

**THIS DOCUMENT IS IMPORTANT.** If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services Act 1986 (or, in the Isle of Man, under the Investment Business Acts 1991 to 1993) who specialises in advising on the acquisition of shares and other securities.

A copy of this document, which comprises a prospectus, has been drawn up in accordance with the UK Public Offers of Securities Regulations 1995 (“POS Regulations”) and the AIM Rules and has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations. A copy of this document, which has also been drawn up in accordance with the Companies Acts 1931 to 1993 of the Isle of Man, having attached thereto the consent referred to in paragraph 11.7 of Part IV of this document and copies of the material contracts referred to in paragraph 7 of Part IV of this document, has, in addition, been delivered to the Registrar of Companies in the Isle of Man for registration in accordance with Section 38 of the Companies Act 1931.

The Directors of betinternet.com plc, whose names appear on page 4, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

Persons receiving this document should note that English Trust Company Limited, which is regulated by The Securities and Futures Authority Limited, is acting for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of English Trust Company Limited or providing advice in connection with the Placing. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and the Admission and is intended only to be relied upon by prospective places subscribing for Ordinary Shares in the Placing and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

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# betinternet.com plc

*(Incorporated in the Isle of Man under the Companies Acts 1931 to 1993 – Registered No. 89278C)*

**Placing by**  
**English Trust Company Limited**  
**of 6,666,667 Ordinary Shares of 1p each at a price of 45p per share**  
**and**  
**Admission to the Alternative Investment Market**

Nominated Adviser

**English Trust Company Limited**

Nominated Broker

**Capital International Limited**

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<b>Share capital following the Placing</b>				
<i>Authorised</i>	<i>Number</i>	<i>in Ordinary Shares of 1p each</i>	<i>Issued and fully paid</i>	<i>Number</i>
£1,200,000	120,000,000		£781,840.47	78,184,047

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**The Ordinary Shares being issued pursuant to the Placing will rank *pari passu* in all respects with the existing issued Ordinary Shares of the Company and will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company.**

**An investment in the Company involves a degree of risk and, in particular, attention is drawn to the risk factors set out on pages 13 to 15 of Part I of this document.**

**Application has been made for the whole of the ordinary share capital of betinternet.com plc in issue and to be issued pursuant to the Placing to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.**

**The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Further, the London Stock Exchange has not itself approved the contents of this document.**

**English Trust Company Limited of 12a Charterhouse Square, London EC1M 6NA is the Company’s Nominated Adviser for the purpose of the AIM Rules. Its responsibilities as the Company’s Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire betinternet.com plc shares in reliance on any part of this document. Neither English Trust Company Limited nor Capital International Limited is making any representation or warranty, express or implied, as to the contents of this document.**

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## DEFINITIONS

The following definitions and terms apply throughout this document unless the context otherwise requires:

“Admission”	the admission of the entire ordinary share capital of the Company issued and to be issued pursuant to the Placing to trading on AIM
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing the admission to and the operation of AIM
“Betting Office Licence”	a betting office licence issued by the Gaming Control Commissioners pursuant to the Gaming, Betting and Lotteries Act 1988
“betinternet.com” or the “Company”	betinternet.com plc
“Capital International”	Capital International Limited, the Company’s Nominated Broker, a Member of the London Stock Exchange and licensed to conduct investment business by the Isle of Man Government Financial Supervision Commission
“Directors” or “Board”	the board of directors of the Company whose names appear on page 4
“English Trust”	English Trust Company Limited, the Company’s Nominated Adviser
“Group”	the Company and its subsidiary, Technical Facilities & Services Limited
“Internet”	a global data and communications network comprising interconnected networks using dedicated protocols
“IT”	information technology
“London Stock Exchange”	London Stock Exchange Limited
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placing”	the arrangements for the procurement of subscribers for the Placing Shares by English Trust and Capital International on behalf of the Company pursuant, <i>inter alia</i> , to the Placing Agreement
“Placing Agreement”	the agreement dated 28 April 2000 between the Company, English Trust, the Directors and Capital International, details of which are set out in paragraph 7(e) of Part IV of this document
“Placing Price”	45p per Ordinary Share
“Placing Shares”	6,666,667 new Ordinary Shares which are the subject of the Placing

All references in this document to legislation are to Isle of Man legislation, unless otherwise stated or the context otherwise requires.

## **DIRECTORS, SECRETARY AND ADVISERS**

### **Directors**

Vincent Edward Caldwell (*Chairman and Managing Director*)

William David Mummery (*Technical Director*)

Harley Corkill (*Non-Executive Director*)

*all of:*

Burleigh Manor  
Peel Road  
Douglas  
Isle of Man IM1 5EP

### **Company Secretary and Registered Office**

David Peter Craine  
Burleigh Manor  
Peel Road  
Douglas  
Isle of Man IM1 5EP

### **Nominated Adviser**

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

### **Nominated Broker**

Capital International Limited  
No.1 The Parade  
Castletown  
Isle of Man IM9 1LG

### **Solicitors to the Company**

Binchys  
40 Lower Baggot Street  
Dublin 2  
Ireland

### **Solicitors to the Issue**

Osborne Clarke  
Hillgate House  
26 Old Bailey  
London EC4M 7HW

### **Advocates to the Company**

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

### **Reporting Accountants**

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

### **Principal Bankers**

Isle of Man Bank  
Athol Street  
Douglas  
Isle of Man IM99 1AN

### **Registrars**

Northern Registrars Limited  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

## KEY INFORMATION

**The following information should be read in conjunction with the full text of this document, from which it is derived. You should read the whole of this document and not just rely on the key information set out below. In particular, your attention is drawn to the risk factors set out on pages 13 to 15 of Part I of this document.**

- The Board's strategy is to position betinternet.com as a global provider of Internet betting services
- betinternet.com was incorporated in 1998 in order to secure an Isle of Man Betting Office Licence for international betting
- The Company commenced trading in October 1998 as a telephone-based betting service in order to establish the infrastructure necessary for the operation of its proposed international Internet betting services business
- The Directors are satisfied that the growth in turnover generated by betinternet.com's telephone based system since incorporation has established that international demand for the Company's Internet betting services exists
- The Company's interactive Internet betting site was launched on 17 March 2000
- The Company's clients effectively bet tax-free
- The client base is being developed globally from its historical Irish foundation, and is already spread across 30 countries
- The Company is focusing on sports perceived to have an international appeal
- The Directors have established a multi-lingual team of skilled personnel with many years' experience in the betting industry
- betinternet.com is raising £3,000,000 pursuant to the Placing. The net proceeds are to be utilised primarily in the promotion and development of the Company's Internet betting service

## **PLACING STATISTICS**

Placing Price per Ordinary Share	45p
Number of Ordinary Shares the subject of the Placing	6,666,667
Number of Ordinary Shares in issue following the Placing	78,184,047
Market capitalisation following the Placing at the Placing Price	£35,182,821
Proceeds of the Placing to be received by the Company net of estimated expenses of £490,000 to be borne by the Company	£2,510,000

## **EXPECTED TIMETABLE**

Dealings in the Ordinary Shares are expected to commence on AIM at 8 a.m. on 9 May 2000  
Expected date for the posting of share certificates – 9 May 2000  
Expected date for CREST accounts to be credited – 9 May 2000

## PART I

### INFORMATION ON THE BUSINESS

#### 1. Introduction

betinternet.com was incorporated in the Isle of Man in 1998 in order to secure a Betting Office Licence and establish the infrastructure and put in place the systems necessary to operate an international tax-free Internet-based betting service. Since that date, the Betting Office Licence has been obtained, the infrastructure of premises, equipment and staff put in place and the Internet site installed and tested. The Company's on-line Internet betting service (www.betinternet.com) was launched on 17 March 2000.

The Company is now seeking Admission to AIM in conjunction with a Placing of 6,666,667 new Ordinary Shares to raise approximately £3,000,000 to provide the funds necessary for the promotion and development of its business.

#### 2. Background

betinternet.com is based in Douglas, Isle of Man, and was granted a Betting Office Licence by the Isle of Man Government in May 1998. In order to establish the necessary infrastructure for the intended Internet betting service, including the recruitment of an experienced team of professionals, the Company commenced trading from Douglas, Isle of Man, in October 1998 as a telephone betting service concentrating initially on the Irish horse racing market. The Company now has a client base extending over thirty countries and its weekly turnover has risen to in excess of £340,000.

In anticipation of the launch of the on-line Internet betting service, a policy decision was taken in early 1999 to reduce the Company's reliance on both the Irish market and on horse racing in favour of other sports perceived to have international appeal such as soccer, American and Gaelic football, Formula 1 motor racing, rugby, golf, baseball and basketball and to promote the Company's telephone betting service to the English speaking expatriate community in mainland Europe. In addition, therefore, to its advertising and information web site the Company launched English and German text pages on Sky sports, Eurosport and CNN teletext services. The Directors believe that the diversification both of the customer base and the range of sports offered will, in addition to increasing turnover, substantially reduce the impact of any legislative changes in any one jurisdiction, reduce the effect of seasonal variations relating to particular sports and increase the gross margin which historically has been derived from a concentration on horse racing.

With the launch of the Company's on-line Internet betting service, the Directors believe that betinternet.com is well-placed to commence the next phase of its strategy to position itself as a global provider of international betting services via the Internet.

In January 2000, the Company's operations were moved to larger premises in Douglas and the Company recently exercised an option over an additional floor at these premises. The Company now has over twenty members of staff including a significant proportion with both industry experience and language skills. In addition, the Board has been strengthened by the appointment of two Directors specifically responsible for IT and telecommunications and compliance with anti money laundering regulations.

#### 3. Betting Office Licence

Under the Gaming, Betting and Lotteries Act 1988, the Isle of Man Gaming Control Commissioners were authorised to issue ten Betting Office Licences. During the following ten years seven of these were issued, all to operators of traditional local bookmaking offices.

In 1998 the General Betting Duty Order 1998 reduced betting duty to the rate of 0.3 per cent in relation to "international telephone bets". In order to avail itself of this preferential rate the licence holder must undertake not to accept bets from either Isle of Man or UK residents and establish strict operating procedures to ensure that it complies with this undertaking.

As a result of such change in betting duty, there was a high level of interest in the three remaining Betting Office Licences, one of which was secured by betinternet.com which, since the commencement of trading, has restricted its operations to international betting services in order to take advantage of the favourable duty. It is understood that, at present, there are only three operators in the Isle of Man (including betinternet.com) who have restricted their operations in this way so as to avail themselves of the favourable rate of duty.

The ability to levy duty at the rate of 0.3 per cent confers a distinct competitive advantage on the relevant operator when compared with rates of duty levied in other jurisdictions such as Germany (16 per cent) and Ireland (5 per cent). This advantage is augmented by the Company which itself absorbs the betting duty, thus allowing its clients effectively to bet tax-free.

The Directors are confident that the Company's systems currently ensure and will continue to ensure that the Company complies with the terms of its Betting Office Licence.

#### **4. The Technical Infrastructure**

The Company is in the process of establishing its own in-house technical team which will be headed by William Mummery, one of the Company's Directors, who has considerable experience in the IT and telecommunications sectors.

In relation to horse racing, betinternet.com's technical infrastructure allows for the direct input of information from Satellite Information Services including details on runners and early odds overnight and throughout the day. The system also allows the Company to collect and process statistical information from external sources so as to enable it to generate information on other sports on which the Company offers odds. This data is displayed on the Company's twenty internal information terminals and provides data feed for the liability managers and telephone operators. The system also automatically prevents the placing of wagers once an event has begun.

In addition, the Company has installed the following systems and infrastructure in support of its international service:

- an automatic dial up capability which allows simultaneous authorisation of credit card transactions whilst the operator is dealing with a client's bet;
- two separate creation and editing suites which enable the Company's English and German text pages on Eurosport and CNN teletext to be continually updated; and
- a broad band fibre optics link to carry its web traffic and e-commerce transactions which has been implemented in such a manner as to enable the Company to respond rapidly to increases in web site traffic volumes by adding additional capacity.

