betinternet.com plc

Interim Statement
Twenty Six weeks ended 1 December 2002

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INTERIM RESULTS FOR THE 26 WEEKS ENDED 1 DECEMBER 2002

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HIGHLIGHTS

- Group operating profit £9,000 (2001: £399,000 loss)
- Gross profit £1.92m (2001: £1.55m) – an increase of 23.9%.
- Internet betting turnover £20.75m (2001: £14.01m) – an increase of 48.1%.
- Internet betting margin, after duty, 7.0% (2001: 7.1%)
- Customer accounts at period end 33,944 (2001: 14,989) – an increase of 126.5%.
- Basic and diluted loss per share 0.12p (2001: 0.76p)
- Period-end cash £1.64m.

CHAIRMAN'S STATEMENT

It is good to be able to make my first comments as Chairman with positive news.

The Company is now cash flow positive in its core business for the first time in its history and all the key ratios are promising. Internet betting continues to grow strongly and the mix and depth of our business is improving satisfactorily. The sportsbook, the core of the business, is tightly managed and customer volumes are strong. Cash balances have risen and are very comfortable.

The Company is now in a position to make acquisitions and I intend to champion this process actively. The substantial investment in Euro Off-Track, both in time and in money, may, at last, be about to bear fruit, with many prospective pari- mutuel deals in the pipeline.

As we have always erred on the side of caution, we are not burdened by US regulatory issues as are some of our competitors. I am hopeful that for the full year to May 2003 we will make our first net profit as a Company and be very positively positioned for the following period. As a result I have every confidence that we will go from strength to strength.

James Mellon, Chairman 3 February 2003

OPERATING REVIEW

Overview of the results
During the last six months betinternet has passed a significant milestone with the accomplishment of its first profit from its core sportsbook operation.

Turnover of £24.44m, including the group's share of joint ventures, showed continued growth compared to the previous interim period (£22.68m). The internet betting and pari-mutuel operations now account for 85% of turnover, following the strategic switch away from telephone betting that has taken place during the last year.

betinternet's customer numbers have continued to grow, giving rise to total customer accounts of 33,944 at the period end.

Gross profit has risen from £1.55m in 2001 to £1.92m in the latest period. Furthermore, betinternet has continued to benefit from stable transaction costs as a result of its excellent banking relationships and monitoring procedures. It has also actively continued to control administrative costs enabling the increase in turnover to achieve the business' first operational profit.

Regulation
Although regulatory uncertainty continues in a number of markets, including parts of Asia, betinternet has been largely unaffected by this and the Company's largest individual market continues to be the Far East. Indeed, substantial increases in customers in Singapore mean that the Far East region continues to be the fastest area of growth.

Review of Operations

• Fixed Odds

(a) Internet

The continuing growth of the internet wagering operation has given rise to a small, but nonetheless most welcome profit. Having seen customer numbers rise quite steeply during the World Cup in June 2002, betinternet has successfully managed to retain many of these customers as regular account users. The continuing and significant investment in IT infrastructure has resulted in the Company's ability to readily handle several times the existing average daily volume of bets and is part of building for the future of the business.

(b) Telephone

The Company's strategy of continuing to provide a 'first-class' service to a selected number of customers continues to reap benefits, with a more than satisfactory margin of 12.7% during the period (2001: 6.3%). Accordingly, betinternet intends to continue to run this operation at its current level of activity.

• Pari-Mutuel

During the period of these results the partnership with US Off-Track Inc. (Euro Off-Track), although continuing to absorb cash, has developed further, providing a number of potential opportunities which are actively being pursued. These include initiatives to develop pool wagering by way of commingling on a global basis.

A number of joint venture opportunities are currently being considered and, although these discussions are still at an early stage, the Board is cautiously optimistic of its ability to achieve profitability in the short-term. Indeed, the Company anticipates that it will shortly start to receive contributions from at least two B2B relationships.

