betinternet.com plc

Company Incorporation No. 089278C

REPORT AND FINANCIAL STATEMENTS
Year ended 31 MAY 2001

REPORT AND FINANCIAL STATEMENTS 2001

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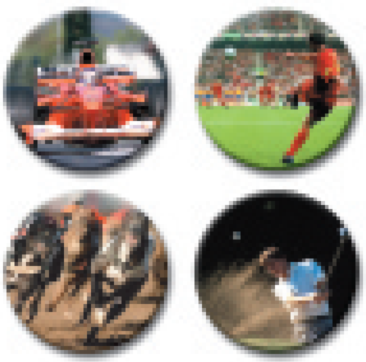


OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Vincent Edward Caldwell	Chairman and Managing Director
William David Mummery	Technical Director
Harley Corkill	Non-Executive Director
David Peter Craine	Financial Director
Patrick Michael Flanagan	Operations Director
Sean Patrick Ciaran Graham	Trading Director

SECRETARY

David Peter Craine

REGISTERED OFFICE

Burleigh Manor
Peel Road
Douglas
Isle of Man
IM1 5EP

PRINCIPAL BANKERS

Barclays Bank
Barclays House
Victoria Street
Douglas
Isle of Man
IM1 2LE

Bank of Ireland
St Stephens Green
Dublin 2
Ireland

ADVOCATES

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

SOLICITORS

Binchys
40 Lower Baggot Street
Dublin 2
Ireland

AUDITORS

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

NOMINATED BROKER

Capital International Limited
PO Box 15
Mill Court
Hope Street
Castletown
Isle of Man
IM99 5XH

NOMINATED ADVISER

Insinger English Trust
44 Worship Street
London
EC2A 2JT

REGISTRARS

Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

DIRECTORS' PROFILES

Vincent Edward Caldwell, aged 40, Chairman and Managing Director

Formerly resident in Dublin, he operated as a licensed bookmaker from 1989 to 1993. He owned, together with members of his family, and ran six licensed betting shops. Whilst resident on the Isle of Man he worked for Stanley Leisure plc and the Joe Jennings chain of betting shops from 1995 to 1997. Mr Caldwell was responsible for establishing the company which commenced a telephone betting operation in October 1998 and expanded to the Internet in mid March 2000. Under the terms of the licence issued to the company by the Isle of Man Gaming Commission he is the designated official and is therefore the manager with day-to-day responsibility for the running of the betting operation.

In February 2000 Vincent Caldwell was appointed the inaugural Chairman of the Isle of Man Association of Betting Office Licencees.

William David Mummery, aged 55, Technical Director

Bill Mummery is responsible for information technology matters for the group and it is within this field, including compliance matters attached to information technology, that he acts. Bill Mummery has over thirty years' experience in the electronics industry, including building and managing national television broadcasting operations for overseas governments and electronic manufacturing in the Peoples' Republic of China. He has over twenty-five years' experience with Granada PLC, including positions as managing director of African and Far Eastern subsidiaries.

Harley Corkill ACIB, aged 59, Non-Executive Director

Harley Corkill has assumed responsibility for non-information technology related compliance matters, including anti-money laundering regulations. Mr. Corkill worked for many years in a number of senior management positions with the Isle of Man Bank. He is a director of Ulster Bank (IOM) Limited and a trustee of Nobles Isle of Man Hospital.

David Peter Craine FCA, aged 46, Financial Director & Company Secretary

David Craine is responsible for financial matters for the group. Mr Craine is a director of Browne Craine Associates Limited, an Isle of Man firm of chartered accountants.

Patrick Michael Flanagan, aged 47, Operations Director

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

Sean Patrick Ciaran Graham, aged 33, Deputy Operations Director

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

CHAIRMAN'S STATEMENT

It gives me pleasure to report on betinternet.com's preliminary results for the year ended 31 May 2001.

Euro Off-Track

The year to 31 May 2001 has been one of great advances for your company, the most significant of which has been the establishment of Euro Off-Track, our 50/50 partnership with The Greyhound Channel Inc. of America. Under this joint venture, which is based at our premises in the Isle of Man, we have established a Totalisator wagering hub which allows both betinternet.com clients and B2B partners to participate in global totalisator pools. The hub, which is the largest pari-mutuel "Super Hub" in the world, is a state of the art Amtote Spectrum Totalisator System, approved and regulated by the Isle of Man Government. It can support multi-community, multi currency transactions and process nearly 29 million such transactions per hour.

