighted average number of ordinary shares being the equivalent of 34,403,724 1p ordinary shares (period from incorporation on 13 January 1998 to 31 May 1999 : 17,956,406 1p ordinary shares equivalent).

Diluted earnings per share information has not been provided as the effect of any dilution would not result in diluted earnings per share being more than 5% different from the basic earnings per share.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

6. INTANGIBLE ASSETS

Group	Development costs £
Cost	
At 1 June 1999	6,685
Additions	293,109
	<hr/>
At 31 May 2000	299,794
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Accumulated amortisation	
At 1 June 1999	2,228
Charge for the year	40,538
	<hr/>
At 31 May 2000	42,766
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Net book value	
At 31 May 2000	257,028
	<hr/> <hr/>
At 31 May 1999	4,457
	<hr/> <hr/>
Development costs capitalised relate to the cost of design and installation of the Internet betting system for use by the group. The directors are of the opinion that these costs should be amortised over a two-year period commencing in March 2000, which is when the Internet betting site became "live" and available for use by customers.	
The remainder of development costs capitalised relate to the cost of a report commissioned on the subject of On-Line Internet Betting. The directors are of the opinion that this cost should be amortised over a two-year period, with the first charge to the profit and loss account being in the previous period.	
Company	Development costs £
Cost	
At 1 June 1999	6,685
	<hr/>
At 31 May 2000	6,685
	<hr/>
Accumulated amortisation	
At 1 June 1999	2,228
Charge for the year	3,899
	<hr/>
At 31 May 2000	6,127
	<hr/>
Net book value	
At 31 May 2000	558
	<hr/> <hr/>
At 31 May 1999	4,457
	<hr/> <hr/>

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

7. TANGIBLE ASSETS

Group	Computer equipment and software £	Office equipment £	Fixtures & Fittings £	Total £
Cost				
At 1 June 1999	43,471	1,521	2,036	47,028
Additions	197,103	-	19,188	216,291
At 31 May 2000	240,574	1,521	21,224	263,319
Accumulated depreciation				
At 1 June 1999	14,494	252	337	15,083
Charge for the year	46,686	380	2,465	49,531
At 31 May 2000	61,180	632	2,802	64,614
Net book value				
At 31 May 2000	179,394	889	18,422	198,705
At 31 May 1999	28,977	1,269	1,699	31,945
Company				
Cost				
At 1 June 1999	43,471	1,521	2,036	47,028
Additions	409	-	5,449	5,858
At 31 May 2000	43,880	1,521	7,485	52,886
Accumulated depreciation				
At 1 June 1999	14,494	252	337	15,083
Charge for the year	22,099	380	748	23,227
At 31 May 2000	36,593	632	1,085	38,310
Net book value				
At 31 May 2000	7,287	889	6,400	14,576
At 31 May 1999	28,977	1,269	1,699	31,945

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

8. LONG LEASEHOLD PROPERTY

The long leasehold property is an apartment in Douglas, Isle of Man and is presently occupied by the chief operating officer of the group. As it was purchased in May 2000, no amount has been reflected for depreciation in the financial statements for the period to 31 May 2000. In future periods the long leasehold property will be depreciated in equal annual instalments over a 50-year period.

9. INVESTMENTS

	No.	Holding (%)	31 May 2000 £	31 May 1999 £
Technical Facilities & Services Limited	2 £1 shares	100	2	-
Downsview Limited	2 £1 shares	100	2	-
			<u>4</u>	<u>-</u>

Both Technical Facilities & Services Limited and Downsview Limited only have one class of shares either authorised or issued. Accordingly betinternet.com plc holds control of 100% of the voting rights in each company, this being the same proportion as the number of shares held.

Technical Facilities & Services Limited is an Isle of Man incorporated company and its purpose is to provide Internet telephone and betting computer systems, to include software and hardware, to the group.

During the period to 31 May 2000 betinternet.com plc acquired the entire issued share capital of Downsview Limited, an Isle of Man incorporated company. The company holds the title deeds to a long leasehold property (see note 8).

Since 31 May 2000 Betinternet.com (Holdings) Limited, a Maltese company, has been established which is wholly owned by betinternet.com plc. It in turn holds the entire issued share capital of Betinternet.com (Malta) Limited, another Maltese company. Another Isle of Man subsidiary, Fettercairn Limited, has been set up recently. Fettercairn Limited has one wholly owned subsidiary, recently established in Hong Kong, called Fada International Limited.

The group holds no other investments (31 May 1999 : £nil).

