



FOR IMMEDIATE RELEASE
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BETINTERNET.COM PLC
(“the company” or “betinternet”)
PRELIMINARY RESULTS FOR THE YEAR ENDED 28 MAY 2006

betinternet.com plc, the global on-line gaming group, today announces preliminary results for the year ended 28 May 2006

Highlights are:

- Group turnover decreased to £67.6m (2005: £93.7m) due to the cessation in International Players Association activity as announced in January 2005
- Sportsbook turnover rose to £57.5m (2005: £47.9m)
- Pari-mutuel turnover shows continued signs of growth after last year’s setback
- Administration expenses reduced 13.9% on ‘like for like’ basis
- Group loss of £1.9m maintained as last year
- New sportsbook platform launched May 2006
- Enhanced platform with diversity of sports, casinos and games
- EBITDA profit achieved in April and May 2006
- Continued support of principal shareholder

Commenting on the results, Denham Eke, chairman of betinternet.com, said: “We have made considerable and encouraging progress towards our stated aim of having a compelling and exciting one-stop entertainment website for the fixed-odds business. I am confident that this will be the boost that is required to bring sustainable profitability in the coming financial year.

“We can also expect a continued strong profitable performance from our pari-mutuel business, European Wagering Services, as it builds on the growth and success that we have seen during the last six months.”

ENDS

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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

Following the announcement of our interim results, our pari-mutuel operation, European Wagering Services (EWS), continued with its strong performance for the remainder of the year. After last year's set-back, its operations have expanded to offer a variety of wagering services through the Isle of Man hub. Turnover has improved and this, coupled with strong margins, now means that this company is again operating profitably. As we indicated, our fixed-odds business, betinternet.com, still faced challenges in the second half of the year, again placing considerable pressure on operating margins and profitability.

However, we fully expect that the fixed-odds revenue will increase significantly following the development of a new website with added functionality and a contemporary look, together with an enhanced games suite and a more substantial casino offering. The improved site, launched at the end of May 2006, has already received favourable reports. The early indications confirm that income from this source is increasing and this, coupled with further cost cutting, means that we expect that fixed-odds wagering and gaming will produce a sustainable profit throughout the forthcoming year.

Strategy

Our initial strategy was to improve the fixed-odds performance by using Curacao as a hosting jurisdiction, developing a new and enhanced betting platform incorporating additional games, and by accepting wagers from the USA.

The execution of this strategy, however, was hindered as our chosen software supplier for the development of our new platform, IGW, was unable to provide a working product that suited our specific needs in time for the World Cup finals in June 2006. The board took the early decision to terminate the IGW contract, obtaining a full refund of costs, and to pursue a different route in order to have a new website live in time for the World Cup.

We opted to acquire an unencumbered licence for our existing platform's source code and contracted with a local software company to complete our planned development by our deadline. As the software company we selected to carry out this project was responsible for the development of a large part of the existing platform's code, they had an intimate working knowledge of the product and the gaming industry. In addition, our own Marketing Manager, Graphic Designer and IT team worked round the clock to complete the project.

The decision to control our own fixed-odds platform and development is already proving to be a success. We are now able to implement additions and enhancements to the sportsbook site much more speedily. The new site with its contemporary look-and-feel, incorporating a new suite of games and an additional casino, was launched in time for the World Cup. The new look to the site has been extremely well received by our customers and the new gaming products have all proved to be successful revenue generators for the Company, as well as offering our customers a greater variety of gaming options.

It is the board's intention to continue with the development of our own software. This will give the Company much greater control over its future plans and give a quicker route to market for new products or improved functionality. I am sure that the shareholders have seen the progress that the fixed-odds business has made in the short time that we have followed this strategy.

Alongside these developments, it became clear that the Company would be able to accept wagers from US customers without having to relocate its fixed-odds servers away from the Isle of Man. The board therefore decided to continue to operate the fixed-odds servers under its licence in the Isle of Man, although the games and casino will operate on servers based in Curacao, where the Company had successfully been granted a gaming licence.