The Company's Internet based system is compatible with all aspects of its telephone based system, including the Company's database, the back office systems and the web server which is hosted by betinternet.com on its own premises. The security "firewall", (a means of protecting computerised systems from unauthorised access) is provided by Cisco Pix, a state of the art hardware solution. In addition to providing a high level of security the Cisco Pix firewall has the advantage of not degrading the data throughput speed of the site. In the design and implementation of the on-line service, consideration was given to satisfying very high security demands. The system is designed to protect the security of transactions as well as threats from outside influences.

The Directors are confident that the telecommunications infrastructure of the Isle of Man will facilitate betinternet.com's strategy to position itself as a global provider of Internet betting services. The Isle of Man has a fully digital and fixed mobile voice network and is expected shortly to have a fixed broadband access which will increase the data carrying capacities beyond those currently available with ISDN. Manx Telecom and other Internet service providers provide a wide range of Internet access services.



## **5. The Market**

The advent of on-line betting has changed the dynamics of the betting industry not only for the customer but also for the operator. The Internet allows a broad range of socio-economic groups to place bets from the comfort of their own homes on a wide range of sports and other betting products.

Recent Internet surveys have indicated that in the region of 150 million people world-wide are presently on-line and that this will grow to between 280 million and 350 million people by 2003. As people get out of the habit of using traditional product delivery channels and convert to telephone and Internet services, commentators consider it is unlikely that this trend will reverse. In addition, Internet users in general are becoming more diverse with different age and socio-economic groups displaying different on-line purchasing habits.

Against this background, commentators project that between US\$3 billion and US\$10 billion will be gambled on-line by 2002 as betting service providers avail themselves of the high audience reach and cost savings presented by the Internet. An industry survey indicates that English (60%) is the primary language of the global betting industry, followed by Russian (15%) and German (7%), with French and Spanish having approximately 4% each. In Europe, it is estimated that 7.3 million Germans use the Internet with 6.5 million users in France and 9 million in Italy.

It was also recently reported that during 1997 Sky and Eurosport television broadcast 22,000 hours of sports coverage. The Directors believe that the interaction of sports coverage on radio and television and the increasing sophistication of web and mobile telephone technology will combine to provide enormous global opportunities for the gaming industry.

## **6. Company Strategy**

The Directors believe that the customer friendly, efficient and convenient telephone betting service provided by the Company to date has been instrumental in building and maintaining its customer base. The Company anticipates that telephone betting will remain a revenue generator for the foreseeable future.

Having obtained a Betting Office Licence and put in place the necessary infrastructure, the Directors believe that the Company is well placed to secure significant revenues from the anticipated Internet betting market and that key factors in achieving this are the low rate of betting duty available to companies operating in the Isle of Man on an international basis, a strong regulatory infrastructure and the implementation of a high level of security for credit card transactions.

In addition, the Directors believe that the establishment of a reputable brand name is fundamental to the Company's success. To this end, the Company is proposing to utilise targeted marketing techniques and, in the medium term, to obtain media coverage at prime televised sporting events so as to enhance the Company's brand profile.

By way of implementation of the Company's strategy to become a global provider of Internet betting services, the Company has retained a multi-lingual staff (currently offering information and bet handling services in English, German, French, Spanish and Italian), is providing a 24 hour telephone and Internet betting service, covering a wide range of international sports, and catering for "real time" bets in a range of foreign currencies.

The Company will continue its policy of diversification of its customer base and the range of sports offered, in order to increase operating margins and reduce the size of the average wager, consequently reducing the Company's risk profile. In addition, the Company will focus on strong national partnerships and synergistic links that are intended to deliver customers directly to the Company.

## 7. Reasons for the Placing and Use of Funds

The Directors are of the opinion that admission of the Company's shares to trading on AIM will raise the profile of the Company and assist in the establishment of the Company's brand name. The Company is seeking to raise £3,000,000 from investors pursuant to the Placing to fund the development of its Internet based business.

The Directors intend that, out of the net proceeds of the Placing, approximately £1 million will be utilised during the first 18 months post flotation in advertising and promoting the Internet site, £300,000 in enhancing the site, £800,000 in operating expenses and £400,000 in working capital to cover the liability book.

## 8. Financial Record

The trading record of the Group for the period from incorporation to 29 February 2000, extracted from the Accountants' report set out in Part II of this document is summarised below:

	<i>Period from 1 June 1999 to 29 February 2000 £'000</i>	<i>Period from 13 January 1998 to 31 May 1999 £'000</i>
Turnover	6,915	1,544
Gross Profit/(loss)	160	(20)
Loss before taxation	(346)	(304)

The financial record of the Company reflects the results of the Directors' policy of building an appropriate infrastructure in terms of the client base, premises, staff and equipment to facilitate the launch of the on-line Internet betting service.

## 9. Current Trading and Prospects

The Directors are satisfied that the growth in turnover generated by betinternet.com's telephone based system since incorporation has established that international demand for the Company's Internet betting service exists. The Company has established a client base extending over some thirty countries and weekly turnover had risen, prior to the launch of the Internet betting service, to in excess of £340,000. The Directors view the prospects for the Company's business with confidence.

## 10. Directors, Senior Management and Key Personnel

### Directors

The Board comprises:

#### **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 57, Non-Executive**

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.

### **Senior Management**

The senior management of the Company comprises:

#### **Chief Operations Officer**

**Patrick Flanagan**, aged 46, recently joined the Company from Ladbrokes for whom he worked since 1977. He took up appointment in that year as a shop manager, being appointed local supervisor within a period of twelve months. In 1980, he was promoted to District Manager for North London and in 1981 for London West and North West. In 1986 he was appointed District Manager of London West End and City and in 1987 Operations Director for Ladbrokes Ireland. In 1993 he was further promoted to the position of General Manager, Gibraltar, and in 1999 was appointed Operations Director, Ladbroke International.

#### **Deputy Operations Manager**

**Sean Graham**, aged 32, joined the Company in mid-April 2000. Mr. Graham has extensive experience of the betting industry having worked for 15 years in his family's business, S.P. Graham Limited, for which he was the race room controller.

#### **Company Secretary**

**David Peter Craine FCA**, aged 45, has been a partner in an Isle of Man based firm of Chartered Accountants since 1982. He is a fellow of the Institute of Chartered Accountants in England and Wales and is a past Chairman of the Isle of Man Society of Chartered Accountants.

#### **Financial Controller**

**Brian O'Sullivan FCA**, aged 44, joined the Company in March 2000 as its financial controller. He oversees the Company's financial controls via remote on-line access. He graduated from University College Dublin in 1976 and qualified as a chartered accountant in 1979. He was admitted as an Associate of the Institute of Chartered Accountants in Ireland in 1984 and became a fellow of that Institute in 1995. He has been self-employed since 1988 during which time he has provided ongoing long-term financial control and general management services to the Irish businesses of multi-national software organisations.

#### **Marketing Manager**

**Mark McGuinness**, aged 33, is the Company's Marketing Manager. He joined the Company in February 2000. He has extensive knowledge of the betting industry having spent nine years with Tote Bookmakers Limited. He has held managerial positions with Bass Plc and Footlocker PLC where he gained experience in customer services, operations and marketing. He graduated from Paisley University in 1987 and 1998 with degrees in Biology and Business Administration (majoring in marketing and law) respectively.

## **Key Personnel**

The Company has several risk management teams specialising in selected target sports markets. The teams are headed by:

**Wayne O'Hara**, aged 42, is the Sports Operations Manager and joined the Company in February 1999, having previously worked for four years for Bowman International. He has particular experience of liability control and customer services/marketing.

**Joyce Yates**, aged 37, is the Evening Supervisor. She joined the Company recently, having previously worked for several years for both William Hill and Bowman International. Ms Yates has specific experience in liability control and staff training.

**Robert Macdonald Kneen** aged 37, is the race desk supervisor. He has worked in the betting industry for 17 years. He began as a manager for Stanley Racing working locally and in England and Ireland, before progressing to Director and General Manager with Joe Jennings (IOM) Limited. He joined the Company in January 2000.

## **11. The Isle of Man**

The Isle of Man is a Crown Dependency which enjoys semi-independent status. It is separate and distinct from the United Kingdom both geographically and politically. It is a Member of the Commonwealth. The Island's Parliament, Tynwald, makes its own laws and oversees all internal administration, fiscal and social policies. As a British Crown Dependency the ultimate responsibility for the Island's government is vested in the Crown but, by long standing convention, the United Kingdom Government does not legislate for the Island except with the specific consent of the Island's Government. The Island has its own income tax and customs and excise services and prints its own bank notes and stamps.

The Isle of Man is not a Member of the European Union. However, the Island enjoys a special relationship with the Union by virtue of Protocol 3 to the Act of Accession annexed to the Treaty of Accession 1972 by which the United Kingdom became a Member. Under Protocol 3, which requires the Manx Government to apply the principle of equal treatment to all natural and legal persons of the European Union, the Isle of Man is within the European Union's common customs tariff area for the purposes of trade in industrial and agricultural products.

Financial services constitute the largest single sector of the Island's economy. The Manx Government has encouraged economic growth in recent years by creating a suitable legislative framework for expansion and by offering financial incentive where necessary, particularly for the manufacturing industry and tourism.

The British Government's 1998 Review of financial regulation in the Isle of Man, Jersey and Guernsey (the "Edwards Review") concluded that the Isle of Man was "clearly in the top division of offshore financial centres" and had created political, legal and regulatory infrastructures which were "remarkably good for such a small jurisdiction".

## **12. Corporate Governance**

The Company is developing appropriate measures to ensure that it will, as far as possible, be able to comply with The Combined Code Principles of Good Governance and the Code of Best Practice published by the London Stock Exchange subject to such reservations as are appropriate for the size and stage of development of the Company. The Company presently has one Non Executive Director and proposes to appoint a Non-Executive Chairman within six months of Admission. The Non Executive Directors will bring an independent viewpoint to the Company's activities. The Board has not separated the roles of Chairman and Managing Director but intends to do so in the future with the appointment of the new Non Executive Chairman. The Board has established a Remuneration Committee comprising the Chairman and the Non Executive Director. The Remuneration Committee will determine the remuneration of the executive Directors and the grant of options to employees, including executive Directors, under the Company's share option plans. The Board has established an Audit Committee comprising the Chairman, the Non

Executive Director and Brian O’Sullivan, the Company’s Financial Controller. It is anticipated that the Non Executive Chairman, when appointed, will join both the Remuneration Committee and the Audit Committee.

### **13. Dividend Policy**

The Directors intend to commence payment of dividends when it becomes commercially viable to do so, subject to the working capital requirements of the Group and the availability of distributable profits and thereafter they will adopt a progressive but prudent dividend policy. The Directors do not anticipate, however, that any dividends will be paid or recommended for payment prior to the year ending 31 May 2003.

### **14. The Private Placing**

In January 2000 the Company raised approximately £1,000,000 by means of a private placing through the issue of 216,007 new ordinary shares of 10p each in the capital of the Company to investors in order to fund the completion of the development of the Company’s Internet betting system.

### **15. The Placing and Undertakings by Principal Shareholders**

6,666,667 new Ordinary Shares representing 8.53 per cent of the enlarged issued share capital of the Company have been conditionally placed at 45p per share by English Trust pursuant to the Placing Agreement, the principal terms of which are summarised in paragraph 7(e) of Part IV of this document. The Placing Shares will, when issued, rank *pari passu* in all respects with the existing issued Ordinary Shares. The Placing will raise approximately £2,510,000 net of expenses for the Company. The Placing is conditional, *inter alia*, on Admission taking place.