10. DEBTORS

	The Group		The Company	
	31 May 2000 £	31 May 1999 £	31 May 2000 £	31 May 1999 £
Trade debtors	42,547	13,273	42,547	13,273
Amount due from group undertakings	-	-	510,575	-
VAT recoverable	66,213	-	-	-
Prepayments	85,046	-	85,046	-
Director's loan balance	-	473	-	473
Deposits (see note 18)	10,000	-	10,000	-
	<u>203,806</u>	<u>13,746</u>	<u>648,168</u>	<u>13,746</u>

The director's loan balance, due from V E Caldwell, was interest free and had no fixed repayment terms.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	31 May 2000 £	31 May 1999 £	31 May 2000 £	31 May 1999 £
Bank overdrafts	127,716	-	87,860	-
Trade creditors	544,157	103,834	544,157	103,834
Deferred income	12,895	-	12,895	-
Accruals and other creditors	457,766	24,869	353,778	24,869
	<u>1,142,534</u>	<u>128,703</u>	<u>998,690</u>	<u>128,703</u>

The bank overdrafts are unsecured.

Included in accruals and other creditors for both the company and the group are amounts payable in respect of income tax and national insurance of £37,354 (31 May 1999 : £6,542) relating to the payroll, and betting duty payable of £1,912 (31 May 1999 : £485).

12. SHARE CAPITAL AND SHARE PREMIUM

At 31 May 1999	£
Authorised, issued and fully paid	
250,000 ordinary shares of £1 each	<u>250,000</u>
At 31 May 2000	£
Authorised	
120,000,000 ordinary shares of 1p each	<u>1,200,000</u>
Issued and fully paid	
78,184,047 ordinary shares of 1p each	<u>781,841</u>

On incorporation the authorised share capital of the company was £2,000 divided into 2,000 £1 ordinary shares of which two shares were issued at par. On 4 June 1998 the authorised share capital of the company was increased to £250,000 by the creation of an additional 248,000 £1 ordinary shares with the additional shares all ranking pari passu with the existing £1 ordinary shares. On 4 June 1998 the issued share capital was increased to £250,000 by the issue of an additional 249,998 £1 ordinary shares for cash at par. The 250,000 authorised £1 ordinary share was increased to 500,000 authorised £1 ordinary shares on 10 August 1999 and then to 1,000,000 £1 ordinary shares on 29 November 1999. All of the new shares ranked pari passu with the existing shares.

A subdivision was approved on 30 November 1999 converting the 1,000,000 £1 ordinary shares to 10,000,000 10p ordinary shares. On 24 September 1999 58,594 £1 ordinary shares were allotted for a cash price of £6.40 per share. On 15 December 1999 a further 154,302 ordinary shares of 10p each were allotted for cash at £1.6204 per share. On 31 January 2000 a further 216,007 ordinary 10p shares were allotted for cash at a price of £4.6293 per share.

The authorised share capital of the company was increased to £1,200,000 on 28 April 2000 represented by 12,000,000 10p ordinary shares, which were sub-divided into 120,000,000 1p ordinary shares on the same date.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

12. SHARE CAPITAL / SHARE PREMIUM (CONT.)

Movements in the issued share capital and share premium account during the year ended 31 May 2000 are as follows:

	Date	No.	Share capital £	Share premium £
At 1 June 1999 - £1 ordinary shares		250,000	250,000	-
Issue of shares	24 September 1999	58,594	58,594	316,408
Sub-division from £1 to 10p ordinary shares	30 November 1999	2,777,346	-	-
Issue of shares	15 December 1999	154,302	15,430	234,606
Issue of shares	31 January 2000	216,007	21,601	978,361
Sub-division from 10p to 1p ordinary shares	28 April 2000	31,106,241	-	-
One for one bonus issue using the share premium account	28 April 2000	34,562,490	345,625	(345,625)
Exercise of share options	28 April 2000	2,392,400	23,924	6,528
Issue of shares on admission to the Alternative Investment Market of the London Stock Exchange	9 May 2000	6,666,667	66,667	2,933,333
Flotation expenses written off against the share premium account	9 May 2000	-	-	(507,072)
At 31 May 2000 – 1p ordinary shares		<u>78,184,047</u>	<u>781,841</u>	<u>3,616,539</u>

Options over ordinary shares in the company had been granted over the period commencing 4 June 1998 to 31 May 2000. Options granted over the period, after accounting for share sub divisions and bonus issues are equivalent to 5,554,000 ordinary 1p shares. Of these 2,392,400 have been exercised during the year ended 31 May 2000 at an average exercise price of 1.27p per share. This included the exercise of options by a brother of the chairman over 1 million 1p ordinary shares at a price of 1p per share.

