

**FOR IMMEDIATE RELEASE**  
**26 September 2007**

**BETINTERNET.COM PLC**  
**(“the Company” or “betinternet”)**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 27 MAY 2007**

betinternet.com plc, the global on-line gaming group, today announces preliminary results for the year ended 27 May 2007.

**Highlights are:**

- EBITDA profit for the year of £162k (2006: loss of £1,055k)
- Gross profit increased by 30% to £3.0m (2006: £2.3m)
- Group turnover increased to £87.1m (2006: £67.6m)
- Sportsbook turnover rose to £62.4m (2006: £57.5m)
- Pari-mutuel turnover grew by 148% to £24.8m (2006: £10.0m)
- Administration expenses reduced by 14.5% on a ‘like for like’ basis
- Group operating loss reduced to £0.076m (2006: £1.821m)

Commenting on the results, Denham Eke, Chairman of betinternet.com, said: “Anyone involved in the gaming sector, whether as a shareholder or an employee, could not have anticipated the changes that have taken place over the course of the last year. It has been a difficult time for the sector, but the Company’s executive management team has steered a course through these challenges to bring the business to profitability at EBITDA level and create a stronger operation for the future”.

**ENDS**

**For further information:**

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**Notes to editors:**

The following are attached:

Chairman's Statement

Operational Review

Consolidated Profit & Loss

Consolidated Balance Sheets

Consolidated Cash Flow Statements

Notes to the Accounts

## **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](http://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](http://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](http://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 5.

## **Fund Raising**

The Company was able to fund the continual development of its sportsbook website [www.betinternet.com](http://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](http://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](http://betinternet.com), who have proved to be both adaptable and committed to the success of the Company.

## **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.

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**

**Consolidated Profit and Loss Account  
for the period ended 27 May 2007**

	Note	2007 £000	2006 £000
<b>Turnover</b>			
Betting stakes received			
Sportsbook		<b>62,374</b>	57,496
Pari-Mutuel		<b>24,750</b>	10,073
		-----	-----
<b>Total group turnover</b>	1	<b>87,124</b>	67,569
<b>Cost of sales</b>			
Winnings paid and bets laid off	1	<b>(84,157)</b>	(65,246)
Betting duty paid	1	<b>(17)</b>	(58)
		-----	-----
<b>Gross profit</b>	1	<b>2,950</b>	2,265
Administration expenses		<b>(2,838)</b>	(3,320)
Other operating income		<b>50</b>	-
		-----	-----
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>162</b>	(1,055)
Depreciation		<b>(166)</b>	(268)
Share-based costs		<b>(29)</b>	-
Amortisation of goodwill		<b>(43)</b>	(498)
		-----	-----
<b>Total operating loss</b>		<b>(76)</b>	(1,821)
Interest paid		<b>(18)</b>	(87)
Interest received		<b>25</b>	4
		-----	-----
<b>Loss on ordinary activities before and after taxation and retained loss for the year</b>		<b>(69)</b>	(1,904)
		-----	-----
<b>Basic and diluted loss per share (pence)</b>	2	<b>(0.03)</b>	(1.18)
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**Consolidated Balance Sheet  
for the period ended 27 May 2007**

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



**Consolidated Cash Flow Statement  
for the period ended 27 May 2007**

	Note	2007 £000	2006 £000
Net cash outflow from operating activities	3	(197)	(1,467)
Returns on investments and servicing of finance		7	(83)
Capital expenditure		(226)	(141)
Acquisition	4	(42)	(188)
		-----	-----
Cash outflow before use of liquid resources and financing		(458)	(1,879)
Financing	4	351	1,738
		-----	-----
Decrease in cash during the period		(107)	(141)
		-----	-----
<b>Reconciliation of net cash flow to movement in net funds</b>			
		2007 £000	2006 £000
Operating net funds		338	479
Decrease in cash during the period		(107)	(141)
		-----	-----
Closing net funds	5	231	338
		-----	-----

## Notes to the Accounts

### 1 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 £000	Pari-Mutuel £000	Total £000
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.

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.

### 2 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.

## Notes to the Accounts (continued)

### 3 Reconciliation of operating loss to net cash outflow from operating activities

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

### 4 Analysis of cash flows for headings netted in the cash flow statement

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

### 5 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)	<b>455</b>
Bank overdraft	(120)	(104)	<b>(224)</b>
	-----	-----	-----
	338	(107)	<b>231</b>
	-----	-----	-----

### 6 Basis of preparation of the final statements

- (i) The results for the period ended 27 May 2007 are prepared in accordance with applicable UK accounting standards, using the same account policies as set out in the group accounts for the year ended 28 May 2006 with the exception of FRS 20 – share based payments, which has been adopted in the period under review.

The fair value of share options granted is recognised as an employee expense with corresponding increase in equity. Fair value has been determined using the Black Scholes model. There is no charge to the prior year.

These preliminary statements are unaudited, but have been reviewed, in accordance with Auditing Practices Board guidance by the Auditors, KPMG Audit LLC, whose report will be included in the report and accounts to be sent to shareholders.

- (ii) The abridged accounts for the year to 28 May 2006 are an extract from the full group accounts for that period on which an unqualified report was made by the group's auditors and which have been delivered to the Registrar of Companies.
- (iii) In preparing these financial statements the directors considered the adequacy of the cash resources and working capital available to the group for the next 12 months.

**Notes to the Accounts (continued)**

**7 Other information**

- (i) All profits derive from continuing activities.
- (ii) The preliminary statement was approved by the board on 26 September 2007.
- (iii) The report and accounts upon which KPMG Audit LLC will deliver their report will be posted to shareholders on 5<sup>th</sup> October 2007. Following posting, copies will be available for inspection at the Company's Registered Office; Viking House, Nelson Street, Douglas, Isle of Man IM1 2AH.
- (iv) The Company's nominated advisor and broker is Evolution Securities Limited, Kings House, 1 King Street, Leeds LS1 2HH

End