Immediately following Admission, the Directors and their associates will be interested in 26,568,600 Ordinary Shares, representing 33.98 per cent of the then issued Ordinary Shares. The Directors, persons connected with them and certain principal shareholders have undertaken that they will not sell or otherwise dispose of any part of their respective interests in the Ordinary Shares held immediately preceding the Placing for a period of up to twelve months following Admission. The Directors’ undertakings are contained in the Placing Agreement, further details of which are set out in paragraph 7(e) of Part IV of this document. The principal shareholders’ undertakings are contained in lock in agreements executed by each of such principal shareholders, further details of which are set out in paragraph 7(f) of Part IV of this document.

### **16. Risk Factors**

The Directors have identified a number of risk factors relating to an investment in the Company:

- The Ordinary Shares are not listed on the Official List of the London Stock Exchange and although the Ordinary Shares are to be traded on AIM, this should not be taken as implying that there will be a liquid market in the Ordinary Shares. An investment in the Ordinary Shares may, therefore, in certain circumstances be difficult to realise. The value of the Ordinary Shares may go down as well as up.
- The investment offered in this document may not be suitable for all recipients of this document. Investors are accordingly advised to consult an investment adviser authorised under the relevant statute within their own jurisdiction who specialises in investments of this kind before making a decision to invest.
- The Company depends on the efforts and skills of a number of key personnel, including its Chairman and Managing Director, Vincent Caldwell, its Chief Operations Officer, Patrick Flanagan and its Technical Director, William Mummery. In addition, the Company’s future success depends to a large extent on its ability to continue to attract, motivate and retain highly experienced or qualified employees. The loss of the services of such individuals, to the extent that betinternet.com could not replace them, or an inability to attract new personnel, could have a material adverse effect on betinternet.com’s business.

- The betting activities of the Company are subject to the usual commercial risks and such factors as Internet competition and economic conditions generally may affect the Company's ability to generate income. As gambling is a discretionary activity, it can be affected by changes in the economic climate.
- The Directors are aware that certain jurisdictions are reviewing the fiscal effects of cross-border betting and there is the possibility of consequential changes in legislation. This document has been prepared on the basis of current rates of betting duty and regulatory legislation and the current interpretation thereof. These factors, together with levels and bases of taxation, may change as a result of future changes in law or practice, none of which are anticipated at the present time.
- The Directors are aware that the Isle of Man Government is considering a revision of the applicable legislation to regulate the issuance of additional Betting Office Licences, giving rise to the possibility of increased competition when that process is complete. The Directors are aware of other "Offshore" jurisdictions that have granted similar licences and may continue to do so.
- The Directors intend to seek real underlying growth through the further development of the Company's technology and through continued investment in improving its Internet and telephone betting facilities. There can be no assurance, however, that such initiatives will result in increased turnover for betinternet.com. In addition, there can be no assurance that any further development or investment by betinternet.com will not be matched by its competitors.
- betinternet.com's operating results may be affected by seasonality and, in particular, the schedule of the horse races on which it accepts bets and from which a large proportion of the turnover of the Company is currently derived.
- The Company may encounter delays in developing and expanding its operations. In particular, as the Company's international business expands the Company may experience temporary difficulties in identifying further suitably qualified multi-lingual staff in the Isle of Man.
- Most countries regulate or, in some cases prohibit, betting activities. Historically, the regulation of the betting industry has been organised at a national level. No international betting regulatory regime exists. Accordingly, whilst the Company is satisfied that it complies with the laws and regulations of the Isle of Man, where it has operations, whether, or the extent to which, existing domestic legislation in other countries around the world applies to the international betting activities of betinternet.com is uncertain. In addition, certain countries have enacted specific legislation prohibiting Internet betting, such as the People's Republic of China, and similar legislation has been proposed, but not yet enacted, in other countries including the United States. The Company has not yet undertaken a review of the betting laws and regulations in every jurisdiction from which it may receive bets. Accordingly, there can be no assurance that the application of existing and potential future laws and regulations in a number of jurisdictions will not have a material adverse effect on the development and operation of the Group's international activities.
- The operations of the Company may be subject to future changes in legislation relating to regulation of the Internet.
- The operation of betting facilities is generally subject to governmental regulation. Various permits, licences, findings of suitability and approvals are required to be held by operators of betting services.
- A Betting Office Licence is granted in the Isle of Man on an annual basis and the licence holder is obliged to make a formal application for renewal. The Company's Betting Office Licence has been renewed for the forthcoming year commencing 1 June 2000. There are no reasons to consider that future renewals of the licence will be refused by the Gaming Control Commissioners unless the relevant legislation affecting the Betting Office Licence and the associated Bookmaker's Permit has been contravened in a material and substantial way.

- Building and enhancing the value of the Company's brand is fundamental to expanding its business. The Company's success in developing brand awareness will depend on its ability to provide a broad range of betting services and information on sporting events on a global basis. There can be no assurance that the Company will be successful in promoting its brand. To attract and retain online users and to promote and maintain its brand, the Company intends to spend significant amounts on an aggressive brand-building strategy, which includes advertising, promotional programs and the establishment of strategic alliances. The Company may need to spend significant amounts in the future to maintain the value of its brand. Revenues from these activities may not be sufficient to offset associated costs.
- The book liability management and back office data necessary for the Company's system makes its software complex and sophisticated and therefore these products may contain design defects and other software errors that even the most rigorous testing program may not identify. Errors, bugs or viruses could result in a loss of clients or lack of market acceptance or claims against the Company for loss or damage suffered by a customer as a consequence. In addition, as the Company's Internet betting service has only recently been launched, it has been subjected to only a limited period of live testing. Its ability, therefore, to inter-react satisfactorily with the Company's other systems, including the accounting functions, has not yet been proven over an extensive period of time.
- The increase in volume and richness of information transmitted over the Internet creates congestion due to the current bandwidth constraints of the Internet. Narrowband limits the delivery of media-rich content over the Internet, in terms of speed and capacity. As more users access the Company's site they may encounter delays in service or decreased quality in network performance due to bandwidth limitations.
- The secure transmission of confidential information over public networks is a critical element of the Company's operations. The Company has not in the past experienced significant network security problems. However its networks may be vulnerable to unauthorised access, computer viruses and other security problems. Persons that circumvent security measures could use the Company's confidential information or customers' confidential information wrongfully or cause interruptions or malfunctions in the Company's operations. The Company may be required to expend significant additional resources to protect against the threat of security breaches or to alleviate problems caused by any breaches. The Company may not be able to implement security measures that will protect sufficiently against security risks.

## PART II

### ACCOUNTANTS' REPORT ON THE COMPANY

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

The Directors  
betinternet.com plc  
Burleigh Manor  
Peel Road  
Douglas  
Isle of Man IM1 5EP

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

28 April 2000

Dear Sirs,

**betinternet.com plc (“the Company”) and its subsidiary (“the Group”)**

We report on the financial information set out below. This financial information has been prepared for inclusion in the Prospectus dated 28 April 2000 relating to the Admission of the Company to trading on the Alternative Investment Market (“the Prospectus”).

**Basis of preparation**

The financial information set out in this report is based on the audited consolidated financial statements of the Group for the period from 13 January 1998 to 31 May 1999 and the period from 1 June 1999 to 29 February 2000, to which no adjustments were considered necessary.

**Responsibility**

Such financial statements are the responsibility of the Directors of the Company, and they approved their issue.

The Directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.



We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its losses for the periods then ended.

**Consent**

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>1 June 1999 to 29 February 2000</i>	<i>13 January 1998 to 31 May 1999</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Betting stakes received	2	6,914,634	1,543,800
Winnings paid		(6,734,318)	(1,559,351)
Betting duty paid	2	(20,367)	(4,682)
Gross profit/(loss)		<u>159,949</u>	<u>(20,233)</u>
Administration expenses		(506,191)	(283,934)
Operating loss	3	(346,242)	(304,167)
Interest receivable and similar income		9,702	6,219
Interest payable and similar charges		(9,324)	(5,734)
Loss on ordinary activities before taxation		<u>(345,864)</u>	<u>(303,682)</u>
Tax on loss on ordinary activities	4	–	–
Loss on ordinary activities after taxation		<u>(345,864)</u>	<u>(303,682)</u>
Dividend proposed		–	–
Retained loss for the financial period	11	<u>(345,864)</u>	<u>(303,682)</u>

The Directors consider that all results derive from continuing operations. 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 period. This was also the case for the prior period.

## BALANCE SHEETS

		<i>As at 29 February 2000</i>	<i>As at 31 May 1999</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
<b>FIXED ASSETS</b>			
Intangible assets	5	141,028	4,457
Tangible assets	6	168,799	31,945
		<u>309,827</u>	<u>36,402</u>
<b>CURRENT ASSETS</b>			
Debtors	8	82,542	13,746
Cash at bank and in hand		1,394,944	24,873
		<u>1,477,486</u>	<u>38,619</u>
<b>CREDITORS: amounts falling due within one year</b>	9	(561,859)	(128,703)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>915,627</u>	<u>(90,084)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,225,454</u>	<u>(53,682)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	345,625	250,000
Share premium	10	1,529,375	–
Profit and loss account		(649,546)	(303,682)
<b>Equity shareholders' funds</b>		<u>1,225,454</u>	<u>(53,682)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 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 as applicable to small companies, 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 its subsidiary.

#### **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 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.

#### **Bank interest**

Bank interest income is recognised in the profit and loss account on a receipts basis. Accordingly no amount is 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%

#### **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.

### 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 per cent of gross stakes received, and is payable to Customs and Excise.

### 3. OPERATING LOSS

Operating loss is stated after charging;

	<i>1 June 1999 to 29 February 2000 £</i>	<i>13 January 1998 to 31 May 1999 £</i>
Depreciation on tangible fixed assets	17,299	15,083
Amortisation of intangible assets	2,506	2,228
Auditors' remuneration	7,050	7,050
Directors' remuneration	35,833	54,989
	<u>          </u>	<u>          </u>

Directors' remuneration above excludes any employer national insurance costs borne by the Group.

### 4. TAX ON LOSS ON ORDINARY ACTIVITIES

No provision for tax is required due to the level of losses incurred.

### 5. INTANGIBLE FIXED ASSETS

	<i>Development costs 1999 £</i>
<b>Cost</b>	
At 13 January 1998	–
Additions	6,685
At 31 May 1999	6,685
Additions	139,077
At 29 February 2000	145,762
<b>Accumulated amortisation</b>	
At 13 January 1998	–
Charge for the period	2,228
At 31 May 1999	2,228
Charge for the period	2,506
At 29 February 2000	4,734
<b>Net book value</b>	
At 29 February 2000	141,028
At 31 May 1999	4,457

Development costs capitalised in the period ended 29 February 2000 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 becomes "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.

## 6. TANGIBLE FIXED ASSETS

	<i>Computer equipment and software</i> £	<i>Office equipment</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
<b>Cost</b>				
At 13 January 1998	–	–	–	–
Additions	43,471	1,521	2,036	47,028
At 31 May 1999	43,471	1,521	2,036	47,028
Additions	143,514	–	10,639	154,153
At 29 February 2000	186,985	1,521	12,675	201,181
<b>Accumulated depreciation</b>				
At 13 January 1998	–	–	–	–
Charge for the period	14,494	252	337	15,083
At 31 May 1999	14,494	252	337	15,083
Charge for the period	16,632	285	382	17,299
At 29 February 2000	31,126	537	719	32,382
<b>Net book value</b>				
At 29 February 2000	155,859	984	11,956	168,799
At 31 May 1999	28,977	1,269	1,699	31,945

## 7. SUBSIDIARY UNDERTAKING

The Company incorporated a subsidiary company on 17 December 1999 called Technical Facilities & Services Limited. This Isle of Man incorporated company is wholly owned by the Company and its purpose is to provide Internet telephone and betting computer systems, to include software and hardware, to the Company.

## 8. DEBTORS

	<i>As at 29 February 2000</i> £	<i>As at 31 May 1999</i> £
Trade debtors	56,602	13,273
VAT recoverable	15,647	–
Prepayments	10,293	–
Directors' loan balance	–	473
	<u>82,542</u>	<u>13,746</u>

The Director's loan balance was interest free and held no fixed repayment terms.

