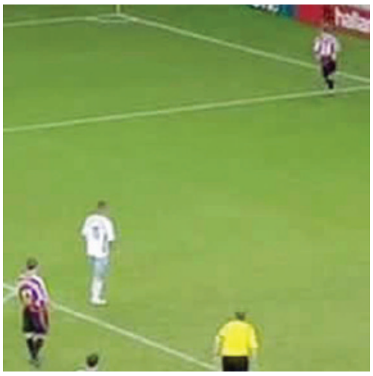
betinternet.com

EUROPEAN WAGERING SERVICES






betinternet.com plc
annual report and accounts 2007



Welcome to betinternet.com plc

We offer customers the opportunity to place online wagers on a wide variety of sports, through fixed odds and pari-mutuel betting, complemented by innovative casino and gaming products.

Our customers place bets on all the major global sports — football, US sports, golf, tennis, formula 1, greyhound and horse racing. Our growing range of wagering opportunities reflects the diversity of sports played around the world.

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EUROPEAN WAGERING SERVICES

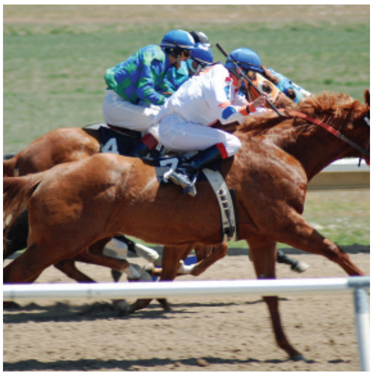
Operational Overview

Sportsbook Portal

- offers fixed odds sports betting
- specialist in European and Far East soccer with further increase in product offering
- offers two casinos and suite of games
- development commenced on integration of UK and Irish horse racing

Pari-Mutuel

- offers pari-mutuel (tote) account wagering globally
- owns and operates its own AmTote hub, call-centre and website (www.link2bet) out of the Isle of Man
- contracts with over 70 tracks worldwide for international wagering
- provider of technical solutions for operators and tracks
- seeking to grow the business by acquiring more content and customers globally



EUROPEAN WAGERING SERVICES

Chairman's Statement

Introduction

In what has been a turbulent year for gaming companies, I am pleased to report that your Company has achieved a profit of £162k (2006: loss of £1,055k) at EBITDA level for the financial year, building on the positive progress announced at the half-year. Our pari-mutuel operation, European Wagering Services (EWS) has continued to perform well, with its range of services being used by an increasing number of customers.

The Company has benefited from the ownership of its own sportsbook website software and a number of customer-facing enhancements have been introduced throughout the year. These include the addition of more sports betting content and fixed-odds games and we now offer betting on a number of additional football leagues around the world. In conjunction with this, we have improved our internal systems to enable our traders to better manage this extended offering. Furthermore, we have continued to enhance the look-and-feel of the website, its customer-facing features and ease of navigation.

Strategy

Following the appointment of a new Chief Operating Officer, the board has focused on developing the growth strategy for the business. Initially, this centred on the enhancement of our pari-mutuel website, as this generates the highest margins. Our aim was to take advantage of the restrictions on fixed-odds horseracing betting imposed by the Unlawful Internet Gaming Enforcement Act (UIGEA) by enhancing our UIGEA compliant offering. However, following the introduction of the UIGEA and the withdrawal of Neteller's payment solutions from the US gaming market, it became apparent that banking and financial institutions were taking a risk-averse view of any gaming that originated from the US, whether compliant with the UIGEA or not. As a result, EWS has recently found it increasingly difficult to find suitable banking partners for its business. Processes have been established which enable EWS to trade as normal and work is ongoing to establish a suitable long-term robust payment solution. Accordingly, the planned redesign of our pari-mutuel website will be progressed once this solution has been put in place.

Due to the nature of pari-mutuel betting and the composition of EWS' customer base, there has been no material impact as a result of the banking issue on the existing operation. The board remains confident that current activity levels will be maintained going forward and our Managing Director, in his Operational Review, reflects on the post-year end developments that we are currently undertaking to ensure further growth for EWS.

With regard to the sportsbook operation, following the launch of our new platform prior to the 2006 World Cup finals, we have made a number of enhancements to the www.betinternet.com website. These have included a much-simplified inputting engine for football markets, which has enabled our traders to offer betting opportunities on many more matches to keep pace with demand from our customers, who increasingly have access to more live pictures. For example, we now offer Asian Handicap betting on the Singapore, Russian, Brazilian and Argentinean leagues, amongst others. In parallel with this, we have developed a number of monitoring tools that alert our trading team to any global price movements or potential arbitrage opportunities.

In the last two months of the financial year, our developers worked on the integration of our UK and Irish horseracing offering. This was soft-launched prior to Royal Ascot in June and we plan a full marketing launch of this product in October 2007 when full-functionality is implemented. We anticipate that this will increase the appeal of our website www.betinternet.com within the British Isles and help to reduce our reliance on football betting.

The sportsbook operation has maintained a good relationship with its banking and industry partners and, as previously announced, also remains fully compliant with the UIGEA.

We have continued to seek a strategic acquisition for our sportsbook operation as part of our strategy for growth; however, the board has yet to identify a sufficiently compelling opportunity. This will remain an area of focus for the forthcoming year, but not to the detriment of driving the organic growth of our existing sportsbook business.

Overview of Results

During the period under review, group turnover was £87m (2006: £68m) and gross profit was £3.0m (2006: £2.3m).

Revenue growth has continued to be strong for EWS with turnover rising to £25m for the period (2006: £10m). This is generated from a number of channels: our telephone call centre, direct business through our totalisator hub and our website, www.link2bet.com.

The casinos and games provide the majority of revenue for the sportsbook. However, customers are still coming to our website to bet on sports, particularly football and Asian Handicaps, where we have enhanced our offering over the course of the last year.

A more detailed analysis of the results is presented in the Operational Review on page 6.

"Our pari-mutuel operation, European Wagering Services, has continued to perform well . . ."

Fund Raising

The Company was able to fund the continual development of its sportsbook website www.betinternet.com, through the issue of a convertible loan note to our major shareholder, Burnbrae Ltd, raising £300,000 before costs. The Company has set aside some of these funds for the development of the pari-mutuel website, as mentioned above.

Executive Changes

As announced earlier this year, Ed Comins joined as Chief Operating Officer for EWS in February 2007. Ed's experience and contacts within the pari-mutuel industry are already having a positive impact on the business.