Euro Off-Track has recently been appointed by The Racing Network International (TRNi) as one of its strategic European totalisator transmission hubs. As TRNi's hub, Euro Off-Track will transmit wagering data directly into the totalisator systems at the Thoroughbred tracks licenced by TRNi. Commencement of the service began on 26 October this year with advance wagering on the Breeder's Cup at Belmont in New York, the richest horse-racing event in the world. Euro Off-Track has also been appointed as the exclusive International hub for the American Greyhound Broadcast Association which includes premiere US greyhound tracks such as Derby Lane, Hollywood, Flagler, Jacksonville and Palm Beach as well as the exclusive off-track hub for the Irish Greyhound Board tracks, Shelbourne Park and Harolds Cross in Dublin.

Besides offering wagering direct through our own individual customer accounts Euro Off-Track also enables us to provide other bookmakers and licencees with a gateway to the US and Irish totalisator pools, enabling them to participate direct into host tracks whilst maintaining their own customer confidentiality and consequently providing betinternet.com with a risk free revenue stream. The Euro Off-Track system is not restricted to greyhound and horse race totalisators. Pari-mutuel wagering offers the gambler the opportunity of lottery style bets with enormous jackpots and testing is underway to deliver a full suite of totalisator based sports wagers, including a pool based on the Soccer World Cup 2002. We believe that the future of sports wagering in a global environment is through multi-sport pari-mutuel wagering, as it enables gamblers on a global basis to access events and pools which they would otherwise not be able to do and is one of the few forms of gambling which guarantees a profit to the operator.

Fixed Odds Betting

Turning to our traditional fixed odds betting activities, we are continuing to target sports content channels on the Internet and gambling communities, with a focus on Far Eastern football orientated content provider sites. Betting on soccer now represents over 70 per cent of the company's business with around 130 countries screening English Premiership football live to their audiences. The company's fastest growing area in terms of its client base is the Far East. Although the profitability of the betting industry generally was adversely affected by the results of the Euro 2000 Soccer Tournament in which, totally against expectations and precedent, the four favourite countries all reached the semi-final stage, the tournament was an important factor in increasing the exposure of the betinternet.com brand in the global market and the Directors believe that our brand and market penetration will assist us in delivering a competitive advantage for the 2002 World Cup, co-hosted in Japan and Korea.

CHAIRMAN'S STATEMENT (CONT.)

Other Developments

betinternet.com has become one of the first major on-line sports wagering and pari-mutuel operators to implement a fully automated ecommerce multi-currency facility for its customers. This has become possible through the integration of the company's software systems and the grant of full Merchant Status by Barclays Merchant Services UK and became operational in September 2001. Coupled with our "Risk Guardian" security screening system which will greatly enhance our credit referencing and risk management procedures, we are able to offer our clients a fully automated, entirely secure, on-line deposit facility with a turn round time of less than six seconds.

On the Isle of Man, Tynwald, the Island's parliament, has approved the issue of a further nine on-line gambling licences. betinternet.com has applied for one of these licences and we are already in preliminary discussions with potential joint venture partners with a view to its exploitation if it is granted.

Technology

betinternet.com's technology continues to prove to be exceptionally reliable. Our investment in security measures has meant that, despite ever increasing threats of intrusion and virus attack, we have remained fully protected in both of these key areas. Our systems have demonstrated their ability to "grow" with, and meet the needs of, the business with in excess of 1,000,000 page impressions per day. We believe that the company will continue to benefit from its location in the Isle of Man which has one of the most advanced telecommunications infrastructures in the world.

Financial Results

For the year under review turnover rose by £36,841,497 to £48,536,839, an increase over the previous year of 315 per cent. Pre-tax losses of £2,320,224 compared with £1,035,616 last year reflect our continuing commitment to substantial investment in technological infrastructure and marketing. As a result, the company sustained a loss for the year of 2.96p per share (2000 - 3.01p per share). The Directors do not recommend the payment of a dividend.