## 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>As at</i> 29 February 2000 £	<i>As at</i> 31 May 1999 £
Trade creditors	244,473	103,834
Deferred income	37,746	–
Accruals and other creditors	<u>279,640</u>	<u>24,869</u>
	<u>561,859</u>	<u>128,703</u>

Included in accruals and other creditors are amounts payable in respect of income tax and national insurance of £21,910 (31 May 1999: £6,542) relating to the payroll, and betting duty payable of £2,980 (31 May 1999: £485).

## 10. SHARE CAPITAL

	<i>29 February</i> 2000 £	<i>31 May</i> 1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	–	250,000
Ordinary shares of 10p each	<u>1,000,000</u>	<u>–</u>
<i>Issued and fully paid</i>		
Ordinary shares of £1 each	–	250,000
Ordinary shares of 10p each	<u>345,625</u>	<u>–</u>

On incorporation the authorised share capital of the Company was £2,000 divided into 2,000 £1 ordinary shares of which two 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 ranking *pari passu* in all respects with the existing £1 ordinary shares. On 4 June 1998 the issued share capital was also increased to £250,000 by the issue of an additional 249,998 £1 ordinary shares for cash at par.

The authorised share capital of the Company has been increased to a total of 10,000,000 10p ordinary shares. This was achieved by the 250,000 authorised £1 ordinary shares being increased to 500,000 £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 rank *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 cash at a price of £6.40 per share. On 15 December 1999 a further 154,302 ordinary shares of 10p each were allotted for cash at a price of £1.62 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.

At 29 February 2000 the issued share capital was 3,456,249 ordinary shares of 10p each, which had been issued at a total premium of £1,529,375 (31 May 1999: £nil).

Options over 192,300 ordinary shares of 10p each in the capital of the Company have been granted during the period from 25 June 1998 to 29 February 2000. The exercise price of those options ranges from 0.5p to 23.1465p, and all are exercisable during the period of 10 years from their respective date of grant.

## 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Period from 1 June 1999 to 29 February 2000 £</i>	<i>Period from 13 January 1998 to 31 May 1999 £</i>
Loss for the financial period	(345,864)	(303,682)
Dividends	—	—
	<u>(345,864)</u>	<u>(303,682)</u>
Issue of shares:		
On incorporation	—	2
Increase in issued share capital	1,625,000	249,998
	<u>1,279,136</u>	<u>(53,682)</u>
Net increase/(reduction) in shareholders' funds	(53,682)	—
Opening shareholders' funds	—	—
Closing shareholders' funds	<u>1,225,454</u>	<u>(53,682)</u>

## 12. 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 liability to the Group cannot be assessed until after that event has occurred. As at the balance sheet date there were £37,746 (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, £37,746 (31 May 1999: £nil) has been reflected as deferred income in the balance sheet (see note 9).

## 13. CAPITAL COMMITMENTS

As at 29 February 2000 the Group had no capital commitments.

## 14. RELATED PARTY TRANSACTIONS

Amounts totalling £121,075 have either been paid by Technical Facilities & Services Ltd, reflected as payable at 29 February 2000, or paid on behalf of Technical Facilities & Services Ltd to a single supplier. A Director of the Company is a 50 per cent shareholder of that supplier.

## 15. OPERATING LEASE COMMITMENTS

At 29 February 2000 the Group was committed to making the following payments during the next year in respect of operating leases:

	<i>Land and buildings £</i>
Leases which expire:	
After 5 years	51,945
	<u>51,945</u>

## 16. CONTROLLING PARTY AND ULTIMATE CONTROLLING PARTY

As at 31 May 1999 V E Caldwell and B J Eastwood each had a fifty per cent interest in the shares of the Company. As at 29 February 2000 V E Caldwell was the holder of 62.53 per cent of the issued share capital of the Company. However, he had granted options to family members and family trusts over certain of his holding all of which have subsequently been exercised subject to the approval of the Gaming Control Commissioners. At this date, B J Eastwood had no interest in the share capital of the Company. Accordingly, Mr Caldwell can be considered to be the ultimate controlling party of the Company.



## 17. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 17 March 2000 the Group launched its interactive Internet site which is capable of accepting bets. The Directors believe this is where the future of the business lies, and to that end are seeking to raise funds via a listing on the Alternative Investment Market of the London Stock Exchange to allow for further development of the Internet betting side of the business and to market and promote this to potential customers.

On 23 March 2000 the shareholders of the Company approved a special resolution converting the status of the Company from a limited company to a public limited company.

Pursuant to a special resolution of the Company passed on 28 April 2000:

- (i) the authorised share capital of the Company was increased from £1,000,000 to £1,200,000 by the creation of an additional 2,000,000 ordinary shares of 10p each;
- (ii) each of the ordinary shares of 10p in the capital of the Company issued and unissued was sub-divided into 10 Ordinary Shares of 1p giving the Company an authorised share capital of £1,200,000 divided into 120,000,000 Ordinary Shares of 1p each, of which 34,562,490 Ordinary Shares of 1p were in issue, credited as fully paid;
- (iii) £345,624.90 standing to the credit of the Company's share premium account was capitalised and utilised in paying up 34,562,490 Ordinary Shares, which were allotted, credited as fully paid up, to the holders of the existing Ordinary Shares in the capital of the Company *pro rata* to their existing holdings, on the basis of 1 new Ordinary Share for every Ordinary Share held on that date.

On 28 April 2000, 2,392,400 Ordinary Shares were allotted for cash as to 1,720,000 of such shares at a price of 0.5p per share and as to 672,000 of such shares at a price of 3.25p per share pursuant to the exercise of share options.

Yours faithfully

Deloitte & Touche  
*Chartered Accountants*

## PART III

### PRO FORMA STATEMENT OF NET ASSETS

The following pro forma statement of net assets is based upon the audited balance sheet of the Company as at 29 February 2000 included in the Accountants' Report set out in Part II of this document adjusted to reflect the proceeds of the Placing, net of expenses. This statement is for illustrative purposes only and, because of its nature, cannot give a complete picture of the financial position of the Company. No account has been taken of the trading results of the Company since 29 February 2000.

	<i>Net Assets as at 29 February 2000</i>	<i>Adjustments</i>	<i>Pro forma Net Assets</i>
	£	£	£
<b>FIXED ASSETS</b>			
Intangible assets	141,028		141,028
Tangible assets	168,799		168,799
	<u>309,827</u>		<u>309,827</u>
<b>CURRENT ASSETS</b>			
Debtors	82,542		82,542
Cash at bank and in hand	1,394,944	2,510,000	3,904,944
	<u>1,477,486</u>		<u>3,987,486</u>
<b>CREDITORS:</b> amounts falling due within one year	<u>(561,859)</u>		<u>(561,859)</u>
<b>NET CURRENT ASSETS</b>	<u>915,627</u>		<u>3,425,627</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>1,225,454</u>		<u>3,735,454</u>

Notes:

1. Cash at bank has been adjusted to reflect the net proceeds of the Placing.
2. The proforma statement of net assets does not constitute statutory accounts within the meaning of Section 2(1) of the Companies Act 1982.

## PART IV

### ADDITIONAL INFORMATION

#### 1. The Company, its Subsidiary and Principal Establishment

- 1.1 The Company was incorporated in the Isle of Man as Lane Acre Consultants Limited under the Companies Acts 1931 to 1993 as a private company limited by shares on 13 January 1998 with registered number 89278C and, accordingly, the liability of its members is limited. The Company's name was changed to Eastwoods Worldwide Limited on 26 June 1998 and to Offshore Betting Limited on 6 August 1998. On 2 February 2000 its name was changed to Betinternet.com Limited.

On 23 March 2000 the Company was re-registered as a public limited company and its name was changed to betinternet.com plc.

- 1.2 The Company has one wholly owned subsidiary, Technical Facilities & Services Limited (the "Subsidiary"), which was incorporated in the Isle of Man under the Companies Acts 1931 to 1993 as a private limited company on 17 December 1999 with registered number 98346C. The Subsidiary has an authorised share capital of £2,000 divided into 2,000 ordinary shares of £1 each, two of which are issued credited as fully paid.
- 1.3 The Company carries on a telephone and Internet betting service. The principal activity of the Subsidiary is the provision of Internet telephone and betting computer systems.
- 1.4 The registered office of both the Company and the Subsidiary is at Burleigh Manor, Peel Road, Douglas, Isle of Man IM1 5EP. The head office and principal place of business of the Company is at Viking House, Nelson Street, Douglas, Isle of Man IM1 2AH. These premises comprise approximately 4,122 sq. ft of office space on the third and fourth floors of the building and are occupied in the case of the fourth floor under a lease dated 20 January 2000 for a term of 10 years commencing on 3 January 2000 at an initial annual rent of £22,945 increasing to £23,827 from 3 January 2001 and to £24,710 from 3 January 2002 and in the case of the third floor under a lease dated 18 April 2000 for a term of 10 years commencing on 12 April 2000 at an initial annual rent of £30,641 increasing to £31,819 from 12 April 2001 and to £32,998 from 12 April 2002. The rent in respect of the fourth floor is subject to review on 3 January 2003 and every third anniversary of that date and the rent in respect of the third floor is subject to review on 12 April 2003 and every third anniversary of that date. The Company has options in respect of the ground and first floors of the building which are exercisable at any time up to and including 31 July 2000.

#### 2. Share Capital

- 2.1 The Company was incorporated with an authorised share capital of £2,000 divided into 2,000 ordinary shares of £1 each, 2 of which were issued credited as fully paid. Since the date of its incorporation the following changes have occurred in the authorised and issued share capital of the Company:
- (i) on 4 June 1998, the authorised share capital of the Company was increased from £2,000 to £250,000 by the creation of an additional 248,000 ordinary shares of £1 each, and, on that date, 249,998 ordinary shares of £1 each in the capital of the Company were allotted for cash at par;
  - (ii) on 10 August 1999, the authorised share capital of the Company was increased from £250,000 to £500,000 by the creation of an additional 250,000 ordinary shares of £1 each;
  - (iii) on 24 September 1999, 58,594 ordinary shares of £1 each in the capital of the Company were allotted for cash at a price of £6.40 per share. The subscriber was Castle Nominees Limited.

- (iv) on 29 November 1999, the authorised share capital of the Company was increased from £500,000 to £1,000,000 by the creation of an additional 500,000 ordinary shares of £1 each;
- (v) on 30 November 1999, each of the ordinary shares of £1 in the capital of the Company was sub-divided into 10 ordinary shares of 10p each giving the Company an authorised share capital of £1,000,000 divided into 10,000,000 ordinary shares of 10p each, of which 3,085,940 ordinary shares of 10p each were in issue, credited as fully paid;
- (vi) on 15 December 1999, a further 154,302 ordinary shares of 10p each were allotted for cash to English Shareholders Nominees Limited at a price of £1.62 per share;
- (vii) on 31 January 2000, a further 216,007 ordinary shares of 10p each were allotted for cash at a price of £4.6293 per share. The subscriber was Castle Nominees Limited.