Company Reorganisation

As a consequence of some of the issues that we have experienced with EWS' banking arrangements, the board, in conjunction with its lawyers, has reviewed the existing structure of the Company. Following this review, the board intends to re-organise the betinternet.com sportsbook portal and the EWS pari-mutuel businesses. The operations and trading names of both businesses will be unaffected by this change. Subject to shareholder approval, the board intends to change the name of the Company to more accurately reflect its role in the group. A Special Resolution will be tabled at the forthcoming Annual General Meeting to effect this change.

Summary

Anyone involved within the gaming sector, either as a shareholder or an employee, could not have anticipated the changes that have taken place over the course of the last year. There has been a less than positive focus on the sector, but throughout these volatile times the Company's executive has managed to steer a course through these challenges to bring the business to profitability at EBITDA level.

During the next financial year, we intend to focus on further development and promotion of the sportsbook to broaden its global appeal and bring sustained profitability to this part of the operation. Through the utilisation of more technically advanced or third-party systems we anticipate being able to grow our offering without the need for additional personnel.

For EWS, there remain a number of unrealised opportunities for growth in our pari-mutuel business. We are hopeful of an early clarification of instructions to financial institutions regarding dealing with pari-mutuel wagering in respect of the UIGEA. This clarification will enable a continuation of the growth that we have experienced during the last 18 months.

I would like to take this opportunity to express my thanks to the staff at betinternet.com, who have proved to be both adaptable and committed to the success of the Company.

Chairman

Operational Review

The financial year started with the roll-out of the new website for the sportsbook and the promotion of our newly integrated casino and gaming products. This is the platform on which we have continued to build our product offering and we have made a number of enhancements, both customer-facing and internal, during the course of the year. We have concentrated on increasing content, improving customer navigation and enhancing our marketing through more graphically appealing promotional content.

The main regional focus of the sportsbook remains in the Far East, where the betinternet brand has a strong reputation. We also continue to attract customers from Europe, especially the United Kingdom, which is now our second biggest market for active customers, where our affiliate partners greatly assist with registrations.

We are keen to grow our presence in Europe, whilst not losing sight of the fact that the Far East will remain our core market. This expansion will have the additional advantage of spreading our business across sports other than football, which in the 2006/07 financial year was responsible for three-quarters of the stake money placed on singles bets.

The margin on sports betting has increasingly come under pressure. Our competitors in the Far East market operate on a considerably lower return than is traditionally achieved in Europe and in order to compete, we have seen some erosion of the margin percentage that we can achieve from customers in this region. However, the increase in revenues that we have achieved from the casinos and fixed-odds games means that this reduction in sports betting margin is less critical than it once would have been. There is a continued influence on sports prices from arbitrage play; either through customers playing the differences between the Eastern and Western bookmakers' odds or through the betting exchanges. In order to minimise the effect of this, we have introduced a number of real-time reporting systems that alert our traders to potential global arbitrage opportunities and we take a view on individual customers who are active only in arbitrage play.

"The main regional focus of the Sportsbook remains in the Far East, where the betinternet brand has a strong reputation."

We have postponed the introduction of Mahjong, taking the view that this game has yet to establish itself online - although we will continue to review this, as we will for the addition of an Asian-style Poker offering. The requests of our customers help determine our prioritisation of website enhancements.

We were unable to progress with our proposed white-label partner due to legislative changes in Russia, which was the proposed launch country.

Our pari-mutuel operation, EWS, has progressed very well through the period, with the extensive range of services that we provide appealing to a wider customer base. As mentioned in the Chairman's Statement, the operation has had to manage through some challenges in the second half of the year and these have diverted the management's attention away from our growth strategy, whilst we addressed some aspects of the business that were affected by the fall-out from the UIGEA. The fact that the operation maintained its revenues throughout this period demonstrates its resilience and the loyalty shown by our customers.

Results

The results show a profit at EBITDA level for the year, which meets our initial expectations despite a number of unexpected challenges throughout the latter half of the year. EWS has been the main driver of revenue growth but we have also seen a sustainable revenue stream from the casinos and games offerings and the positive impact of the World Cup finals in June 2006 on the sportsbook.

The group operating loss was much reduced to £0.076m (2006: £1.821m operating loss).

Through an increasingly efficient operation and the introduction of enhanced technologies, we have further reduced our overheads by 15% to £2.8m (2006:£3.3m).

Current trading and outlook

The business has continued to operate according to expectations during the first quarter of the new financial year, which included periods of limited football content for the sportsbook during June and July. Casinos and games turnover has remained strong and we have seen a number of higher-staking customers playing our live dealer product throughout this period. The introduction of UK and Irish horseracing has generated an initial small revenue stream and I anticipate this will grow noticeably once we start our marketing for this product in October 2007.

There has been a limited impact on EWS' profit from the previously discussed banking issue and our initial estimate is that EWS' profit will reduce by approximately £50k as a result of this. However, we have now integrated an initial payment solution which enables EWS to trade as normal and are currently in the process of integrating further solutions which should ensure its profits return to previous levels within a short time-frame. We are now able to turn our focus to our growth strategy for our business by seeking additional content and making enhancements to the website offering.

The board was also pleased to note that the Isle of Man was included on the United Kingdom's 'White List' for jurisdictions where licencees will be allowed to advertise in the UK under the new Gambling Act, which took effect from 1 September 2007. The duty payable on bets originating from the UK has also been reduced from 15% to 1.5%. As a result, the promotion of our new horse racing offering will be more beneficial as the Company will retain a larger part of any gross margin.

The Company has made very good progress in many areas of its operation during the last year and has overcome a number of challenges that have affected the industry. I am confident that in the forthcoming year the Company will continue to advance by broadening its customer base, improving its technical systems and increasing its product portfolio.

Garry Knowles
Managing Director

Directors and advisers

D H N Eke, aged 56

Non-Executive Chairman

Denham Eke began his career in Stockbroking before moving into Corporate Planning for a major UK Insurance Broker. He is a director of many years' standing of both Public and Private companies involved in the retail, manufacturing and financial services sectors.

Mr Eke was appointed Chairman of betinternet.com plc in April 2003.

Garry Knowles, aged 40

Managing Director

Garry Knowles has 20 years' experience in the gaming industry having worked for the William Hill Organisation for 15 years, most recently as Deputy Manager for their International Call Centre in the Isle of Man. Latterly, Garry held the position of Director of Customer Relations for MGM Mirage Online before joining betinternet as Head of Trading Operations in November 2003.

Mr Knowles joined the board in June 2005.

J Mellon, aged 50

Non-Executive Director

Jim Mellon is the founding and principal shareholder and non-executive director of Regent Pacific Group Limited. In addition, he is the founding and principal shareholder and director of Charlemagne Capital Limited. Earlier in his career he worked for GT Management in the United States and in Hong Kong and later became the co-founder and managing director of Tyndall Holdings plc. He is currently a director of Fixed Odds Group Limited and a variety of other investment companies.