Subsequent to the period end, the Company has re-negotiated its Joint-Venture agreement with its partner, US Off-Track Inc., to provide that the costs of this 'start-up' operation will in future be shared equally. Operating costs have also been reduced by securing contributions to the broadcast costs from the Irish Greyhound Board and Gaming Insight Plc. In addition, a 'soft launch' of the Irish greyhound content into the USA has been undertaken. The results of this have been encouraging and a full launch is planned for late February/early March.

The number of tracks into which we are able to commingle wagers has grown from 54 when we last reported in November 2002 to 74 now.

The Future

In addition to the organic growth that has delivered profitability for its sportsbook, the Company is also considering several options that would enable it to expand by way of acquisition.

Since the announcement of the preliminary results in November 2002, and as previously signalled, the Board has separated the roles of Chairman and Managing Director, and accordingly Jim Mellon was appointed Chairman with effect from 1 January 2003. This is part of the Board's continuing desire to ensure it has the widest range of skills available to enable it to successfully grow the business.

The Company's ambition, to establish itself as a respected, integrated, global e-gaming company, is undiminished and the Board is pleased with the continuing solid progress that betinternet is making.

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CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	26 Weeks to 1 December 2002 £'000 Unaudited	Year Ended 31 May 2002 £'000 Audited	Six Months to 30 November 2001 £'000 Unaudited
Turnover including share of joint venture	1			
Betting stakes received				
Internet		20,751	38,673	14,005
Telephone		3,690	13,953	8,671
Pari-Mutuel		314	385	10
		24,755	53,011	22,686
Less share of joint venture		(314)	(385)	(10)
Total group turnover	1	24,441	52,626	22,676
Cost of sales				
Winnings paid and bets laid off		(22,487)	(49,627)	(21,037)
Betting duty paid		(32)	(131)	(88)
Gross profit	1	1,922	2,868	1,551
Administration expenses		(1,913)	(4,560)	(1,950)
Gross operating profit/(loss)		9	(1,692)	(399)
Share of loss in joint venture		(148)	(306)	(43)
Total operating loss including share of joint venture		(139)	(1,998)	(442)
Interest receivable and similar income		4	17	9
Interest payable and similar charges		-	(3)	(163)
Loss on ordinary activities before and after taxation and retained loss for the period	2	(135)	(1,984)	(596)
Basic and diluted loss per share (pence)	3	(0.12)	(2.33)	(0.76)

The directors consider that all results derive from continuing operations for both the current period and for the year ended 31 May 2002. 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 previous periods shown.

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CONSOLIDATED BALANCE SHEETS

	1 December 2002 £'000 Unaudited	31 May 2002 £'000 Audited	30 November 2001 £'000 Unaudited
FIXED ASSETS			
Intangible assets	389	498	476
Tangible assets	428	480	244
Investments in joint ventures			
- share of gross assets	-	-	269
- share of gross liabilities	-	-	(312)
Investments in associates	-	-	112
	817	978	789
CURRENT ASSETS			
Debtors	1,042	823	978
Cash at bank and in hand	1,645	1,850	973
	2,687	2,673	1,951
CURRENT LIABILITIES			
amounts falling due within one year	(1,506)	(2,463)	(2,594)
NET CURRENT ASSETS/(LIABILITIES)	1,181	210	(643)
PROVISION FOR LIABILITIES AND CHARGES			
Investments in joint ventures			
-share of gross assets	86	86	-
-share of gross liabilities	(539)	(391)	-
NET ASSETS	1,545	883	146
CAPITAL AND RESERVES			
Called up share capital	1,087	1,007	783
Share premium	6,237	5,520	3,618
Profit and loss account	(5,779)	(5,644)	(4,255)
EQUITY SHAREHOLDERS' FUNDS	1,545	883	146

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CONSOLIDATED CASH FLOW STATEMENTS