2.2 Pursuant to a special resolution of the Company passed on 28 April 2000:

- (i) the authorised share capital of the Company was increased from £1,000,000 to £1,200,000 by the creation of an additional 2,000,000 ordinary shares of 10p each;
- (ii) each of the ordinary shares of 10p in the capital of the Company, issued and unissued, was sub-divided into 10 Ordinary Shares giving the Company an authorised share capital of £1,200,000 divided into 120,000,000 Ordinary Shares, of which 34,562,490 Ordinary Shares were in issue, credited as fully paid;
- (iii) £345,624.90 standing to the credit of the Company's share premium account was capitalised and utilised in paying up 34,562,490 Ordinary Shares, which were allotted, credited as fully paid up, to the holders of the existing Ordinary Shares in the capital of the Company pro rata to their existing holdings, on the basis of 1 new Ordinary Share for every Ordinary Share held on that date;
- (iv) new Articles of Association were adopted by the Company (the "Articles");
- (v) the directors were generally and unconditionally authorised pursuant to Article 6 of the Articles to allot and issue relevant securities (within the meaning of Article 6(G) of the Articles up to an amount not exceeding the authorised but unissued share capital of the Company for the time being such authority (unless previously renewed, varied or revoked) to expire at the conclusion of the next annual general meeting of the Company;
- (vi) the directors were empowered pursuant to Article 8 of the Articles until the conclusion of the next annual general meeting of the Company to allot equity securities (as defined by Article 7(H) of the Articles pursuant to the authority referred to in paragraph 2.2(v) above as if Article 7(I) of the Articles did not apply to the allotment, such power being limited to the allotment of Ordinary Shares in connection with the Placing, the allotment of equity securities in connection with a rights issue to holders of Ordinary Shares made in proportion (as nearly as may be) to their existing holdings (subject to exclusions or arrangements in relation to issues arising under the laws of any territory or requirements of any regulatory authority or stock exchange in any territory or legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise howsoever), the allotment of equity securities to holders of any options under any share option scheme of the Company and the allotment otherwise than as provided above, of equity securities up to an aggregate nominal amount of £39,092 (being approximately 5 per cent of the nominal amount of the Company's issued share capital immediately following the Placing).

2.3 On 28 April 2000, 2,392,400 Ordinary Shares were allotted for cash as to 1,720,000 of such shares at a price of 0.5p per share and as to 672,400 of such shares at a price of 3.25p per share pursuant to the exercise of share options.

2.4 There has been no increase or reduction in the authorised or issued share capital of the Subsidiary since the date of its incorporation.

- 2.5 As at the date of this document the following share options over Ordinary Shares are outstanding, all of which are exercisable during the period of 10 years from their respective date of grant:

<i>Date of Grant</i>	<i>Options Granted</i>	<i>Exercise Price</i>
25/06/98	120,000	0.5p
23/04/99	660,000	0.5p
23/08/99	44,800	3.25p
18/09/99	44,800	3.25p
09/02/00	584,000	23.1465p
22/04/00	1,208,000	23.1465p

Options over a further 500,000 Ordinary Shares have been offered pursuant to the Company's 1998 Share Option Plan, exercisable at a price of 23.1465p per share. These options have been accepted by the person to whom they have been offered and in accordance with the rules of the Company's 1998 Share Option Plan they will be granted on 8 May 2000.

- 2.6 Save as disclosed in this paragraph 2 and in paragraph 6.3 below:

- (i) in the period since incorporation no capital of the Company has been allotted for cash or for a consideration other than cash; and
- (ii) no share or loan capital of the Company or of the Subsidiary is proposed to be issued, or is under option, or is agreed conditionally or unconditionally to be put under option.

- 2.7 Immediately following Admission the authorised share capital of the Company will be £1,200,000 divided into 120,000,000 Ordinary Shares, of which 78,184,047 will be in issue credited as fully paid. 41,815,953 Ordinary Shares, representing 34.85 per cent of the authorised share capital, will remain unissued, of which 3,161,600 Ordinary Shares will be under option. The Directors have no present intention of issuing any of such authorised but unissued Ordinary Shares.

### 3. Directors' and Other Interests

- 3.1 At the date hereof and immediately following Admission, the interests of each Director and those of any person connected with that Director within the meaning of Section 346 of the Companies Act 1985 of England and Wales ("Connected Person") in the share capital of the Company which are required to be disclosed pursuant to the AIM Rules, are or will be as follows:

<i>Name of Director</i>	<i>Ordinary Shares</i>	<i>Percentage of enlarged issued share capital</i>	<i>No. of Ordinary Shares under option</i>
Vincent Edward Caldwell	15,633,500	20.00	300,000
William David Mummery	—	—	500,000
Harley Corkill	21,600	0.03	100,000

Of the Ordinary Shares in which Mr. Caldwell is interested, 220,000 are owned by Fiona Caldwell, Mr. Caldwell's wife.

- 3.2 Save as disclosed in paragraph 3.1 above, no interest in the share capital of the Company or of the Subsidiary is held by any of the Directors and no such interest, the existence of which is known or could with reasonable diligence be ascertained by the relevant Director, is held by any Connected Person.

- 3.3 Other than the interests of the Directors disclosed in this paragraph 3 and save as disclosed below, the Directors are not aware of any other person who, immediately following the Placing, will be interested, directly or indirectly, in 3 per cent or more of the enlarged issued share capital of the Company:

<i>Name of Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of enlarged issued share capital</i>
Castle Nominees Limited	16,641,540	21.29
Diplomat Trust Company Limited	5,734,400	7.33
English Shareholders Nominees Limited	3,086,040	3.95
The European Trustee Company Limited	4,720,200	6.04
Jennifer Caldwell	4,937,600	6.32
Martin Caldwell	2,851,600	3.65
Mill Properties Limited	10,913,500	13.96

- 3.4 Save as set out in paragraphs 3.1 and 3.3 above, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 3.5 Save as disclosed in paragraphs 4 and 7 below no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Company or the Subsidiary (i) during the current or immediately preceding financial year; or (ii) during an earlier financial year and which remains in any respect outstanding or unperformed.
- 3.6 In addition to their directorships in the Company and the Subsidiary the Directors hold, or have held the following directorships during the five years prior to the date of this document:

<i>Director</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Vincent Edward Caldwell	Adley Investments Limited (BAH)	Orozone Limited (IOM)
	Ba Gua Enterprises Limited (BVI)	Axiom Overseas Limited (BVI)
	Charter Consultants Limited (IOM)	Cranbourn Investments Limited (BVI)
	Kayemoor Properties Limited (BVI)	Glencastle Enterprises Limited (IOM)
	Key Technology Consultants Limited (IOM)	Glenclyffe Properties Limited (IOM)
	Las Enterprises Limited (BVI)	Goldenacre Investments Limited (IOM)
	Seymour Management Limited (IOM)	Hos. Service (Isle of Man) Limited (IOM)
	Seymour Management Limited (BVI)	Karl Consultants Limited (BVI)
	Star Rose Investments Limited (BVI)	Seager Enterprises Limited (IOM)
	Dauphin Limited (BVI)	Terrace Enterprises Limited (IOM)
	Landvale Development Limited (NI)	Trevlin Investments Limited (BVI)
	Calligraphic Systems Limited (IRE)	Tudorland Enterprises Limited (IOM)
	Pineridge Enterprises Limited (IOM)	Leoneira Trading Limited (Madeira)
	Calcore Investments Inc (BVI)	Agrippa Investments Limited (NI)
	Arjuna Properties Limited	Isle Film Distribution (No 7) Limited
	Isle Film Distribution (No 8) Limited	
	Isle Film Distribution (No 9) Limited	
	Isle Film Distribution (No 10) Limited	
	Marsden Investments Limited	
William David Mummery	Partingtons Limited	The Insight Partnership Limited (UK)
Harley Corkill	Ulster Bank (Isle of Man) Limited	Isle of Man Bank (Nominees) Limited

BAH = Bahamas  
 BVI = British Virgin Islands  
 IOM = Isle of Man  
 IRE = Ireland  
 NI = Northern Ireland  
 UK = United Kingdom

- 3.7 None of the Directors has been a partner in any partnership during the five years prior to the date of this document.

3.8 No Director has:

- (i) any unspent convictions in relation to indictable offences;
- (ii) had a bankruptcy order made against him or entered into an individual voluntary arrangement or had any asset of his subject to receivership or, save as disclosed in paragraph 3.9 below, been a director of any company which, while he was a director or within 12 months after his ceasing to be a director, had a receiver appointed or was the subject of a compulsory liquidation, creditors voluntary liquidation or administration or entered into a company voluntary arrangement or composition or arrangement with its creditors generally or any class of its creditors; or
- (iii) been a partner of any partnership which, while he was a partner or within 12 months after his ceasing to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- (iv) had any public criticisms by statutory or regulatory authorities (including recognised professional bodies);
- (v) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

3.9 Mr. Caldwell was a director of Wheatfield Inns (Belfast) Limited at the time when that company was the subject of an insolvent liquidation in 1990. He was also a director of Greyfriars Limited at the time when that company was the subject of a solvent liquidation in 1994.

3.10 English Trust owns, through its nominee company English Shareholders Nominees Limited, 1,851,640 Ordinary Shares.

#### 4. Agreements with Directors

4.1 On 28 April 2000 each of Mr. Vincent Caldwell and Mr. William Mummery entered into a service agreement with the Company, details of which agreements are set out below:

<i>Director</i>	<i>Commencement Date of Agreement</i>	<i>Term and Notice</i>	<i>Basic Annual Salary</i>
Vincent Caldwell	28 April 2000	Fixed term of 3 years. Terminable on 12 months notice given by either party at any time to expire on or at any time after the initial 3 year period	£100,000
William Mummery	28 April 2000	Fixed term of 2 years. Terminable on 12 months notice given by either party at any time to expire on or at any time after the initial 2 year period	£35,000

In addition, under Mr. Caldwell's service agreement, the Company agrees to contribute a sum equivalent to 10 per cent of his fixed annual salary to a pension scheme of his choice, to pay for permanent health insurance and BUPA membership and to provide life assurance cover which, in the event of his death during his employment, will pay a lump sum equal to three times his annual salary as at that date. Under Mr. Mummery's service agreement the Company may, in its absolute discretion, pay to him a discretionary bonus.

4.2 The services of Mr. Harley Corkill are provided under the terms of an agreement between the Company and Mr. Corkill dated 28 April 2000 for a period of one year, continuing thereafter subject to termination upon at least three months' notice. Mr. Corkill receives an annual fee of £10,000 from the Company in respect of the provision of his services.

- 4.3 The Directors are entitled to be reimbursed any expenses incurred by them in relation to their attending at board meetings of the Company or otherwise incurred in relation to the Company's business.
- 4.4 Save as set out in paragraphs 4.1 and 4.2 above, there are no service agreements in existence between any of the Directors and the Company or the Subsidiary which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.
- 4.5 Partingtons Limited, a company of which Mr. Mummery is a director and 50 per cent shareholder, supplied equipment to the Subsidiary to the value of £121,075 (inclusive of value added tax). Save as disclosed there are no existing agreements between any of the Directors and any company which is a member of the Group.
- 4.6 The aggregate remuneration paid and benefits in kind of any description whatsoever granted to the Directors by the Company during the period from 13 January 1998 to 31 May 1999 and the nine month period ended 29 February 2000 (including Directors' fees and pension fund contributions) (which were paid solely to Mr. Caldwell) were £54,989 and £35,833 respectively. It is estimated that the aggregate remuneration to be paid and benefits in kind to be granted to the Directors for the current financial year of the Company ending 31 May 2000 (including in each case Directors' fees and pension fund contributions) will be £78,000 under the arrangements in force at the date of this document.
- 4.7 There are no outstanding loans granted by the Company or the Subsidiary to any of the Directors nor has any guarantee been provided by the Company or the Subsidiary for the benefit of any of the Directors.
- 4.8 Mr. Vincent Caldwell, who is a Director and a shareholder in the Company, may have been a promoter of the Company but received no payment or benefit nor is any such payment or benefit to be paid or given to him or to any other person for acting as a promoter.
- 4.9 There are no arrangements under which a Director has agreed to waive future emoluments nor have there been any such waivers of emoluments during the nine month period ended 29 February 2000.

## **5. Memorandum and Articles of Association**

- 5.1 Under Isle of Man law the Company has all the powers of an individual save any restrictions made by special resolutions and detailed in its Memorandum of Association. At this date no such restrictions apply.
- 5.2 The Articles of Association (the "Articles") which were adopted on 28 April, 2000 contain, inter alia, provisions to the following effect:

### **(i) Voting Rights**

Subject to any special rights or restrictions as to voting attached to any shares and subject to any suspension or abrogation of voting rights pursuant to the Articles at a general meeting on a show of hands every member who (being an individual) is present in person and every proxy and every member (being a corporation) who is present by a duly authorised representative not being himself a member, shall have one vote, so however that no individual shall have more than one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

### **(ii) Dividends**

Subject to the provisions of the Companies Acts, 1931 to 1993 (the "Acts"), the Company may by ordinary resolution declare dividends to be paid to the members according to their respective rights and interests, but no dividend shall exceed the amount recommended by the directors. Subject to the provisions of the Acts, the directors may pay such interim dividends as appear to them to be justified by the profits of the Company available for distribution.