Mr Mellon joined the board in July 2004.

D Waddington, aged 36

Finance Director

Damon Waddington FCCA joined the group in February 2006 as Financial Controller. He previously held the position of Financial Controller within the Fortis Group. Prior to that Damon worked for a London-based firm of Chartered Accountants.

Mr Waddington joined the board on 20 September 2006.

Directors

D H N Eke, Chairman
G Knowles, Managing Director
J Mellon, Non-Executive Director
D Waddington, Finance Director

Secretary

D Waddington

Registered Office

Viking House, Nelson Street,
Douglas, Isle of Man, IM1 2AH

Principal Bankers

Barclays Bank, Barclays House
Victoria Street, Douglas
Isle of Man, IM1 1HN

Auditors

KPMG Audit LLC
Chartered Accountants
Heritage Court, 41 Athol Street
Douglas, Isle of Man, IM99 1HN

Nominated Adviser and Broker

Evolution Securities, Kings House
1 Kings Street, Leeds, LS1 2HH

Registrars

Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent, BR3 4TU

Directors' Report

The directors present their annual report and the audited financial statements for the period ended 27 May 2007.

Principal activities

The group operates as a licensed sports bookmaker providing a worldwide internet service. The group also operates a pari-mutuel service to individual and business customers, utilising its totalisator facility in the Isle of Man.

Business review

The group operates on a worldwide basis and provides internet facilities in respect of a wide variety of sporting events.

A more detailed review of the business, its results and future developments is given in the Chairman's Statement and Operational Review on pages 4 and 6, respectively.

Proposed dividend

The directors do not propose the payment of a dividend (2006: nil).

Policy and practice on payment of creditors

It is the policy of the group to agree appropriate terms and conditions for its transactions with suppliers by means of standard written terms to individually negotiated contracts. The group seeks to ensure that payments are always made in accordance with these terms and conditions.

At the year end there were 33 days (2006: 23 days) purchases in trade creditors.

Directors and directors' interests

The directors who held office during the period were as follows:

D H N Eke	Chairman
G Knowles	Managing Director
J Mellon	Non-executive
S I Nicholls	(resigned 21 August 2006)
D Waddington	(appointed 20 September 2006)

Mr D Waddington retires in accordance with the articles of association and, being eligible, offers himself for re-election.

The director retiring by rotation is Mr G Knowles who, being eligible, offers himself for re-election.

The directors who held office at the end of the period had the following interests in the ordinary shares of the company and options to purchase such shares arising from incentive schemes:

Directors' Report continued

Directors' interests

	Ordinary Shares		Options	
	Interest at end of period	Interest at start of period	Interest at end of period	Interest at start of period
D H N Eke	—	—	—	—
G Knowles	—	—	14,000,000	10,500,000
J Mellon	98,510,577	98,510,577	—	—
S I Nicholls (resigned 21 August 2006)	—	—	—	7,000,000
D Waddington (appointed 20 September 2006)	18,290	—	—	—

Mr Mellon's interests are more fully described in the note below (Substantial interests).

Further details of the options issued to the executive directors are contained in the Report of the Remuneration Committee on pages 15 to 16.

Substantial interests

On 8 August 2007 the following interests in 3 per cent or more of the company's ordinary share capital had been reported:

	%	Number of ordinary shares
Burnbrae Limited	49.52	97,542,577
Mill Properties Limited	6.66	13,120,700
Vincent Caldwell	5.57	10,964,967
Merrion Stockbrokers Nominees Limited a/c 900741	4.01	7,899,676
Pershing Keen Nominees Limited	3.80	7,495,412
Strand Nominees Limited	3.36	6,628,357

The board has been informed that Mr J Mellon is a beneficiary of a trust that holds the entire share capital of Burnbrae Limited. Mr Mellon is also a beneficiary of a trust that holds 950,000 ordinary shares in the company. Separately, Mr Mellon is also interested in 18,000 ordinary shares in the company.

The shares held by Mill Properties Limited represent a family related shareholding of the Caldwell family.

Annual General Meeting
Shareholders will be asked to approve at the Annual General Meeting certain resolutions as special business. Some of these resolutions have become routine business at the Annual General Meetings of most public companies, including your company, and relate to the renewal of the authority for the directors to allot relevant securities and the renewal of the powers for the directors to allot equity securities for cash.

The board, as has been its practice in the past, is also proposing to seek authority for the company to purchase certain of its own shares and intends to seek shareholder approval to the Report of the Remuneration Committee.

Employees
The group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, race or religion.

The group recognises the importance of ensuring employees are kept informed of the group's performance, activities and future plans.

Political and charitable contributions
The group made no political contributions nor donations to charities during the year.

Auditors
KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

By order of the board

D Waddington
Company Secretary
26 September 2007

Corporate Governance

The company is committed to high standards of corporate governance. The board is accountable to the company's shareholders for good corporate governance.

The company has applied the principles set out in Section 1 of the revised Combined Code (issued in 2003).

This statement describes how the principles of corporate governance are applied to the company and the company's compliance with the Code provisions.

1. Directors

The company is controlled through the board of directors which comprises two executive and two non-executive directors.

The Chairman is mainly responsible for the conduct of the board, and he, together with the Managing Director, seeks to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings.

The Managing Director, in conjunction with his executive colleague, is responsible for co-ordinating the company's business and implementing strategy.

None of the non-executive directors are deemed to be independent, although the board intends to appoint at least one independent director at an appropriate time.

Shareholders are encouraged to contact the Chairman should they require clarification on any aspect of the company's business.

All directors are able to take independent professional advice in furtherance of their duties if necessary.

The board has a formal schedule of matters reserved for it and meets 11 times per year. It is responsible for overall group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks including legislative, jurisdictional and major liability management issues. The board approves the annual budget and the progress towards achievement of the budget. The board also considers employee issues and key appointments. It also seeks to ensure that all directors receive appropriate training on appointment and then subsequently as appropriate. All directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

The board has established two standing committees, both of which operate within defined terms of reference.

The committees established are the Audit Committee and the Remuneration Committee. The board does not consider it necessary for a company of its size to establish a standing Nominations Committee. Instead the board's policy in relation to board appointments is for the Chairman to agree selection criteria with all board members and use independent recruitment consultants to initiate the search for candidates. The final decision on appointments rests with the full board.

2. Directors' Remuneration

The Report of the Remuneration Committee is set out on pages 15 to 16 of the report and accounts.

3. Relations with Shareholders

The company encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

The Managing Director attended meetings with analysts and shareholders during the period ended 27 May 2007, at the time of the announcements of both the company's interim and final results.