The remaining 3,161,600 share options have an exercise price ranging from 1p to 23.1465p, and all are exercisable during the period of 10 years from the respective date of granting of the option. Options held by the directors of the company are disclosed in the directors' report.

Options over further shares will be offered pursuant to the company's 2000 Share Option Plan and 2000 USA Share Option Plan. The number of shares and the exercise price is as yet to be determined.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

13. RESERVES

Group	Share Premium £	Profit and loss account £	Total £
At 1 June 1999	-	(303,682)	(303,682)
Movement on share premium account (See note 12)	3,616,539	-	3,616,539
Retained loss for the year	-	(1,035,616)	(1,035,616)
At 31 May 2000	<u>3,616,539</u>	<u>(1,339,298)</u>	<u>2,277,241</u>
Company	Share Premium £	Profit and loss account £	Total £
At 1 June 2000	-	(303,682)	(303,682)
Movement on share premium account (See note 12)	3,616,539	-	3,616,539
Retained loss for the year	-	(1,008,287)	(1,008,287)
At 31 May 2000	<u>3,616,539</u>	<u>(1,311,969)</u>	<u>2,304,570</u>

14. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

	Year ended 31 May 2000 £	Period from incorporation on 13 January 1998 to 31 May 1999 £
Loss for the financial year/period	(1,035,616)	(303,682)
Issue of shares (see note 12) Increase in issued share capital and share premium account	4,148,380	250,000
Net increase/(decrease) in shareholders' funds	3,112,764	(53,682)
Opening shareholders' funds/(deficit)	(53,682)	-
Closing shareholders' funds/(deficit)	<u>3,059,082</u>	<u>(53,682)</u>

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

15. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 May 2000 £	Period from incorporation on 13 January 1998 to 31 May 1999 £
Operating loss	(1,053,595)	(304,167)
Depreciation and amortisation charges	90,069	17,311
Increase in debtors	(190,060)	(24,873)
Increase in creditors	886,115	128,703
Net cash outflow from operating activities	<u>(267,471)</u>	<u>(183,026)</u>

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31 May 2000 £	Period from incorporation on 13 January 1998 to 31 May 1999 £
Returns on investments and servicing of finance		
Interest receivable and similar income	27,303	6,219
Interest payable and similar charges	(9,324)	(5,734)
	<u>17,979</u>	<u>485</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets including long leasehold property	336,573	47,028
Payments on development expenditure	293,109	6,685
	<u>629,682</u>	<u>53,713</u>
Financing		
Issue of shares, including share premium (see note 12)	<u>4,148,380</u>	<u>250,000</u>

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

17. CONTINGENT LIABILITIES

By the nature of the business, a stake can be received from a customer in respect of some event happening in the future, and hence the level of any actual liability to the group cannot be assessed until after that event has occurred, although the maximum potential liability can be determined. As at the balance sheet date there were £12,895 (31 May 1999 : nil) of such stakes that had been received where the event to which they related was after the balance sheet date. Accordingly £12,895 (31 May 1999 : nil) has been reflected as deferred income in the balance sheet (see note 11).

18. CAPITAL COMMITMENTS

As at 31 May 1999 and 31 May 2000 the group had no capital commitments, although the group had paid a £10,000 deposit in respect of a long leasehold apartment which is presently being built and which should be ready for occupation in early 2001. The total cost of the apartment is anticipated to be £110,000.

19. RELATED PARTY TRANSACTIONS

In the year to 31 May 2000 an amount totalling £168,936 has either been paid by the group or reflected as payable at 31 May 2000 to a single supplier. A director of betinternet.com plc is a 50% shareholder of that supplier.

In respect of the flotation of the company £72,173 was paid to the company's solicitors, Binchys. One of the partners and a consultant of that firm are respectively a sister and brother of the Chairman of betinternet.com plc.

Additionally an amount of £35,000 was paid directly to a brother of the Chairman for services provided to the company in connection with strategic advice provided to the company.

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 2 October 2000 the company announced it had formed Euro Off-Track Limited Partnership ("Euro Off-Track"), a 50-50 partnership with Greyhound Channel, Inc. ("GCI") of America to enable, for the first time, non-United States customers to bet directly into US Totes through the provision of live broadcasts of US greyhound and thoroughbred horse racing from more than 30 tracks. It is anticipated that the service will be available from the end of this year.

Further details regarding this arrangement are disclosed in the Directors' Report on page 4.