However, in the light of the recent increasingly negative political focus on online gaming within the US, the Company has decided to take a more cautious view of the US market. As such, the Company's exposure in this region is very small and represents an insignificant percentage of its current turnover. The board will continue to monitor developments and adapt its strategy accordingly.

We will continue to develop the Group as a holding company with two separate and distinct operating profit centres. This will allow our pari-mutuel operation to further demonstrate independence from our fixed-odds activities and remove any potential conflict that this could create.

We will also continue to grow the fixed-odds activities into an integrated gaming platform with a strong customer focus. As part of this strategy, we hope to include coreFootball, the initial product from our investment in Global Coresports Limited which is currently undergoing advanced beta-testing, into the site. We believe that this football manager game demonstrates two opportunities: It is the first peer-to-peer game to use an 'artificial intelligence' to power the action; and it will be the first skill-based game to appeal to a mass wagering environment.

Overview of results

Group turnover fell to £67.6m (2005: £93.7m), a decrease of 28%, as a result of the previously announced setback in pari-mutuel turnover and the effect of the reduction in fixed-odds marketing, held back pending the new website launch. Despite being able to maintain the pari-mutuel gross operating profit, the group loss was £1.9m, the same as the previous period. This is the last year that the high amortisation figure will be charged.

It is important to note that the Group ended the year very strongly, showing EBITDA profits in the months of April and May following the impact of the new strategy. This trend has continued into the new financial year and the board is confident that the new initiatives in place show every indication that the Group will produce a full year profit for the coming financial year.

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

Fund-raising

The original strategy of developing the fixed-odds website and locating gaming servers in Curacao was supported through a further placement of shares to Burnbrae Ltd in January 2006.

Board and executive changes

In May 2006, we appointed Simon Nicholls as an executive director with responsibility for the Company's pari-mutuel operation. Simon resigned from this position in August 2006. We are actively seeking a replacement for this role.

In February 2006, we strengthened our financial team with the appointment of Damon Waddington as the Group Financial Controller and subsequently he has recently taken over the role of Company Secretary. Damon had previously been a Financial Controller for the Fortis group. Damon has substantially increased the quality of financial reporting provided to the board and has been able to identify many areas for cost reductions.

Summary

We have made considerable and encouraging progress towards our stated aim of having a compelling and exciting one-stop entertainment website for the fixed-odds business. I am confident that this will be the boost that is required to bring sustainable profitability in the coming financial year.

We can also expect a continued strong profitable performance from European Wagering Services as it builds on the growth and success that we have seen during the last six months.

Finally, the staff at betinternet have worked very hard throughout the year to ensure that the business continues to be better positioned for the future. I would like to thank them for their continued dedication and commitment.

Denham Eke
Chairman
Operational Review

The key project in making the sportsbook website more attractive to customers and offering a better variety of betting products has been the main focus of the development of the business through the latter part of the year. Our plans to have this done by a recognised software development company, unfortunately didn't work out as we had planned, as they were unable to complete the contract in the required time, and this set us back several months whilst we awaited delivery. Under these circumstances, the only decision that we could make was to terminate the contract and concentrate on getting control of our own source code and completing the project under our own, more closely monitored instructions.

This decision has proved to be the catalyst for a number of very quick, revenue-generating improvements to the website, which were launched at the very end of the Company's financial year and prior to the World Cup finals in June 2006. The look of the website and its associated brand has a much more contemporary feel and the introduction of a suite of fixed-odds games together with a download casino from Real Time Gaming has added greatly to the revenue stream potential for the business. These additional new products complement our existing Play Live Casino product, which continues to be very popular with our Far East based customers. Further products will be added to the website in the coming months, including a fully embedded flash casino and Mahjong, a multi-player game popular in the Far East. Importantly, these additional products reduce the company's reliance on the volatile fixed-odds sports wagering. The development team will also be working on a white-label version of the website for potential future business ventures and to consolidate the European Wagering Services (EWS) platform onto one operating system.