The board has sought to use the Annual General Meeting to communicate with private investors and encourages their participation.

4. Financial Reporting

The performance and financial position of the company are provided in the Chairman's Statement on page 4, the Operational Review on page 6 and the Directors' Report on pages 9 to 11. These enable the board to present a balanced and understandable assessment of the company's position and prospects. The directors' responsibilities for the financial statements are described on page 14.

Internal Control
The board seeks to apply Principle D.2 of the Combined Code and believes it has controls in place which have established an ongoing process for identifying, evaluating and managing the significant risks faced by the group. In this regard, the board seeks to work closely with the company's auditors.

The board also acknowledges that it has overall responsibility for reviewing the effectiveness of internal control. It believes that senior management within the group's operating businesses should also contribute in a substantial way and this has been built into the process.

There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The system adopted by the board manages rather than eliminates the risk of failure to achieve business objectives.

In carrying out its review of the effectiveness of internal control in the group the board takes into consideration the following key features of the risk management process and system of internal control:

- Risks are identified which are relevant to the group as a whole and encompass all aspects of risk including operational, compliance, financial and strategic.
- The board seeks to identify, monitor and control the significant risks to an acceptable level throughout the group. In order to do so the Audit Committee, acting on behalf of the board, reviews risk matters at each meeting of the Audit Committee.
- The group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results with budgets. Management accounts are prepared for each operating activity and the group on a monthly basis. Material variances from budget are thoroughly investigated. In addition, the group's profitability forecast is regularly updated based on actual performance as the year progresses. A thorough reforecast exercise is undertaken following production of the half-year accounts.
- Cash flow forecasts are regularly prepared to ensure that the group has adequate funds and resources for the foreseeable future.
- Risks are identified and appraised through the annual process of preparing these budgets.
- Steps have been taken to embed internal control and risk management into the operations of the business and to deal with areas of improvement which come to management's and the board's attention. This process is continuing to increase risk awareness throughout the group.

Audit Committee
The Audit Committee comprises the non-executive directors and is chaired by Mr D H N Eke. The committee acts in an advisory capacity to the board and meets not less than twice a year. Its terms of reference require it to take an independent view of the appropriateness of the group's accounting controls, policies and procedures. The committee also reviews and approves the reports, appointment and fees of the external auditors, and meets its external auditors at least once a year. Additional meetings may be requested by the auditors.

Going Concern
As more fully explained in note 1 to the accounts on page 22, and after making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Internal Audit
The directors have reviewed the need for an internal audit function and believe that the group is not of sufficient size and complexity to require such a function.

Compliance Statement
The company has sought to fully comply with the provisions set out in Section 1 of the code and the board considers that as far as is practicable for a company of its size and stage of development it complies with the principles of the code at the date of this report.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period which meet the requirements of Isle of Man company law. In addition, the directors have elected to prepare the group and company financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

Report of the Remuneration Committee

Introduction

This report has been prepared to accord as far as possible with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for UK public companies in relation to the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. This report also attempts to meet, as far as is practicable for a company of betinternet's size, the relevant requirements of the Listing Rules of the UK Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

Remuneration Committee

The company has an established Remuneration Committee which has a formal constitution and is composed of the non-executive directors of the company under the Chairmanship of D H N Eke.

No director plays a part in any discussion about his own remuneration.

Remuneration Policy

The Remuneration Committee's policy is to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre.

The major elements of the remuneration package for the executive directors are:

- Basic annual salary and benefits.
- Eligibility to participate in an annual bonus scheme, when such scheme operates.
- Share option incentives.
- Contribution to a pension plan.

The committee seeks to ensure that bonus and share option incentives have a strong link with individual performance.

Basic Salary

The level of basic annual salary and benefits is determined by the Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies.

Annual Bonus Payments

Although no bonus scheme operated during the period under review, it is anticipated that a scheme will operate when group profitability and cash flow allow. Bonuses for the executive directors are calculated with reference to the profit before tax as disclosed in the audited financial statements of the group, together with an assessment by the Committee of the director's performance against agreed personal targets. Bonus payments are not pensionable.

Share Options

The Committee believes that share ownership by executives strengthens the link between their personal interests and those of shareholders. The company currently operates four share option schemes, although it is intended that following the adoption of the 2005 Share Option Plan, no further options will be issued under these schemes. Options are granted to executives periodically at the discretion of the Remuneration Committee. The grant of share options is not subject to fixed performance criteria. This is deemed to be appropriate as it allows the Committee to consider the performance of the group and the contribution of the individual executives and, as with annual bonus payments, illustrates the relative importance placed on performance related remuneration.

Pensions

The group does not intend to contribute to the personal pension plans of directors in the forthcoming period.

Service Contracts

During the period under review, the service contract of Mr G R Knowles provided for a notice period of six months by all parties and that of Mr D Waddington for a notice period of three months by all parties.

Report of the Remuneration Committee continued

Aggregate Directors' Remuneration

The total amounts for directors' remuneration were as follows:

	2007 £000	2006 £000
Emoluments — salaries, bonus and taxable benefits	156	152
— fees	24	20
Contributions to pension plans	2	9
	182	181

Directors' Emoluments

	Basic Salary £000	Fees £000	Termination payments £000	Taxable benefits £000	2007 Total £000	2006 Total £000
Executive						
P E Doona (resigned 11 January 2006)	—	—	—	—	—	78
D Waddington (appointed 20 September 2006)	48	—	—	—	48	—
G R Knowles (appointed 3 June 2005)	92	—	—	—	92	78
S I Nicholls (resigned 21 August 2006)	16	—	—	2	18	5
Non-Executive						
D H N Eke*	—	24	—	—	24	20
J Mellon	—	—	—	—	—	—
Aggregate emoluments	156	24	—	2	182	181

* paid to Burnbrae Limited

Details of the options outstanding at 27 May 2007 are as follows:

Name of director	29 May 2006	(Lapsed)/ granted in period	27 May 2007	Exercise price	Date from which exercisable	Expiry date
G R Knowles						
(a) 2005 Share Option Plan	1,500,000	—	1,500,000	10.4p	18 March 2008	18 March 2015
(b) 2005 Share Option Plan	9,000,000	—	9,000,000	5p	30 March 2009	30 March 2016
(c) 2005 share Option Plan	—	3,500,000	3,500,000	6.0565p	20 September 2009	20 September 2016
S I Nicholls						
(a) 2005 Share Option Plan	7,000,000	(7,000,000)	—	5p	30 March 2009	30 March 2016
	17,500,000	(3,500,000)	14,000,000			

The market price of the shares at 27 May 2007 (the last closing price prior to the period end) was 5.875p. The range during the period was 5.50p to 8.50p.