Any dividend recommended by the directors and declared by the Company and any interim dividend may be in pounds Sterling or, in whole or in part, in such other currency or currencies as the directors may from time to time decide.

Subject to the rights of any persons entitled to shares with special rights as to dividend (no such shares presently being in issue) all dividends shall be declared and paid according to the amounts paid on the shares in respect of which the dividend is paid, but no amount paid on a share in advance of calls shall be treated as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid on the shares during any portion of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest as against the Company.

Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways.

The directors may, if authorised by an ordinary resolution, allot to any holders of ordinary shares who have elected to receive them additional ordinary shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the resolution.

All dividends unclaimed for a period of twelve years after having become due shall be forfeited and shall (unless the directors otherwise resolve) revert to the Company.

**(iii) Distribution of Assets on Liquidation**

On a winding up, subject to any special rights attaching to any class of shares (no such special rights presently being in existence) any surplus assets will belong to the holders of any ordinary shares then in issue according to the numbers of shares held by them. In addition, the liquidator may, with the authority of a special resolution and any other sanction required by the Acts, divide among the members in kind the whole or any part of the assets of the Company. For this purpose the liquidator may set such value as he deems fair upon any class or classes of property and may determine how the division is carried out as between the members or different classes of members. No contributory shall, however, be compelled to accept any asset in respect of which there is a liability.

**(iv) Transfer of Shares**

Subject to the restrictions referred to below, any member may transfer all or any of his certificated shares by instrument in writing in any usual or common form, or in such other form as the directors may approve and in the case of uncertificated shares through CREST in accordance with and subject to the relevant regulations from time to time and in the manner provided by the rules and procedures of the relevant system concerned. The instrument of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid up share, by or on behalf of the transferee. The directors may, in their absolute discretion and without assigning any reason, refuse to register a transfer of any share, not being a fully paid up share, or being in respect of a share on which the Company has a lien, provided that the directors shall not exercise their discretion in such a way as to prevent dealings in shares admitted to listing or trading on the Stock Exchange taking place on an open and proper basis. They may also refuse to register any transfer of any share (whether fully paid or not) to an entity which is not a legal or natural person, to a minor, to a bankrupt, or to be held jointly by more than four persons. The directors may also decline to register any instrument of transfer unless:

- (i) it is deposited duly stamped, or adjudged or certified as not chargeable to any stamp duty, at the place where the register of members is kept, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; and
- (ii) it is in respect of only one class of certificated share.

The registration of transfers may be suspended by the directors for any period not exceeding 30 days in any year provided that the Company will not close the register of members in respect of shares permitted to be transferred by means of the CREST system without the consent of the operator of that system.

**(v) Issue and Allotment of Shares**

Subject to the provisions of the Articles relating to the authority to allot shares, the pre-emption rights of shareholders, and otherwise and to any resolution of the Company in general meeting passed pursuant thereto, the unissued shares of the Company (whether forming part of the original or any increased capital) or rights to subscribe for or convert any security into shares, shall be under the control of the directors who may offer, allot, grant options over or otherwise dispose of them to such persons, on such terms and conditions and at such times as they shall think fit, but so that no share shall be allotted as a discount.

The Articles confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up wholly in cash. These rights have been disapplied as referred to at paragraph 2.2 above.

**(vi) Variation of Rights**

Subject to the provisions of the Acts, all or any of the special rights and privileges attached to any share or class of shares may be varied or abrogated with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

Subject to the terms upon which any shares may be issued, the rights or privileges attached to any class of shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking pari passu in all respects with those already issued, or by the purchase or redemption by the Company of its own shares.

**(vii) Changes in Share Capital**

- (a) The Company may by ordinary resolution increase its share capital by such sum as the resolution prescribes, consolidate and divide all or any of its share capital into shares of a larger amount, cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and sub-divide its shares or any of them into shares of smaller amount and determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with, the other or the others as the Company has power to attach to unissued or new shares.
- (b) Subject to the Acts and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner. Subject to the Acts, the Company may issue shares which are, or at the option of the Company or the holder are, liable to be redeemed and it may also purchase its own shares (including any redeemable shares).

**(viii) Directors**

- (a) Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be subject to any maximum but shall not be less than two. A director shall not require any shareholding qualification and shall not be required to retire on attaining any specific age.
- (b) A director shall not vote on (or be counted in the quorum in respect of) any resolution of the directors, or of a committee of the directors, concerning any contract or arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company. Notwithstanding the foregoing, a director shall (in the absence of some other material interest than as indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
  - (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or of any of its subsidiary undertakings;
  - (ii) the giving of any security, guarantee or indemnity of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning any offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of the offer;
  - (iv) any proposal concerning any other company in which he does not to his knowledge hold an interest in shares representing 1 per cent or more of the issued shares of any class of the equity share capital of such company or of the voting rights available to members of the relevant company (any interest of 1 per cent or more being deemed to be a material interest in all circumstances);
  - (v) any proposal concerning any arrangement (including, without limitation, the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or personal pension plan or employees share scheme) for the benefit of directors and employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
  - (vi) any proposal concerning the purchase, funding, and/or maintenance of any policy of insurance for the benefit of directors or for the benefit of persons including directors.
- (c) A director shall not vote on (or be counted in the quorum in respect of) a resolution of the directors, or of a committee of the directors, concerning his own appointment as the holder of an office or place of profit with the Company or another company in which the Company is interested (including the arrangement or variation of its terms or its termination).

- (d) The directors, other than those holding full time salaried employment in the Company, shall be entitled to ordinary remuneration for their services as directors in such amount as the Remuneration Committee of the directors may determine. The directors shall be entitled to be repaid all travelling and hotel expenses properly incurred by them in or about the performance of their duties as directors, including their expenses of travelling to and from meetings of the directors or of committees of the directors or general meetings or otherwise incurred while engaged on the business of the Company. If by arrangement with the other directors, any director shall perform or render any special duties or services outside his ordinary duties as a director, the directors may pay him special remuneration in addition to ordinary remuneration, and such special remuneration may be by way of salary, commission, participation in profits or retirement benefits scheme as may be arranged.
- (e) A director may be appointed by the directors to any other office or employment under the Company, except that of auditor, in conjunction with his office as director for such period, on such terms and at such remuneration (by way of salary, commission, participation in profits, retirement benefits scheme or other benefits) as the directors may determine.
- (f) Any director may act by himself or his firm in a professional capacity for the Company (except that of Auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.
- (g) At each annual general meeting of the Company, one-third of the directors who are subject to retirement by rotation or, if their number is not 3 or a multiple of 3, then the number nearest to but (except when less than 3 directors are subject to retirement by rotation) not exceeding one-third, shall retire from office. A retiring director shall be eligible for re-election.

**(ix) Borrowing Powers**

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future), including its uncalled capital and, subject to the Acts, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (but as regards subsidiary undertakings only insofar as, by the exercise of the rights or powers of control, the directors can secure) that the aggregate principal amount outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member) does not, without the previous sanction of an ordinary resolution, exceed an amount equal to the greater of £5 million and 3 times the adjusted capital and reserves (as defined in the Articles).

**(x) Pensions and Benefits**

- (a) The directors may establish and maintain or procure the establishment and maintenance of or participation in or contribution to any contributory or non-contributory pension or superannuation fund, scheme or arrangement or life assurance scheme or arrangement for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is or was a subsidiary undertaking of the Company or allied or associated with the Company or any subsidiary undertaking, or who are or were at any time directors or officers of the Company or of any such other company, and the spouses, former spouses, families and dependants of any such persons;

- (b) The directors may procure any of the above matters to be done by the Company either alone or in conjunction with any other company. Any director holding any employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emoluments.

**(xi) Untraced shareholders**

The Company may sell the shares of a member, or the shares to which a person is entitled by virtue of transmission on death or bankruptcy, if:

- (a) during the period of 12 years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the first date), being a period during which at least 3 dividends have been payable, all warrants and cheques in respect of the shares in question sent in the manner authorised by the Articles have remained uncashed;
- (b) the Company on or after expiry of the period of 12 years has given notice, by advertisement in both an Isle of Man newspaper and a newspaper circulating in the area in which the last known address of the member, or the address at which service of notices may be effected in the manner authorised by the Articles, is located, of its intention to sell the shares;
- (c) during the period of 12 years and the period of 3 months following publication of the advertisements or following the later publication if the two advertisements are published on different dates, the Company has received no indication either of the whereabouts or of the existence of the member or person; and
- (d) if the share capital of the Company is admitted to the Official List or to the Alternative Investment Market of the London Stock Exchange, notice has been given to such Stock Exchange of the Company's intention to make the sale.

**(xii) Notices**

Notices may be served by the Company upon any member either personally or by post to such member's registered address.

**(xiii) Non Isle of Man, Irish and UK Shareholders**

Any member described in the register of Members as having an address not within the Isle of Man, Ireland or the United Kingdom may give to the Company an address within the Isle of Man, Ireland or the United Kingdom at which all notices shall be served upon him, and all notices served at such address shall be deemed to be duly served. If such member shall not have given such an address he shall not be entitled to receive any notice.

**6. Share Option Plans**

**6.1 The Company's 2000 Share Option Plan**

**(i) General**

On 28 April, 2000 the Company approved and adopted the betinternet.com plc 2000 Share Option Plan (the "Plan"). The Plan is administered by the remuneration committee of the Board of directors (the "Remuneration Committee"), currently consisting of the Non-Executive Director and the Chairman and Managing Director of the Company.

**(ii) Eligibility**

Participation in the Plan is limited to employees (including executive directors of the Group), nominated by the Remuneration Committee, who are required to devote substantially the whole of their working time to the business of the Group and in any event at least 25 hours, or in the case of employees who are not directors of any company within the Group at least 20 hours, per week (excluding meal breaks) and who are not within 3 years of their normal retirement date.

**(iii) Grant of Options**

Options under the Plan may initially be granted during the period of 42 days following the date of approval of the Plan by the shareholders of the Company and thereafter within 42 days following the announcement by the Company of its results for any period. No option may be granted more than 10 years after the date of approval of the Plan by the shareholders of the Company. There is no consideration payable for the grant of an option under the Plan. An option is personal to the option holder and is not transferable.

**(iv) Limitations on grant of options**

- (a) No option may be granted under the Plan which would result in the aggregate of the number of shares which have been issued, or remain to be issued, on the exercise of options granted under the Plan or on the exercise of share options granted within the previous 10 years under any other share option scheme of the Company, or which have been issued within the previous 10 years under any other employee share scheme of the Company, (excluding, in each case, the options granted under the Company's 1998 Share Option Plan) to exceed 10 per cent of the Company's issued ordinary share capital at the date of grant.
- (b) The total number of Ordinary Shares over which options may be granted under the Plan at any date shall not exceed 5 per cent of the issued Ordinary Shares from time to time.
- (c) No option may be granted under the Plan which would cause the aggregate of the number of shares which have been issued, or remain to be issued, on the exercise of options granted under the Plan or under any other share option scheme of the Company or which have been issued pursuant to any other employee share scheme of the Company during the previous 3 years (excluding, in each case, the options granted under the Company's 1998 Share Option Plan) to exceed 3 per cent of the Company's issued ordinary share capital at the date of grant.
- (d) No option may be granted to an individual if it would cause the aggregate exercise price of shares subscribed or to be subscribed on the exercise of options granted to that individual under the Plan and any other share option scheme of the Company during the period of 10 years ending on the date of grant (excluding, in each case, the options granted under the Company's 1998 Share Option Plan) to exceed 4 times his annual taxable emoluments.