21. OPERATING LEASE COMMITMENTS

At 31 May 2000 the group was committed to making the following payments during the next year in respect of operating leases, all of which relate to land and buildings:

	31 May 2000 £	31 May 1999 £
Leases which expire:		
After 5 years	53,586	5,300
	<u>53,586</u>	<u>5,300</u>

22. PENSION ARRANGEMENTS

The group does not operate any pension scheme for any of its directors or employees. Where payments are made to certain directors to contribute to their own personal pension arrangements then such amounts are included within directors remuneration as disclosed in note 3.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

23. CONTROLLING PARTY AND ULTIMATE CONTROLLING PARTY

On 9 May 2000 the shares in the company were admitted to trading on the Alternative Investment Market of the London Stock Exchange. At 31 May 2000 V E Caldwell was the largest single shareholder of the company with a holding of 20.00%, including those shares held beneficially by his wife, and as such it is deemed that there is no single ultimate controlling party.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the above named Company will be held at The Walberry Suite, Sefton Hotel, Douglas, Isle of Man, on 28th November, 2000 at 12.00 noon for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and consider the Directors' Report and the Accounts of the Company for the year ended 31 May, 2000 and the Auditors' report to the members.
2. To re-elect as a director Mr. Vincent Caldwell who retires by rotation and, being eligible, offers himself for re-election in accordance with the Company's Articles of Association.
3. To elect as a director Mr. Patrick Flanagan who was appointed during the year and offers himself for election in accordance with the Company's Articles of Association.
4. To elect as a director Mr. Sean Graham who was appointed during the year and offers himself for election in accordance with the Company's Articles of Association.
5. To authorise the Directors to fix the remuneration of the Company's auditors for the year ended 31 May, 2001.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:

As a Special Resolution

6. The directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Article 6(A) of the Articles of Association of the Company (the Articles) to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities of the Company (as defined in Article 6(G) of the Articles) up to an amount equal to but not exceeding the authorised but unissued share capital of the Company for the time being, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this resolution unless renewed, varied or revoked by the Company in General Meeting. The Directors shall be entitled under such authority or under any renewal thereof to make at any time prior to the expiry of such authority an offer or agreement which would or might require relevant securities to be allotted, granted options over, offered or otherwise dealt with after such expiry and the Directors may allot, grant options over, offer or otherwise deal with relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired;

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

As a Special Resolution

7. The Directors of the Company be and they are hereby empowered pursuant to Article 8 of the Articles of Association of the Company (the Articles) to allot equity securities (as defined in Article 7(H) of the Articles) pursuant to the authority conferred on the Directors to allot relevant securities by Resolution 4 above as if paragraph A of Article 7 of the Articles did not apply to such allotment **PROVIDED THAT** this power shall be limited to:
- (i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities are issued proportionally (or as nearly as may be) to the respective number of ordinary shares held by such shareholders (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with issues arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the fixing of exchange rates applicable to any such equity securities where such equity securities are to be issued to shareholders in more than one territory, or legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise howsoever);
 - (ii) the allotment of equity securities to holders of any options under any share option scheme of the Company for the time being in force, on the exercise by them of any such options; and
 - (iii) the allotment (otherwise than pursuant to paragraphs (i) or (ii) above) of equity securities up to a maximum aggregate nominal value of £39,092.02.

The power hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this Resolution unless such power shall be renewed in accordance with and subject to the provisions of the said Article 8, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

To transact any other business which may be brought before the Meeting.

By order of the Board

David P. Craine
Secretary

Dated 26 October, 2000

Registered Office: Burleigh Manor, Peel Road, Douglas, Isle of Man IM1 5EP.

Notes:

1. A member of the Company who is entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his, her or its behalf. A proxy need not be a member of the Company. Completion of a proxy form does not preclude a member from attending the above Meeting and from speaking and voting thereat.
2. To be valid, proxy forms must be deposited with the Company's Registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA not later than 12 noon on 26th November, 2000.
3. A copy of the contracts of service between each of the current directors of the Company and the Company will be available for inspection at the Meeting from 15 minutes prior to and until the conclusion of the Meeting.
4. The register of directors' interests and particulars of directors' transactions in the share capital of the Company and its subsidiary companies will be available for inspection at the Meeting from 15 minutes prior to and until the conclusion of the Meeting. Otherwise they will be open for inspection at the Registered Office of the Company during normal business hours on any week day (Saturdays and Isle of Man public holidays excluded) from the date of this notice until the date of the Meeting.