Approval

The report was approved by the board of directors and signed on behalf of the board.

D H N Eke
Chairman
26 September 2007

Report of the Independent Auditors

**Report of the Independent Auditors,
KPMG Audit LLC, to the members of betinternet.com plc**

We have audited the financial statements of betinternet.com plc for the period ended 27 May 2007 which comprise the Group Profit and Loss Account, the group and parent Company Balance Sheet, the group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Isle of Man Companies Acts 1931 to 2004. We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and Company's affairs as at 27 May 2007 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit LLC
Chartered Accountants
Heritage Court, 41 Athol Street,
Douglas, Isle of Man, IM99 1HN
26 September 2007

Consolidated Profit and Loss Account

for the period ended 27 May 2007

	Note	2007 £000	2006 £000
Turnover			
Betting stakes received	2		
Sportsbook		**62,374**	57,496
Pari-Mutuel		**24,750**	10,073
Total group turnover	2	**87,124**	67,569
Cost of sales			
Winnings paid and bets laid off	2	**(84,157)**	(65,246)
Betting duty paid	2	**(17)**	(58)
Gross profit		**2,950**	2,265
Administration expenses		**(2,838)**	(3,320)
Other operating income		**50**	—
Earnings before interest, tax, depreciation and amortisation	3	**162**	(1,055)
Depreciation		**(166)**	(268)
Share-based costs	13	**(29)**	—
Amortisation of goodwill		**(43)**	(498)
Total operating loss		**(76)**	(1,821)
Interest paid		**(18)**	(87)
Interest received		**25**	4
Loss on ordinary activities before and after taxation and retained loss for the period	5,14	**(69)**	(1,904)
Basic and diluted loss per share (pence)	6	**(0.03)**	(1.18)

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.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Balance Sheet

as at 27 May 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Intangible assets	7		—		43
Tangible assets	8		**284**		224
Investments	9		**313**		271
			597		538
Current assets					
Debtors	10	**812**		549	
Cash at bank and in hand		**455**		458	
		1,267		1,007	
Creditors					
Amounts falling due within one year	11	**(1,498)**		(1,490)	
Net current liabilities			**(231)**		(483)
Creditors					
Amounts falling due after more than one year	12		**(300)**		—
Net assets			**66**		55
Capital and reserves					
Called up share capital	13		**1,970**		1,969
Share premium	14		**9,600**		9,550
Share option reserve	14		**29**		—
Profit and loss account	14		**(11,533)**		(11,464)
Equity shareholders' funds	15		**66**		55

The financial statements were approved by the board of directors on 26 September 2007

D H N Eke
Director

G R Knowles
Director

The accompanying policies and notes form an integral part of these financial statements.

Company Balance Sheet

as at 27 May 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Tangible assets	8		**104**		95
Investments	9		**1,014**		972
			1,118		1,067
Current assets					
Debtors	10	**170**		310	
Cash at bank and in hand		**325**		330	
		495		640	
Creditors					
Amounts falling due within one year	11	**(1,036)**		(1,029)	
Net current liabilities			**(541)**		(389)
Creditors					
Amounts falling due after more than one year	12		**(300)**		—
Net assets			**277**		678
Capital and reserves					
Called up share capital	13		**1,970**		1,969
Share premium	14		**9,600**		9,550
Share option reserve	14		**29**		—
Profit and loss account	14		**(11,322)**		(10,841)
Equity shareholders' funds	15		**277**		678

The financial statements were approved by the board of directors on 26 September 2007

D H N Eke
Director

G R Knowles
Director

The accompanying policies and notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the period ended 27 May 2007

	Note	2007 £000	2006 £000
Net cash outflow from operating activities	16	**(197)**	(1,467)
Returns on investment and servicing of finance		**7**	(83)
Capital expenditure		**(226)**	(141)
Acquisition	17	**(42)**	(188)
Cash outflow before use of liquid resources and financing		**(458)**	(1,879)
Financing	17	**351**	1,738
Decrease in cash for the period		**(107)**	(141)

Reconciliation of net cash flow to movement in net funds

		2007 £000	2006 £000
Opening net funds		**338**	479
Decrease in cash for the period		**(107)**	(141)
Closing net funds	18	**231**	338

Notes to the accounts

for the period ended 27 May 2007

1 Accounting policies

In the absence of accounting standards in the Isle of Man, the directors have chosen to apply United Kingdom Accounting Standards published by the United Kingdom's Accounting Standards Board in the preparation of the financial statements, provided that they are not inconsistent with the requirements of the Isle of Man Companies Acts 1931 to 2004. No such inconsistencies were identified.

The particular accounting policies adopted are described below.

Basis of preparation of the financial statements

The group has incurred losses of £11,503,986 since the commencement of trading. As at 27 May 2007 the group has net assets of £66,123 and net cash balances of £231,811, of which £125,000 was deposited with Barclays Merchant Services as security for the provision of credit card services. The directors are in the process of implementing a number of strategies designed to achieve profitability.

The directors have considered the adequacy of the cash resources and working capital available to the group for the next 12 months and are satisfied that the group has adequate resources to meet its obligations as they fall due. On this basis the directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiaries as at 27 May 2007.

Under the acquisition method of accounting, the results of subsidiary undertakings are included from the effective date of acquisition.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Betting stakes, free bets and winnings

Turnover represents the stakes received from customers less any void bets recorded.

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

Where free bets are offered to customers as part of a promotional drive, the amount of the stakes given as free bets are reflected as an expense disclosed within advertising/marketing expenses, which is included with administrative expenses in the profit and loss account. Where the free bet is a winning bet the winnings paid to the customer are reflected as if the bet was a normal bet.

The company is liable to betting duty at 1.5% of net stake receipts in the case of international bets and 15% on net UK stake receipts. Net stakes are betting stakes received less winnings and bets laid off.

Share-based payment

During the year the Group adopted FRS 20 'Share-based payment' which reflects the economic cost of awarding shares and share options to employees by recording an expense in the income statement equal to the fair value of the benefit award. Fair value is determined by reference to option pricing models, principally the Black-Scholes model. There is no charge to the prior period.

In accordance with the transitional provisions, FRS 20 has been applied only to grants of equity instruments after 7 November 2002 that had not vested as at 1 January 2006.

Foreign currency
Foreign currency balances and the assets and liabilities of overseas subsidiaries are translated to Sterling at the rate of exchange ruling on the last business day in the group's financial year.

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 transactions and conversions are included in the profit and loss account.