Corporate Affairs

In May of this year your Directors announced that they had received approaches which they were reviewing which may or may not lead to offers for the share capital of the company and, in the meantime, were continuing to review various strategic options available to them for the development of the company, which included remaining independent. We have now finalised our review of approaches received and have decided not to pursue talks with any party. We intend, instead, to raise up to £3,000,000 (before expenses) through a subscription for 29,000,000 new Ordinary Shares by Burnbrae Limited, Mr. M. Child and members of my family at a price of 10p per share together with a placing of up to a further 1,000,000 new Ordinary Shares at the same price.

Under the terms of the subscription agreement, members of my family (or companies nominated by them) will subscribe for an aggregate of 2,500,000 new Ordinary Shares, the proceeds of which will be utilised in the repayment of a loan in the sum of £250,000 made to the company on 6 July 2001. The Directors consider, having consulted Insinger English Trust, that the terms of this subscription are fair and reasonable insofar as the shareholders of betinternet.com are concerned.

CHAIRMAN'S STATEMENT (CONT.)

It is also proposed that the company will issue to all existing shareholders and to subscribers and placees under the above arrangements warrants to subscribe for Ordinary Shares in the company at a subscription price of 12p per share on the basis of 1 new Ordinary Share for every 4 Ordinary Shares held as at the record date, which is expected to be the date following the Extraordinary General Meeting referred to below. All the warrants will have a life of three years from the date of issue, shall be exercisable at any time and their terms shall be adjusted in respect of any subsequent rights issues or capitalisation issues. Application will be made for the warrants to be admitted to trading on AIM.

Extraordinary General Meeting

A circular, giving further details of the arrangements described above will be posted to all shareholders as soon as possible. The circular will also contain a Notice convening an Extraordinary General Meeting at which resolutions will be proposed to give effect to these arrangements. The Auditors' Report on the financial statements for the year ended 31 May 2001 will draw attention to the going concern implications of a failure to approve these arrangements.

Proposed Board Changes

It is proposed that, following the Extraordinary General Meeting and subject to the passing of the resolutions proposed at the meeting, Mr. Mark Child (aged 39) will be appointed as a Non-Executive Director. Mr Child is a director of Regent Pacific Corporate Finance Limited and iRegent Corporate Finance Limited. There is no information to be disclosed in relation to Mr Child which falls to be disclosed under paragraph (f)(iii)-(viii) of Schedule 2 to the AIM Rules.

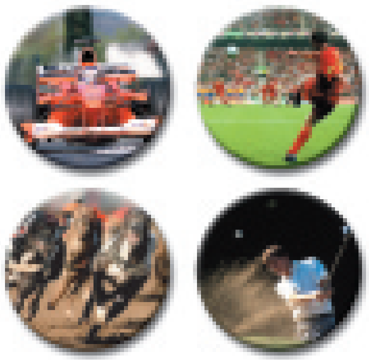
Conclusion

The past year has been one of great encouragement with major strategic advances through the development of Euro Off-Track and the company's operational systems as well as a strong increase in turnover from betinternet.com's traditional business. The growth in the number of our clients in the 20-30 age group is in line with your Board's strategy as is the increasing proportion of transactions being carried out via the Internet. Of our fixed odds turnover, two thirds is now conducted in this way, as opposed to one third a year ago. The changing profile of our clients, the increase in multiple or "exotic" wagers, the reduction in average stakes and the increase in Internet turnover will all increase gross profit margins. These factors, coupled in particular with Euro Off-Track's development of totalisator wagering with its ability to produce substantial risk-free revenues, represent significant steps in the Board's drive to develop betinternet.com into a thriving, profitable business.

Your Directors look to the future, both in the short and the long term, with great confidence.

VE Caldwell
Chairman

5 November 2001



DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 May 2001.

ACTIVITIES

The company holds a Betting Office Licence issued by the Isle of Man Government and has operated an international telephone betting service since October 1998 and an on-line Internet betting service since 17 March 2000. In order to avail of the preferential rate of betting duty applicable to "international telephone bets" the company undertook not to accept bets from persons resident either in the Isle of Man or the United Kingdom. Following changes in the United Kingdom duty regime, these restrictions were relaxed from April 2001 onwards so that the company can now accept bets from persons resident in the United Kingdom, but still cannot accept bets from Isle of Man residents. The company's licence is renewable annually with the next renewal due at 31 May 2002.