	Notes	26 weeks to 1 December 2002 £ 000 Unaudited	Year Ended 31 May 2002 £ 000 Audited	Six months to 30 November 2001 £ 000 Unaudited
Net cash outflow from operating activities	4	(513)	(811)	(155)
Returns on investments and servicing of finance	5	4	15	(154)
Capital expenditure and financial investment	5	(127)	(771)	(287)
Cash outflow before use of liquid resources and financing		(636)	(1,567)	(596)
Financing	5	447	2,476	521
(Decrease)/Increase in cash in the period		(189)	909	(75)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Opening net funds	1,484	925	925
(Decrease)/Increase in cash in the period	(189)	909	(75)
Movement in borrowings	350	(350)	-
Closing net funds	1,645	1,484	850

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NOTES TO THE INTERIM STATEMENT

1. SEGMENTAL ANALYSIS

26 weeks to 1 December 2002	Telephone £000	Internet £000	Total £000
Betting stakes received	3,690	20,751	24,441
Winnings paid and bets laid off	(3,213)	(19,274)	(22,487)
Betting duty paid	(8)	(24)	(32)
Gross profit	469	1,453	1,922
Margin	12.7%	7.0%	7.9%

Six months to 30 November 2001	Telephone £'000s	Internet £'000s	Total £'000s
Betting stakes received	8,671	14,005	22,676
Winnings paid and bets laid off	(8,098)	(12,939)	(21,037)
Betting duty paid	(27)	(61)	(88)
Gross profit	546	1,005	1,551
Margin	6.3%	7.1%	6.8%

2. TAXATION

No provision for tax is required due to the availability of losses brought forward.

3. LOSS PER SHARE

The earnings per share calculation is based upon the loss for the period after taxation and the weighted average number of shares in issue throughout the period.

Calculation of loss per share is based on losses of £135,000 (2001: £596,000) and the weighted average number of ordinary shares being the equivalent of 108,295,723 (2001: 78,702,702) 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.

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

	26 weeks to 1 December 2002 £ 000 Unaudited	Year Ended 31 May 2002 £ 000 Audited	Six months to 30 November 2001 £ 000 Unaudited
Operating profit/(loss)	9	(1,692)	(399)
Depreciation and amortisation charges	287	397	172
Write (back)/down of associate	-	(47)	6
(Increase)/Decrease in debtors	(219)	11	(144)
(Decrease)/Increase in creditors	(590)	520	210
Net cash outflow from operating activities	(513)	(811)	(155)

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NOTES TO THE INTERIM STATEMENT

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

	26 weeks to 1 December 2002 £ 000 Unaudited	Year Ended 31 May 2002 £ 000 Audited	Six months to 30 November 2001 £ 000 Unaudited
Returns on investments and servicing of finance			
Interest received	4	18	9
Interest paid	-	(3)	(163)
	4	15	(154)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(80)	(409)	(77)
Payments on development expenditure	(47)	(362)	(210)
	(127)	(771)	(287)
Financing			
Issue of shares including share premium	797	2,126	-
Movement in borrowings	(350)	350	521
	447	2,476	521

6. ANALYSIS OF NET FUNDS

	At 1 June 2002 £000	Cash Flow £000	At 1 December 2002 £000
Cash in hand and at bank	1,851	(206)	1,645
Bank overdraft	(17)	17	-
Other loans	(350)	350	-
	1,484	161	1,645

7. POST BALANCE SHEET EVENT

On 10 December 2002, under the terms of a subscription and shareholders' agreement dated 10 December 2001, a final tranche of 8,000,000 new ordinary 1p shares was issued for a total consideration of £800,000. In addition, 2,000,000 warrants were issued to subscribe for one ordinary share at 12p per share.

8. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These interim financial statements have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 May 2002. The interim statements are unaudited, but have been reviewed by the Auditors and their report is set out on page 9.

INDEPENDENT REVIEW REPORT BY KPMG AUDIT LLC TO betinternet.com Plc

Introduction

We have been instructed by the company to review the financial information set out on pages 4 to 8 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. Generally accepted accounting practice requires that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review having regard to the guidance contained in *Bulletin 1999/4: Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the twenty six weeks ended 1 December 2002.

KPMG Audit LLC — 3 February 2003
Chartered Accountants
Heritage Court, 41 Athol Street, Douglas, Isle of Man IM99 1HN