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

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

Goodwill
Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life, which is two years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets
Development costs for the group, which relate to the group's proprietary software, are capitalised where, in the opinion of the directors, there is a benefit that will be derived from the expenditure incurred.

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

Development costs	33⅓%
Computer equipment and software	33⅓%
Fixtures and fittings and office equipment	33⅓%

Creditors
Amounts due to customers which arise from cash payments they have made to group companies or the proceeds of successful bets are included in Trade Creditors. These amounts can be used by customers for stakes relating to future bets or may be the subject of a request by the customer for repayment.

In the event of a customer account remaining dormant for a period of more than two years, the balance may, after review, be written back to income.

Deferred taxation
Deferred taxation is provided on all timing differences arising from different treatment of items for accounting and taxation purposes, calculated at the rates at which it is anticipated that tax will arise, except for deferred tax assets which are only recognised to the extent that they have been agreed with the Assessor of Income Tax and/or the group anticipates making sufficient taxable profits in the near future.

Notes to the accounts continued

for the period ended 27 May 2007

2 Segmental analysis

Period ended 27 May 2007	**Sportsbook £000**	**Pari-Mutuel £000**	**Total £000**
Betting stakes received	**62,374**	**24,750**	**87,124**
Winnings paid and bets laid off	**(60,829)**	**(23,328)**	**(84,157)**
Gross margin	**1,545**	**1,422**	**2,967**
%	**2.5%**	**5.7%**	
Betting duty			**(17)**
Gross profit			**2,950**

Period ended 28 May 2006	**Sportsbook £**	**Pari-Mutuel £**	**Total £**
Betting stakes received	57,496	10,073	67,569
Winnings paid and bets laid off	(56,146)	(9,100)	(65,246)
Gross margin	1,350	973	2,323
%	**2.3%**	**9.7%**	
Betting duty			(58)
Gross profit			2,265

In line with the development of our one-stop entertainment website, casino and games results are now included under the sportsbook segment, previously disclosed as fixed odds.

No analysis related to geographic segmental information is disclosed, as the directors of the Company are of the opinion that all the Group's activities arise from transactions where the geographical environments are subject to similar risks and returns.

3 Group operating loss

Group operating loss is stated after charging:

	2007 £'000	**2006 £'000**
Auditors' remuneration:		
Group — audit	**67**	58
— other services	**5**	4
Company — audit	**58**	53
Depreciation of tangible fixed assets	**166**	268
Exchange losses	**64**	57
Operating lease rentals — other than plant and machinery	**140**	98
Directors fees	**182**	181

4 Staff numbers and cost

	Number of employees	
	2007	**2006**
	41	41

The aggregate payroll costs of these persons were as follows:

	2007	**2006**
	£'000	**£'000**
Wages and salaries	**1,021**	1,207
Social security costs	**94**	119
Other pension costs	**6**	15
	1,121	1,341

5 Tax on loss on ordinary activities

No provision for tax is required for either the current or previous period, due to 0% tax rate.

Unprovided deferred tax amounted to an asset of £nil (2006: £nil) due to the introduction in 2006 of a zero per cent corporate tax regime in the Isle of Man.

6 Loss per share

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

Calculation of loss per share is based on losses of £68,781 (2006: £1,903,950) and the weighted average number of ordinary shares being the equivalent of 196,958,908 (2006: 161,915,279) ordinary 1p shares.

An adjustment for the dilutive effect of share options in the period has not been reflected in the calculation of the diluted loss per share as the effect would have been anti-dilutive.

7 Intangible assets

	Goodwill
	£'000
Cost	
At 29 May 2006	1,435
Additions during period	—
At 27 May 2007	**1,435**
Accumulated depreciation	
At 29 May 2006	1,392
Charge	43
At 27 May 2007	**1,435**
Net book value	
At 27 May 2007	**—**
At 29 May 2006	43

Notes to the accounts continued

for the period ended 27 May 2007

8 Tangible assets

Group

	Development costs £'000	Computer equipment and software £'000	Office equipment, fixtures & fittings £'000	Total £'000
Cost				
At 29 May 2006	1,739	1,068	241	3,048
Additions	147	70	9	226
Disposals	—	—	—	—
At 27 May 2007	**1,886**	**1,138**	**250**	**3,274**
Depreciation				
At 29 May 2006	1,650	956	218	2,824
Charge	83	67	16	166
Disposals	—	—	—	—
At 27 May 2007	**1,733**	**1,023**	**234**	**2,990**
Net book value				
At 27 May 2007	**153**	**115**	**16**	**284**
At 29 May 2006	89	112	23	224

Company

	Computer equipment and software £'000	Office equipment, fixtures & fittings £'000	Total £'000
Cost			
At 29 May 2006	229	79	308
Additions	62	—	62
Disposals	—	—	—
At 27 May 2007	**291**	**79**	**370**
At 29 May 2006	137	76	213
Charge	51	2	53
Disposals	—	—	—
At 27 May 2007	**188**	**78**	**266**
Net book value			
At 27 May 2007	**103**	**1**	**104**
At 29 May 2006	92	3	95

9 Investments

Group

	Investments £'000	Total £'000
At 29 May 2006	271	271
Addition	42	42
At 27 May 2007	**313**	**313**

Company

	Investment in subsidiary companies £'000	Investments £'000	Total £'000
At 29 May 2006	701	271	972
Addition	—	42	42
At 27 May 2007	**701**	**313**	**1,014**

Details of investments at 27 May 2007 are as follows:

Subsidiaries	Country of incorporation	Activity	Holding (%)
European Wagering Services Limited	Isle of Man	Operation of interactive wagering totaliser hub	100
Technical Facilities & Services Limited	Isle of Man	Provision of betting systems to group companies	100
bi Marketing Limited	Macau	Dormant company	100
betinternet UK.com Limited	England	Holder of UK bookmaker's permit non-trading	100
betinternet.com NV	Netherlands Antilles	Licence holder for games	100
Other investments			
Global coreSports Limited	Isle of Man	Gaming software developer	17.32

Notes to the accounts continued

for the period ended 27 May 2007

10 Debtors

	The Group		The Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade debtors	727	433	10	8
Amount due from group undertakings	—	—	112	203
VAT recoverable	4	6	—	6
Other debtors and prepayments	81	110	48	93
	812	549	170	310

	The Group		The Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Due within one year	812	549	58	107
Due after more than one year	—	—	112	203
	812	549	170	310

Amounts due from group undertakings are unsecured, interest free and repayable in more than year.