**(v) Subscription price**

The price per Ordinary Share payable upon the exercise of an option whilst the Ordinary Shares are admitted to AIM will be not less than the higher of:

- (a) the nominal value of an Ordinary Share; and
- (b) the average middle-market quotation for an Ordinary Share on AIM over the 3 dealing days immediately preceding the date on which the invitation leading to the grant of the relevant option is issued (or, whilst the Ordinary Shares are not admitted to trading on AIM, the market value determined by the Remuneration Committee).

**(vi) Exercise of Option**

An option will normally be exercisable not earlier than 3 and not later than 10 years after the date on which it was granted and may only be exercised during this period, provided that the performance condition attached to the option by the Remuneration Committee prior to the grant of the option has been satisfied. The Plan provides that a performance condition, which must normally be satisfied before the option becomes exercisable, must be attached to all options granted under the Plan. The performance condition attached to each grant of options will be disclosed in the Company's Annual Report and Accounts for the year in which the grants are made.

Options will normally lapse within 30 days of cessation of employment. However, provided the Remuneration Committee so agrees, options may be exercised (irrespective of the period for which the option has been held and whether the requisite performance condition has been satisfied) if the option holder dies or ceases to be employed by reason of ill-health, injury, early retirement and in the event of a take-over, reconstruction or winding-up of the Company. If control of the Company is acquired by another company through a takeover or reconstruction and that company agrees, an option holder may, instead of exercising his options, release his existing option in exchange for the grant of an equivalent option over shares in the acquiring company.

**(vii) Rights attaching to shares**

All shares allotted under the Plan will rank *pari passu* in all respects with all other ordinary shares then in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment) and application will be made to the London Stock Exchange for such shares to be admitted to AIM.

**(viii) Variation of Capital**

In the event of any variation of the share capital of the Company, the number of shares subject to any option and the price payable for each of those shares on its exercise shall be adjusted in such manner as the Remuneration Committee may determine provided that the Company's auditors confirm that such adjustments are fair and reasonable.

**(ix) Amendment**

The directors may at any time alter or amend the Plan provided that no amendment may operate to affect adversely an option holder as regards an option granted prior to the amendment being made and no amendment to the advantage of option holders may be made without the prior approval of the Company in general meeting.

**(x) Options Granted**

No options have yet been granted under the Plan.

**6.2 The Company's 2000 USA Share Option Plan**

**(i) General**

On 28 April, 2000 the Company approved and adopted the betinternet.com plc 2000 USA Share Option Plan (the "USA Plan"). The USA Plan is administered by the Remuneration Committee.

**(ii) Eligibility**

Participation in the USA Plan is limited to employees (including officers and directors), directors and consultants (being persons who are engaged to render services to a member of the Group and who are compensated for such services) selected by the Remuneration Committee. Non-Statutory Share Options (as hereinafter defined) may be granted to employees, directors and consultants. Incentive Share Options (as hereinafter defined) may be granted only to employees.

**(iii) Grant of Options**

The USA Plan became effective on 28 April, 2000 being the date of adoption of the USA Plan by the Board and its approval by the shareholders of the Company. No option may be granted more than 10 years after the date on which the USA Plan became effective. There is no consideration payable for the grant of an option under the USA Plan. An option is personal to the option holder and unless otherwise determined by the Remuneration Committee, is not transferable.

**(iv) Limitations on grant of options**

- (a) At the time of grant each option shall be designated as either an option intended to qualify as an incentive share option within the meaning of Section 422 of the USA Internal Revenue Code of 1986, as amended, (the “Code”) and the regulations promulgated thereunder (an “Incentive Share Option”) or as an option not intended to so qualify (a “Non-Statutory Share Option”). However, notwithstanding such designations to the extent that the aggregate fair market value of ordinary shares the subject of options granted to an individual and which become exercisable for the first time during any calendar year exceed US\$100,000 such excess shall be treated as Non-Statutory Share Options.
- (b) No option may be granted under the USA Plan which would result in the aggregate of the numbers of shares which at that time have been issued, or remain to be issued, on the exercise of options granted under the USA Plan to exceed 3,909,202 Ordinary Shares (being 5 per cent of the Company’s issued ordinary share capital following Admission).

**(v) Subscription price**

The price per ordinary share payable upon the exercise of an option in the case of an Incentive Share Option:

- (a) granted to an employee who, at the time of grant, owns ordinary shares representing more than 10 per cent of the voting rights of the whole of the issued share capital of the Company or of any of its subsidiaries, shall be not less than 110 per cent of the Fair Market Value of an ordinary share on the date of grant;
- (b) granted to an employee, other than an employee as described in (i) above, shall be not less than the Fair Market Value of an ordinary shares on the date of grant.

For this purpose “Fair Market Value” means:

- (i) if the ordinary shares are listed, quoted or traded on any established stock exchange (including without limitation AIM) or a national market system in the USA (including without limitation the Nasdaq National Market or The Nasdaq Smallcap Market of the Nasdaq Stock Market) the closing sales price for such ordinary share (or the closing bid, if no sales were reported) as quoted on such system or exchange (or the exchange with the greatest volume of trading in ordinary shares) on the last market trading day prior to the day of determination, as reported in The Financial Times or The Wall Street Journal (as applicable) or such other source as the Remuneration Committee deems reliable;
- (ii) if the ordinary shares are regularly quoted by a recognised securities dealer but selling prices are not reported, the mean between the high bid and low asked prices for the ordinary shares on the last market trading day prior to the day of determination, as reported in The Financial Times or The Wall Street Journal (as applicable) or such other source as the Remuneration Committee deems reliable;
- (iii) in the absence of an established market for the ordinary shares, the price determined in good faith by the Remuneration Committee;

Provided that in no event shall the Fair Market Value be less than the par value of the ordinary shares. The price per ordinary share payable upon the exercise of an option shall be the price determined by the Remuneration Committee, subject to applicable laws under the rules of the USA Plan.



**(vi) Exercise of Options**

The term of each option will be stated in the notice of grant of option. An Incentive Share Option will not be exercisable more than 10 years after the date on which it was granted. However, if an Incentive Share Option is granted to a person who owns ordinary shares representing more than 10 per cent of the voting rights of the whole of the issued share capital of the Company or any of its subsidiaries the term of the option shall be not more than 5 years from the date of grant. An option may only be exercised during the period fixed by the Remuneration Committee and provided that any performance condition attached to the option by the Remuneration Committee at the time of the grant of the option has been satisfied. Any performance condition attached to any grant of options will be disclosed in the Company's Annual Report and Accounts for the year in which the grants are made.

Options will normally be exercisable within 90 days of the date of termination of an individuals' employment relationship, directorship or consulting relationship and if not exercised within such period shall lapse. However, options may be exercised (irrespective of the period for which the option has been held and whether the requisite performance condition has been satisfied) if the option holder dies or the option holder's status as an employee, director or consultant is terminated by reason of total and permanent disability. In addition, in the event of a merger or asset sale or winding up of the Company, options may be exercised for such period as may be determined by the Remuneration Committee. In the event of a merger or asset sale an option holder may be entitled to release his existing option in exchange for the grant of an equivalent option over shares in the acquiring company, if the acquiring company does not grant equivalent options the options shall fully vest and become exercisable for a period of 15 days and if not exercised within such period shall lapse.

**(vii) Rights attaching to shares**

All shares allotted under the USA Plan will rank *pari passu* in all respects with all other ordinary shares then in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment) and application will be made to any Stock Exchange on which the Company's shares are listed, quoted or traded for such shares to be admitted to listing, quotation or trading.

**(viii) Variation of Capital**

In the event of any variation of the share capital of the Company, the number of shares subject to any option and the price payable for each of those shares on its exercise shall be proportionately adjusted.

**(ix) Amendment**

The Board may at any time alter, amend, suspend or terminate the USA Plan provided that no alteration, amendment, suspension or termination may operate to affect adversely the rights of any option holder as regards an option already granted. The Company shall obtain the approval of the Company in general meeting of any amendment to the extent necessary to comply with applicable laws.

**(x) Options Granted**

No options have yet been granted under the USA Plan.

**6.3 The Company's 1998 Share Option Plan**

**(i) General**

On 26 May 1998 the Directors approved and adopted the 1998 Share Option Plan (the "1998 Plan"). Options over a total of 2,661,600 Ordinary Shares are outstanding under the Plan at the date hereof. Further details of those options are set out in

paragraph 6.3(ii) below. Options over a further 500,000 Ordinary Shares have been offered and accepted and, in accordance with the rules of the 1998 Plan will be granted on 8 May 2000, all of which will be exercisable at a price of 23.1465p per share within ten years from the date of grant. The 1998 Plan is administered by the Remuneration Committee. No further options will be granted under the 1998 Plan.

**(ii) Options Granted**

Options over a total of 2,661,600 Ordinary Shares have been granted to employees of the Company and remain outstanding pursuant to the 1998 Plan all of which are exercisable ten (10) years from their respective date of grant, at the following Exercise Prices:

<i>Date of Grant</i>	<i>No. of Ordinary Shares</i>	<i>Shares Exercise Price Per Ordinary Share</i>
25/06/98	120,000	0.5p
23/04/99	660,000	0.5p
23/08/99	44,800	3.25p
18/09/99	44,800	3.25p
09/02/00	584,000	23.1465p
22/04/00	1,208,000	23.1465p

The address of each of the employees to whom an option has been granted is Burleigh Manor, Peel Road, Douglas, Isle of Man IM1 5EP.

**(iii) Exercise of Option**

An option will only be exercisable when it has vested in accordance with the terms on which it was granted.

Options lapse 90 days after the date of cessation of employment provided that at the date of such cessation the option has been held for at least 12 months, otherwise they lapse on the date of cessation. However, options may be exercised (irrespective of the period for which the option has been held) if the option holder dies or ceases to be employed by reason of permanent injury or disability, early retirement or because the Company of which the option holder was a director ceases to be a member of the Company's group or in the event of a take-over, reconstruction or winding-up of the Company. If control of the Company is acquired by another company through a take-over or reconstruction and that company so agrees, an option holder may, instead of exercising his option, release his existing option in exchange for the grant of an equivalent option over shares in the acquiring company.

**(iv) Rights attaching to shares**

All shares allotted under the 1998 Plan will rank *pari passu* in all respects with all other ordinary shares then in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment).

**(v) Variation of Capital**

In the event of any variation of the share capital of the Company, the number of shares subject to any option and the price payable for each of those shares on its exercise shall be adjusted in such manner as the Remuneration Committee may determine, provided that the Company's auditors confirm that such adjustments are fair and reasonable.

**(vi) Amendment**

The directors may at any time alter or amend the 1998 Plan provided that no amendment may operate to affect adversely an option holder as regards an option granted prior to the amendment being made.