RESULTS AND DIVIDENDS

The group made a loss for the year ended 31 May 2001 of £ 2,320,224 (2000: loss of £1,035,616). The directors do not propose the declaration of a dividend (2000: £nil). The loss for the year has been transferred to reserves.

POST BALANCE SHEET EVENTS

On 5th November 2001 the company entered into a subscription and shareholders agreement (the "Subscription Agreement") with two new investors ("the new investors") to provide for a total investment in the company of £3,000,000.

The terms of the Subscription Agreement need to be ratified by the company's shareholders at the Extraordinary General Meeting ("EGM") to be held on the same day as the Annual General Meeting. The principal terms of the Subscription Agreement are as follows:

- within 2 days of signing the Subscription Agreement £390,920 is to be lent to the company by one of the new investors;
- within 3 days of the EGM the new investors will subscribe for 10,500,000 new ordinary 1p shares in the company, issued at 10p per share, for a consideration of £1,050,000 and the loan of £390,920 will be repaid;
- at this time the Chairman and members of his family, or companies nominated by them, will subscribe for 2,500,000 new ordinary 1p shares, issued at 10p per share, for a consideration of £250,000. The consideration will be settled by offset against the £250,000 loan payable by the company to those parties. This loan was not in place at 31 May 2001 and has been provided since that date as temporary working capital for the group. Also at this time other investors will be solicited to invest in the placement of 1,000,000 new ordinary 1p shares at 10p each, with the aim of raising a further £100,000;
- within 6 months of the EGM and conditional on there being no material breach of the warranties contained in the Subscription Agreement the new investors will subscribe for 8,000,000 new ordinary 1p shares in the company, issued at 10p per share, for a consideration of £800,000;
- within 12 months of the EGM and conditional on there being no material breach of the warranties containe in the Subscription Agreement the new investors will subscribe for a further 8,000,000 new ordinary 1p shares in the company, issued at 10p per share, for a further consideration of £800,000.

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS (CONT)

Subject to ratification at the EGM the company will also issue to all existing shareholders and the new shareholders as detailed above, as soon as possible after the record date, being within 3 days of the EGM, a bonus warrant on the basis of a warrant to subscribe for 1 new ordinary 1p share at 12p per share for every 4 shares held at that date. The new investors will also have the right to receive additional warrants on the same basis in respect of their subscriptions within 6 and 12 months of the EGM described above. All warrants shall terminate 3 years from the date of issue of the initial warrants.

DIRECTORS

The present directors of the company are as set out on page 1. Movements in the membership of the directors during the year ended 31 May 2001 and to date are as follows:

	Appointed
P M Flanagan	1 November 2000
S P C Graham	1 November 2000
D P Craine	11 January 2001

As at 31 May 2001 the directors' interests in the shares and share options were as follows:

	Ordinary Shares of 1p each		Options over ordinary Shares of 1p each	
	2001 No.	2000 No.	2001 No.	2000 No.
V E Caldwell	15,633,500	15,633,500	300,000	300,000
W D Mummery	-	-	500,000	500,000
H Corkill	21,600	21,600	100,000	100,000
D P Craine	200,000	N/A	100,000	N/A
P M Flanagan	-	N/A	1,000,000	N/A
S P C Graham	-	N/A	500,000	N/A

The holding of V E Caldwell includes 220,000 shares beneficially owned by his wife. At 31 May 2001, H Corkill held, via a nominee company, 21,600 ordinary shares in the company. The exercise price of the options ranges from 1p to 23.15p per share.

The directors had no beneficial interests in the shares of any of the company's subsidiaries.

P M Flanagan, S P C Graham and D P Craine were all appointed directors during the year ended 31 May 2001 and accordingly they all have to stand for re-election.

In accordance with the Articles of Association, W D Mummery retires by rotation and, being eligible, offers himself for re-appointment.




DIRECTORS' REPORT

SUBSTANTIAL INTERESTS

In addition to directors' interests, the company had been advised on 28th October 2001 of the following notifiable shareholdings in excess of 3%:

	%	Number of Ordinary Shares
Pershing Nominees Limited a/c CACLT	20.41	15,984,756
Mill Properties Limited	13.93	10,913,500
Jennifer Caldwell	6.30	4,937,600
Diplomat Trust Company Limited	5.74	4,500,000
The European Trustee Company Limited	3.30	2,586,673
Martin Caldwell	3.49	2,735,321

J Caldwell and M Caldwell are respectively a sister and brother of a director of the company, V E Caldwell.