11 Creditors: amounts falling due within one year

	The Group		The Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank overdrafts	224	120	224	120
Trade creditors	1,056	979	565	585
Deferred income	33	60	33	60
Income tax and national insurance	20	22	—	—
Accruals and other creditors	165	309	214	264
	1,498	1,490	1,036	1,029

12 Creditors: amounts falling due after more than one year

	The Group and Company	
	2007 £'000	2006 £'000
Convertible loan note	300	—

The group issued a £300,000 secured convertible loan note to Burnbrae Limited on 23 February 2007.

The loan note is secured over all the assets and undertakings of the company and bears interest at the rate of LIBOR plus 4%.

The note will be repayable on 23 February 2009 if not previously repaid.

13 Share capital

Authorised

	No.	2007 £'000	2006 £'000
Ordinary shares of 1p each	**415,000,000**	**4,150**	4,150
Allotted, issued and fully paid			
At 29 May 2006: ordinary shares of 1p each	196,944,179	**1,969**	1,505
Issued during the year	33,600	**1**	464
At 27 May 2007: ordinary shares of 1p each	**196,977,779**	**1,970**	1,969

On 19 December 2006, 33,600 ordinary shares were issued at 1p under the terms of the 1998 share option plan.

Options

Movements in share options during the period ended 27 May 2007 were as follows:

	No.
At 29 May 2006 — 1p ordinary shares	18,561,600
Options granted	3,500,000
Options lapsed	(7,440,000)
Options exercised	(33,600)
At 27 May 2007 — 1p ordinary shares	**14,588,000**

Details of options at 27 May 2007 were as follows:

	Price per share	Options granted	Exercisable between
1998 Share Option Plan	1p	500,000	April 2002 and April 2009
1998 Share Option Plan	23.15p	56,000	September 2003 and September 2010
1998 Share Option Plan	23.15p	32,000	April 2003 and April 2010
2005 Share Option Plan	10.4p	1,500,000	March 2008 and March 2015
2005 Share Option Plan	5.0p	9,000,000	March 2009 and March 2016
2005 Share Option Plan	6.0565p	3,500,000	September 2009 and September 2016
		14,588,000	

Options to subscribe for 33,600 Ordinary 1p Shares, under the 1998 Share Option Plan, were exercised during the period at a price of 3.25p per share.

During 2006/07, 40,000 (2005/06 — Nil) of which options lapsed due to one employee leaving the company, leaving 588,000 options exercisable in accordance with the scheme.

During 2006/07, 266,667 (2005/06 — 1,555,826) of the 2000 USA Option Plan and 133,333 (2005/06 — 777,914) of the 2000 Share Option plan lapsed due to one employee leaving the company.

In March 2005, options to subscribe for 1,500,000 Ordinary 1p shares, which are exercisable from 18 March 2008 to 18 March 2015, have been granted under the terms of the 2005 Share Option Plan, with an exercise price of 10.4p per share.

In March 2006, options to subscribe for 16,000,000 Ordinary 1p shares, which are exercisable from 30 March 2009 to 30 March 2016, have been granted under the terms of the 2005 Share Option Plan, with an exercise price of 5p per share.

During 2006/07, 7,000,000 (2005/06 — Nil) of these options lapsed due to an executive leaving the company, leaving a balance of 9,000,000 options exercisable in accordance with the scheme rules.

In September 2006, options to subscribe for 3,500,000 Ordinary 1p shares, which are exercisable from 20 September 2009 to 20 September 2016, have been granted under the terms of the 2005 Share Option Plan, with an exercise price of 6.0565p per share.

During the period the group adopted FRS 20 'Share-based payments'. See note 1 for a description of the accounting policy.

Notes to the accounts continued

for the period ended 27 May 2007

13 **Share capital** continued

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model with the following inputs:

		2005 Share Option Plan
Share price at date of grant	varies from	0.05p to 0.104p
Option exercise price at date of grant	varies from	0.05p to 0.104p
Expected volatility		20%
Option life		3.5 years
Expected dividends		0%
Risk-free interest rate		4.40%

Expected volatility was determined by calculating the historical volatility of the company's weighted average share price over the period. The expected life used has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Expense in profit and loss account:

	2007 £'000	2006 £'000
Share options granted in 2006/07	29	—
	29	—

Warrants

Movements in share warrants during the period ended 27 May 2007 were as follows:

Warrants issued to Williams de Broë Plc	No.	Subscription price (p)	Maximum Subscription £'000	Latest date of exercise
At 29 May 2006 — 1p ordinary shares	312,500			
Warrants lapsed	(312,500)	16	50	May 2007
At 27 May 2007 — 1p ordinary shares	—			

14 Reserves

Group

	Share option reserve £'000	Share premium £'000	Profit and loss account £'000
At 29 May 2006	—	9,550	(11,464)
Share warrants lapsed	—	50	—
Share-based costs	29	—	—
Retained loss for the year	—	—	(69)
At 27 May 2007	**29**	**9,600**	**(11,533)**

Company

	Share option reserve £'000	Share premium £'000	Profit and loss account £'000
At 29 May 2006	—	9,550	(10,841)
Share warrants lapsed	—	50	—
Share-based costs	29	—	—
Retained loss for the year	—	—	(481)
At 27 May 2007	**29**	**9,600**	**(11,322)**

15 Reconciliation of movements in shareholders' funds

	The Group		The Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Loss for the financial period	**(69)**	(1,904)	**(481)**	(1,556)
Increase in issued share capital and share premium account	**51**	1,801	**51**	1,801
Share-based costs	**29**	—	**29**	—
Net increase/(decrease) in shareholders' funds	**11**	(103)	**(401)**	245
Opening shareholders' funds	**55**	158	**678**	433
Closing shareholders' funds	**66**	55	**277**	678

Notes to the accounts continued

for the period ended 27 May 2007

16 Reconciliation of operating loss to net cash outflow from operating activities

	2007 £'000	2006 £'000
Operating loss	**(76)**	(1,821)
Share-based costs	**29**	—
Depreciation and amortisation charges	**209**	766
Increase in debtors	**(263)**	(342)
Decrease in creditors	**(96)**	(70)
Net cash outflow from operating activities	**(197)**	(1,467)

17 Analysis of cash flows for headings netted in cash flow statement

	2007 £'000	2006 £'000
Acquisition		
Investment	**(42)**	(188)
	(42)	(188)
Financing		
Issue of new shares including share premium	**51**	1,801
Amounts falling due after more than one year	**300**	(63)
	351	1,738

18 Analysis of net funds

	At 29 May 2006 £'000	Cash flow £'000	At 27 May 2007 £'000
Cash in hand and at bank	458	(3)	**455**
Bank overdraft	(120)	(104)	**(224)**
	338	(107)	**231**

19 Contingent liabilities

By the nature of the business, a stake can be received from a customer in respect of some event happening in the future, and hence the level of any actual liability to the group cannot be assessed until after that event has occurred, although the maximum potential liability can be determined. As at the balance sheet date there were £32,692 (2006: £59,687) of such stakes that had been received where the event to which they related was after the balance sheet date. Accordingly, such amount has been reflected as deferred income in the balance sheet (see note 11). The maximum possible liability on deferred bets is £2.67m (2006: £1.46m).