EWS is now running as a successful profitable operation. The levels of turnover have increased throughout the year and our margin remains strong. We are able to take advantage of our position of owning our own totalisator hub in the Isle of Man, by offering direct electronic access to racecourse pools to our customers as well as providing a telephone call centre and B2C website. There are a number of development projects in the pipeline that will bring additional revenue in the coming financial year. In addition, we plan to continue to increase the turnover through the hub by offering incentives to a select group of customers betting predominantly on greyhound racing as well as increasing our marketing spend to bring more customers to the link2bet.com website.

During the financial year, we took the decision to dispose of our share in our joint venture with Phumelela Gold Enterprises. The Company has received little revenue from this joint venture and there were apparent conflicts of interests between the two Companies.

Coresports (Global Coresports Limited), in which betinternet.com purchased a 22.5 per cent stake, is due to launch their first product, coreFootball, to coincide with the new football season. The delay in the previously announced launch date is as a result of personnel and technical issues that have now been resolved. coreFootball is a dynamic football management game using artificial intelligence and its offering will be unique in the gaming environment. The board eagerly awaits the commercial launch of this exciting project.

Results

The results, although accurately reflecting the challenging year that we have had, do not highlight the progress that the company has made within the last quarter. Many of the operational changes that have been made with both the sportsbook and EWS have only made their way through to the bottom line within the last few months of the reporting year. As a result of these changes, the company reached a break-even point for the last quarter.

The first half of the year was impacted by the fall in turnover within EWS and the lack of marketing for the sportsbook as we awaited the new platform's arrival. Consequently, group turnover dropped to £67.6m (2005: £93.7m).

The group operating loss before amortisation was £1.3m compared with £1.1m last year.

The overall loss was similar to last year at £1.9m which includes an amortisation charge of £0.5m, which will fall away after the first quarter of the new financial year.

As expected, we have continued to reduce overheads, which fell by 14% to £3.6m (2005: £4.2m), through a series of cost-cutting measures including a reduction in the number of higher paid staff. We expect a further reduction in this figure during the coming year.

Post year

Subsequent to the year end, we have seen the business reach profitability in the first quarter and the board is confident that this will continue through to the half year and beyond. The revenue streams from the additional products added to the sportsbook are already outperforming our expectations and the World Cup proved a successful time for the Company, with a significant increase in the number of registrants. Our aim will now be to continue to grow our customer base, in the knowledge that we have a much improved and diverse offering.

Furthermore, the pari-mutuel turnover through EWS has consistently improved month-on-month and it is pleasing to see that there are regular enquiries for the variety of services that we are able to offer.

It has been an interesting but productive time since I took on the role of Managing Director in January. The business is now on a very sound base from which I am confident that it will continue to grow. We have addressed many issues and have achieved a great deal, especially in the last quarter, but there are many more projects for us to focus on. This is an industry that rarely sits still and opportunities continue to present themselves. It is my intention to ensure that betinternet.com is correctly positioned to take advantage of these opportunities to guarantee its future success.

Garry Knowles
Managing Director

**Consolidated Profit and Loss Account
for the period ended 28 May 2006**

	Note	2006 £000	2005 £000
Turnover including share of joint venture			
Betting stakes received			
Sportsbook		57,496	47,904
Pari-Mutuel		10,073	47,197
		-----	-----
		67,569	95,101
Less: share of joint venture		-	(1,403)
		-----	-----
Total group turnover	1	67,569	93,698
Cost of sales			
Winnings paid and bets laid off	1	(65,246)	(90,564)
Betting duty paid	1	(58)	(82)
		-----	-----
Gross profit	1	2,265	3,052
Administration expenses		(3,588)	(4,169)
		-----	-----
Operating loss before amortisation		(1,323)	(1,117)
Amortisation of goodwill		(498)	(675)
		-----	-----
Operating loss after amortisation		(1,821)	(1,792)
Share of operating loss in joint venture		-	(105)
		-----	-----
Total operating loss including share of joint venture		(1,821)	(1,897)
Interest paid		(87)	-
Interest received		4	5
		-----	-----
Loss on ordinary activities before and after taxation and retained loss for the year		(1,904)	(1,892)
		-----	-----
Basic and diluted loss per share (pence)	2	(1.18)	(1.4)
		-----	-----