## 7. Material Contracts

The following contracts, not being entered into in the ordinary course of business and which are, or may be, material, have been entered into by the Company and the Subsidiary during the two years preceding the date of this document:

- (a) a lease agreement dated 20th January 2000 between Burnbrae Limited (1) and the Company (2) pursuant to which the Company took a lease of the fourth floor at Viking House, Nelson Street, Douglas, Isle of Man for a period of 10 years commencing on and including 3rd January 2000 at the rent, details of which are provided in paragraph 1.4 of Part IV of this document. On the same date the Company entered into an option agreement with Burnbrae Limited pursuant to which it was granted an option in respect of the third floor of Viking House, Nelson Street, Douglas, Isle of Man. This option was exercised on 18 April 2000 and a new lease in respect of this floor was entered into on 18 April 2000 between Burnbrae Limited (1) and the Company (2) for a period of 10 years commencing on 12 April 2000 at a rent of £30,641. On the same date the Company was granted two further options in respect of the ground and first floors at Viking House which are exercisable at any time up to and including 31 July 2000.
- (b) a contract for development of an Internet betting system dated 16th March 2000 between Professional Data and Management Services Limited (“PDMS”) (1) and the Subsidiary (2) pursuant to which PDMS was appointed by the Subsidiary to develop an Internet betting system and a back office administration system at a total cost of £170,636.14 (inclusive of VAT). By a letter dated 16th March 2000 PDMS acknowledged that the ownership of the system is split into two parts namely the bespoke element, which is owned by the Subsidiary and a set of standard components which are licensed to the Subsidiary by PDMS.
- (c) a nominated adviser agreement dated 28 April 2000 between the Company (1), the Directors (2) and English Trust (3) pursuant to which the Company appointed English Trust to act as nominated adviser to the Company for the purposes of the AIM Rules commencing on the date of the agreement and subject to termination on not less than 3 months notice. The Company has agreed to pay to English Trust a fee of £20,000 per annum. The Company and the Directors have given certain warranties to English Trust.
- (d) a letter of agreement dated 25th March 2000 between the Company (1) and Capital International as broker (2) pursuant to which the Company appointed Capital International to act as nominated broker to the Company for the purposes of the AIM Rules. Capital International has been appointed for an initial period of twelve months and thereafter their appointment is terminable upon three months’ notice by either party. Capital International will be paid a commission of two per cent of the funds raised by the Company pursuant to the Placing (plus VAT where applicable) (of which sum £40,000 will be utilised in the subscription for 88,889 Placing Shares pursuant to the Placing) and thereafter an annual retainer of £12,500 is payable quarterly in advance (plus VAT where applicable).
- (e) a placing agreement dated 28 April 2000 between English Trust (1), the Directors (2), the Company (3) and Capital International (4) pursuant to which English Trust has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price failing which it will itself subscribe for such Placing Shares. In turn, Capital International has agreed with English Trust to act as its placing agent to procure subscribers for the Placing Shares in satisfaction of English Trust’s obligations under the Placing Agreement. The agreement is conditional, *inter alia*, upon Admission taking place on or before 9 May 2000 or such later date as English Trust and the Company may agree but in any event not later than 31 May 2000. The Company will pay to English Trust a fee of £85,000 and a commission equal to two per cent of the aggregate value of the Placing Shares at the Placing Price (plus VAT where applicable).

The agreement also provides for the Company to pay all expenses properly payable in connection with the application for Admission, including the reasonable fees and costs of all legal advisers, all costs relating to the Placing, including printing and advertising charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The agreement contains warranties and undertakings given by the Company and the Directors in favour of English Trust as to the accuracy of information contained in this document and other matters relating to the Group and its business and an indemnity from the Company in favour of English Trust.

The Directors have agreed that they will not, and will use their reasonable endeavours to procure that persons connected with them, will not dispose of any Ordinary Shares in the Company held immediately following Admission in which they have an interest for the period expiring on the day 12 months from the date of Admission save in the event of an intervening court order, a takeover offer relating to the Company's share capital becoming or being declared to be unconditional, or the death of the Director.

English Trust may terminate the placing agreement in specified circumstances prior to Admission, principally in the event of a material breach of the warranties or taxation covenant contained in it, or where any change in national or international, financial, industrial, economic, political or market conditions occurs which, in the reasonable opinion of English Trust (and after such consultation with Capital International and the Company as is reasonable in the circumstances) is likely to be materially prejudicial to the Company, its financial position, its prospects taken as a whole or the successful outcome of the Placing.

- (f) Lock-In Agreements dated 28 April 2000 between English Trust, the Company and each of Martin Caldwell, Jennifer Caldwell and Mill Properties Limited (together the "Principal Shareholders") pursuant to which each of the Principal Shareholders agrees that he, she or it will not dispose of any Ordinary Shares in which they have an interest immediately following Admission for a period expiring 12 months from the date of Admission save, in the case of Martin Caldwell and Jennifer Caldwell, for Ordinary Shares up to the value of £250,000 or in certain specified circumstances or otherwise with the consent in writing of English Trust.

## **8. Litigation**

Neither the Company nor the Subsidiary is or has been involved in any legal or arbitration proceedings which are having or may have, or have had during the twelve months preceding the date of this document, a significant effect on the Company or the Group's financial position and, so far as the Directors are aware, no such proceedings are pending or threatened.

## **9. Taxation**

The statements in this paragraph are only a general guide to the current law and practice in relation to Isle of Man and UK taxation and may not apply to certain persons who hold shares in the Company other than as an investment (such as dealers in securities) or who are not resident or ordinarily resident in the Isle of Man or United Kingdom. If you are in any doubt as to your tax position or you are subject to tax in a jurisdiction other than the Isle of Man or United Kingdom, you should consult your professional adviser without delay.

### **9.1 Taxation of Chargeable Gains**

There is no capital gains tax in the Isle of Man and therefore gains made by Isle of Man shareholders will not be subject to Isle of Man tax.

If a United Kingdom shareholder disposes of all or any of the Ordinary Shares acquired under the Placing he or she may, depending on the shareholder's particular circumstances, incur a liability to United Kingdom taxation on chargeable gains. Individuals, personal representatives and trustees may be entitled to taper relief, which may serve to reduce the gain chargeable. Companies are not entitled to taper relief, but are due indexation allowance which may also reduce the gain chargeable.

## 9.2 Stamp Duty

There is no stamp duty on shares issued by a company in the Isle of Man.

## 9.3 Taxation of Dividends

Dividends paid by the Company to Isle of Man resident shareholders will not incur Isle of Man non-resident withholding tax of 20 per cent. Shareholders resident outside of the Isle of Man, including UK resident shareholders, will be subject to Isle of Man non-resident tax at 20 per cent on all dividends paid.

Shareholders resident in the United Kingdom will ordinarily be able to claim credit against United Kingdom taxes for tax withheld in the Isle of Man.

Other shareholders resident outside the Isle of Man may be able to claim the benefit of double taxation provisions in their own jurisdictions to claim credit for the tax withheld in the Isle of Man against a liability for tax in their own jurisdiction and are recommended to take advice from their professional advisers.

**The above information is of a general nature only and is not intended to be exhaustive. Any person who is in any doubt as to his or her taxation position should take appropriate independent professional advice.**

## 10. Working Capital

The Company is of the opinion that, having made due and careful enquiry and after taking account of bank and other facilities available to the Company and the net proceeds of the Placing, the working capital available to the Group will, from Admission, be sufficient for its present requirements, that is for at least the next twelve months.

## 11. General

- 11.1 The total costs, charges and expenses (including commissions) payable in connection with the Placing and Admission are estimated to amount to £490,000 (excluding value added tax) and are payable by the Company. The amounts payable for arranging to procure subscribers for shares pursuant to the Placing will include a commission equal to 2 per cent of the aggregate value of the Placing Shares at the Placing Price payable to English Trust and a commission equal to 2 per cent of the funds raised pursuant to the Placing to Capital International. Other than as set out in this document there is no commission payable by the Company to any person in consideration of their agreeing to subscribe for Placing Shares or of their procuring or agreeing to procure subscribers for Placing Shares. The net proceeds of the Placing receivable by the Company are expected to amount to £2,510,000.
- 11.2 Save as disclosed in Part I of this document, there has been no significant change in the financial or trading position of the Group since 29 February 2000, being the date to which the latest audited accounts of the Company were prepared.
- 11.3 There have been no interruptions in the Group's business which may have or have had in the last 12 months a significant effect on the Company's financial position.
- 11.4 There are no arrangements under which future dividends are waived or agreed to be waived.
- 11.5 The auditors of the Company, Deloitte & Touche, Chartered Accountants of Grosvenor House, P.O. Box 250, 66/67 Athol Street, Douglas, Isle of Man IM99 1XJ, have audited the accounts of the Company for the two accounting periods ended 29 February 2000.
- 11.6 The Placing has been fully underwritten by English Trust.
- 11.7 Deloitte & Touche, Chartered Accountants, and English Trust have given and have not withdrawn their written consents to the issue of this document with, in the case of Deloitte & Touche, the inclusion of their Accountants Report set out in Part II above and the references to such report, and in each case, their names in the form and context in which they appear.
- 11.8 The Placing Price of 45p represents a premium of 44p over the nominal value of 1p per Ordinary Share.

- 11.9 The financial information in this document relating to the Group does not constitute statutory accounts within the meaning of Section 2(1) of the Companies Act 1982. The information is based on the audited accounts of the Company for the period from 13 January 1998 to 31 May 1999 and the audited consolidated accounts of the Group for the nine month period ended 29 February 2000. The auditors' reports in respect of such accounts have been made by Deloitte & Touche under Section 9(1) of the 1982 Act and each such report was unqualified. The Company's year end is 31 May.
- 11.10 The arrangements for paying for the Placing Shares are set out in the placing letters issued by Capital International. All monies received from placees will be held by English Trust prior to Admission, when the net proceeds will be paid to the Company. If Admission does not become effective, all subscription monies shall be refunded as soon as practicable without interest.
- 11.11 No temporary documents of title will be issued. The Ordinary Shares will be in registered form. Definitive share certificates will be sent to placees who request them by first class post at the risk of the placee within seven days of the completion of the Placing. Pending the despatch of definitive share certificates transfers will be certified against the register.
- 11.12 The Company has applied to CRESTCo Limited for the Ordinary Shares to be admitted to CREST as a participating security. It is expected that the admission of the Ordinary Shares to CREST as a participating security will be effective from Admission. Shareholders who are direct or sponsored members of CRESTCo Limited will then be able to dematerialise their Ordinary Shares in accordance with the rules and practices instituted by CRESTCo Limited.
- 11.13 The minimum amount which, in the opinion of the Directors, must be raised by the Company under the Placing to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 of the Public Offers of Securities Regulations 1995 and paragraph 5 in Part I of the Fourth Schedule to the Companies Act 1931 is £3,000,000 which will be applied by the Company as to £490,000 for the expenses (excluding VAT and including commissions), and as to the balance of £2,510,000, in advertising and enhancing the website and working capital.
- 11.14 The Ordinary Shares the subject of the Placing are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement. All of the Ordinary Shares the subject of the Placing have been conditionally placed.
- 11.15 Except for the fees payable to the professional advisers whose names are set out on page 4 above, payments to trade suppliers and shares issued as set out in paragraph 2.1(iii) and 2.1(vii) above, no person has received any fees, securities in the Company or any other benefit in each case to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or any such other benefit on or after Admission.
- 11.16 The Company was granted a bookmaker's permit and a Betting Office Licence on 28 May 1998 by the Isle of Man Gaming Control Commissioners. Save as disclosed in this document, there are no patents or other intellectual property rights, licenses or particular contracts which are or may be of fundamental importance to the Group's business.
- 11.17 Save as disclosed in this document there are no significant investments by the Group under active consideration.

## **12. Documents Available for Inspection**

Copies of the following documents will be available for inspection during normal business hours on any business day (Saturdays and public holidays excepted) at the offices of Laurence Keenan Advocates, Victoria Chambers, 47 Victoria Street, Douglas, Isle of Man IM1 2LD and English

Trust Company Limited, 12a Charterhouse Square, London EC1M 6NA from the date of this document until the date 14 days after the date of Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited accounts of the Company for the period from incorporation to 31 May 1999 and the audited consolidated accounts of the Group for the period from 1 June 1999 to 29 February 2000;
- (c) the Accountants' Report by Deloitte & Touche relating to the Company set out in Part II of this document;
- (d) the material contracts of the Group referred to in paragraph 7 above;
- (e) the consent letters referred to in sub-paragraph 11.7 above;
- (f) the rules of the betinternet.com plc 2000 Share Option Plan, 2000 USA Share Option Plan and 1998 Share Option Plan referred to in paragraph 6 above; and
- (g) the service agreements and the non-executive terms of appointment referred to in paragraphs 4.1 and 4.2 above.

### **13. Availability of Admission Document**

Copies of this document will be available free of charge to the public at the offices of English Trust Company Limited, 12a Charterhouse Square, London EC1M 6NA and of the Company at Viking House, Nelson Street, Douglas, Isle of Man IM1 2AH during normal business hours on any business day (Saturdays and public holidays excepted) from the date of this document until 14 days from the date of Admission.

Dated 28 April 2000