20 Capital commitments

As at 27 May 2007, the group had no capital commitments (2006: £nil).

21 Operating lease commitments

At 27 May 2007, the group was committed to making the following payments during the next period in respect of operating leases:

	2007 £'000	2006 £'000
Leases which expire between two and five years	**108**	103

22 Related party transactions

Rental and service charges of £139,847 (2006: £104,077) and loan interest of £5,481 (2006: £13,971) were charged by Burnbrae Limited during the period.

Notes to the accounts continued

for the period ended 27 May 2007

23 Financial instruments

The group's financial instruments comprise cash balances, loans and liquid resources. The group has no derivatives. The main purpose of these financial instruments is to raise finance for the group's operations. The disclosures below exclude short-term debtors and creditors. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk.

Interest rate risk

The group finances its operations mainly through capital with limited levels of borrowings. Cash at bank and in hand earns interest at floating rates, based principally on short-term inter bank rates. At the period end the group had no borrowings other than temporary overdrafts caused by timing differences associated with cash in transit.

Liquidity

The group's objective is to maintain continuity of funding through trading and share issues but to also retain flexibility through the use of short-term loans.

In order to provide customers with the reassurance that repayment requests are immediately met, the group seeks to ensure that its cash balances plus amounts held by host tracks on behalf of customers exceed the balances due to customers. On this measure, there was a shortfall of £81,000 at the period end. The directors anticipate that the business will generate a positive cash flow in the forthcoming period to meet any of its obligations to customers.

Credit risk

The group's policy is to control credit risk by only entering into financial instruments with counterparties after taking account of their credit rating.

Foreign currency risk

The group incurs foreign currency risk on stakes and winnings that are denominated in a currency other than sterling. The group ensures that whenever stakes are denominated in other currencies, corresponding winnings are also denominated in those other currencies, thus limiting the foreign currency risk to the margin on these transactions.

Fair values

The fair value of financial assets and liabilities is equivalent to balance sheet values.

24 Pension arrangements

The group does not operate any pension scheme for any of its directors or employees. Payments were, however, made on behalf of certain directors to contribute to their own personal pension arrangements.

25 Controlling party and ultimate controlling party

The directors consider the ultimate controlling party to be Burnbrae Group Limited.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the ninth Annual General Meeting of betinternet.com plc ("the Company") will be held at The Claremont Hotel, 18/19 Loch Promenade, Douglas, Isle of Man, on 2 November 2007 at 11 am for the purpose of transacting the following business:

Ordinary Business

1 To receive and adopt the report of the directors and the accounts for the year ended 27 May 2007.

2 To re-elect as a director Mr G Knowles who retires by rotation and, being eligible, offers himself for re-election in accordance with the Company's Articles of Association.

3 To elect as a director Mr D Waddington who was appointed prior to the previous Annual General Meeting and offers himself for election in accordance with the Company's Articles of Association.

4 To reappoint KPMG Audit LLC as auditors and to authorise the directors to determine their remuneration.

Special Business

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

As an Ordinary Resolution

5 That the authority granted to the Directors of the Company to allot relevant securities by a special resolution which was passed at the Annual General Meeting of the Company held on 9 December 2002 be renewed pursuant to the power provided by Article 6(E) of the Company's Articles of Association, that such renewal of authority be for the exercise of that power generally and unconditionally and in all respects in the same terms as originally granted, and that such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this Resolution unless renewed, varied or revoked by the Company in General Meeting.

As a Special Resolution

6 The directors of the Company be and they are hereby empowered pursuant to Article 8 of the Articles of Association of the Company (the "Articles") to allot equity securities (as defined in Article 7(H) of the Articles) pursuant to the authority conferred on the directors to allot relevant securities by Resolution 5 above as if paragraph A of Article 7 of the Articles did not apply to such allotment PROVIDED THAT this power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities are issued proportionally (or as nearly as may be) to the respective number of ordinary shares held by such shareholders (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with issues arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the fixing of exchange rates applicable to any such equity securities where such equity securities are to be issued to shareholders in more than one territory, or legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise howsoever);

(ii) the allotment of equity securities to holders of any options under any share option scheme of the Company for the time being in force, on the exercise by them of any such options; and

(iii) the allotment (otherwise than pursuant to paragraphs (i) or (ii) above) of equity securities up to a maximum aggregate nominal value equal to 5% of the issued ordinary share capital of the Company for the time being.

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

Notice of Meeting continued

As a Special Resolution

7 That the name of the Company be changed to Webis Holdings Plc.

As Ordinary Resolutions

8 That in accordance with Article 12 of the Company's Articles of Association and with Section 13 of the Companies Act 1992 the Company be generally and unconditionally authorised to make market purchases (as defined by Section 13(2) of the Companies Act 1992) of ordinary shares of 1 pence each in its capital, provided that:

(a) the maximum number of shares that may be acquired is 19,698,000;

(b) the minimum price that may be paid for the shares is 1 pence;

(c) the maximum price that may be paid is, for a share the Company contracts to purchase on any day, a sum equal to 105% of the average of the upper and lower quotations on the Daily Official List of the London Stock Exchange for the ordinary shares of the Company on the five business days immediately preceding that day; and

(d) the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution unless renewed, varied or revoked by the Company in General Meeting, but not so as to prejudice the completion of a purchase contracted before that date.

9 That the Report of the remuneration committee be received and adopted.

By order of the Board

D Waddington
Secretary

26 September 2007

Registered Office: Viking House, Nelson Street, Douglas, Isle of Man, IM1 2AH

Notes

1. A member of the company who is entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his, her or its behalf. A proxy need not be a member of the company. Completion of a proxy form does not preclude a member from attending the above Meeting and from speaking and voting thereat.

2. To be valid, proxy forms must be deposited with the company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 11 am on 31 October 2007.

3. A copy of the contracts of service between each of the current directors of the company and the company will be available for inspection at the Meeting from 15 minutes prior to and until the conclusion of the Meeting.

4. The register of directors' interests and particulars of directors' transactions in the share capital of the company and its subsidiary companies will be available for inspection at the Meeting from 15 minutes prior to and until the conclusion of the Meeting. Otherwise they will be open for inspection at the Registered Office of the company during normal business hours on any weekday (Saturdays and Isle of Man public holidays excluded) from the date of this notice until the date of the Meeting.

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