**Consolidated Balance Sheet
for the period ended 28 May 2006**

	2006	2006	2005	2005
	£000	£000	£000	£000
Fixed assets				
Intangible assets		43		541
Tangible assets		224		351
Investments		271		83
		-----		-----
		538		975
		-----		-----
Current assets				
Debtors	549		207	
Cash at bank and in hand	458		650	
	-----		-----	
	1,007		857	
	-----		-----	
Creditors				
Amounts falling due within one year	(1,490)		(1,611)	
	-----		-----	
		(483)		(754)
		-----		-----
Net current liabilities				
Creditors				
Amounts falling due after more than one year		-		(63)
		-----		-----
Net assets		55		158
		-----		-----
Capital and reserves				
Called up share capital		1,969		1,505
Share premium		9,550		8,213
Profit and loss account		(11,464)		(9,560)
		-----		-----
Equity shareholders' funds		55		158
		-----		-----

**Consolidated Cash Flow Statement
for the period ended 28 May 2006**

	Note	2006 £000	2005 £000
Net cash outflow from operating activities	3	(1,467)	(1,182)
Returns on investments and servicing of finance		(83)	5
Capital expenditure		(141)	(94)
Acquisition	4	(188)	328
		-----	-----
Cash outflow before use of liquid resources and financing		(1,879)	(943)
Financing	4	1,738	985
		-----	-----
(Decrease) / increase in cash during the period		(141)	42
		-----	-----

Reconciliation of net cash flow to movement in net funds

		2006 £000	2005 £000
Operating net funds		479	437
Decrease in cash during the period		(141)	42
		-----	-----
Closing net funds	5	338	479
		-----	-----

Notes to the Accounts

1 Segmental Analysis 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

	Sportsbook £000	Pari-Mutuel £000	Total £000
Betting stakes received	47,904	45,794	93,698
Winnings paid and bets laid off	(45,836)	(44,728)	(90,564)
	-----	-----	-----
Gross margin	2,068	1,066	3,134
	-----	-----	
%	4.3%	2.3%	
Betting duty			(82)

Gross profit			3,052

In line with the development of our one stop entertainment website, casino and games results are now included under the sportsbook segment.

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 £1,903,950 (2005: £1,892,156) and the weighted average number of ordinary shares being the equivalent of 161,915,279 (2005: 135,517,660) ordinary 1p shares. The diluted loss per share is the same as the basic loss per share as the adjustment to assume conversion of dilutive ordinary shares would decrease the loss per share.

Notes to the Accounts (continued)

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

	2006 £000	2005 £000
Operating loss	(1,821)	(1,792)
Depreciation and amortisation charges	766	1,140
(Increase) / decrease in debtors	(342)	537
Decrease in creditors	(70)	(1,067)
	-----	-----
Net cash outflow from operating activities	(1,467)	(1,182)
	-----	-----

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

	2006 £000	2005 £000
Acquisition		
Investment	(188)	(83)
Cash acquired from subsidiary	-	411
	-----	-----
	(188)	328
	-----	-----
Financing		
Issue of new shares including share premium	1,801	922
Amounts falling due after more than one year	(63)	63
	-----	-----
	1,738	985
	-----	-----

5 Analysis of net funds

	At 30 May 2005 £000	Cash Flow £000	At 28 May 2006 £000
Cash in hand and at bank	650	(192)	458
Bank overdraft	(171)	51	(120)
	-----	-----	-----
	479	(141)	338
	-----	-----	-----

6 Basis of preparation of the final statements

- (i) The results for the period ended 28 May 2006 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 29 May 2005. 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 29 May 2005 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 7 September 2006.
- (iii) The report and accounts upon which KPMG Audit LLC will deliver their report will be posted to shareholders on 13 September 2006. 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