Shares held by Diplomat Trust Company Limited are held for the benefit of Caldwell family members and trusts, whilst the shares held by Mill Properties Limited represent a family related shareholding of the Caldwell family.

SUPPLIER PAYMENT POLICY

It is group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based upon the timely receipt of an accurate invoice.

AUDITORS

Deloitte & Touche have expressed their willingness to continue as auditors, and, accordingly, will be reappointed at the Annual General Meeting of the company without any resolution being passed in accordance with Section 12 (2) of the Companies Act 1982.

Approved by the Board of Directors
and signed on behalf of the Board D P Craine - Secretary 5 November 2001

CORPORATE GOVERNANCE

In June 1998 the Hampel Committee and the London Stock Exchange published the Combined Code on corporate governance. This combines the Cadbury Code on corporate governance, the Greenbury Code on directors' remuneration and new requirements arising from the findings of the Hampel Committee. The Combined Code contains recommendations for best practice focusing on control and reporting functions of the Board.

Although the company's securities have been admitted on to the Alternative Investment Market and the company is not required to comply with the Combined Code, the Board monitors the company's established procedures and continues, so far as possible, to comply with the Code to the extent that it is appropriate for the size and stage of development of the company.

The Board has established audit and remuneration committees and proposes in due course to appoint a non executive chairman who is expected to be appointed to both committees. The appointment of a non executive chairman would allow for the separation of the role of chairman and managing director.

The audit committee, at present comprising Mr H Corkill (chairman), Mr V E Caldwell and Mr D P Craine, financial director to the company, assists the Board in discharging its responsibilities for accounting policies, internal controls and financial reporting.

The remuneration committee, presently comprising Mr H Corkill (chairman) and Mr V E Caldwell, recommends to the Board terms and conditions, including annual remuneration, for executive directors and senior management.

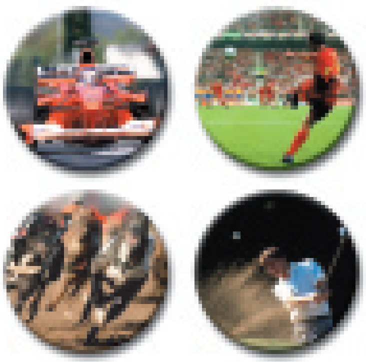
The company is incorporated in the Isle of Man and complies only with the requirements of that jurisdiction regarding the disclosure of directors remuneration. Details of directors' share options are included in the directors' report.

Directors Liability Insurance

The company does not maintain insurance cover for directors liability in relation to the group, however it is proposed such cover will be obtained in the near future.

Turnbull

The Board is presently making arrangements to document procedures in writing for review.

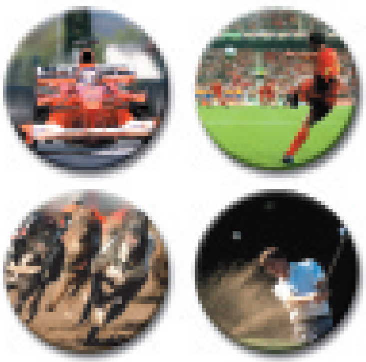


STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and accompanying notes; 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 which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 1993. They are also responsible for the group's system of internal control, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF betinternet.com plc

We have audited the financial statements on pages 12 to 28 which have been prepared under the accounting policies set out on pages 16 and 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 10, the financial statements, which are required to be prepared in accordance with applicable Isle of Man law and Accounting Standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 the Companies Acts 1931 to 1993. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the group 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' remuneration and transactions with the company and other members of the group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the 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 circumstances of the company and group, 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in notes 1 and 22 to the financial statements concerning the uncertainty as to the ratification by the shareholders of the Subscription Agreement under which substantial funds would become available to the company. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 2001 and of the loss for the group for the year then ended and have been properly prepared in accordance with the Companies Acts 1931 to 1993.

Deloitte & Touche, Chartered Accountants 5 November 2001
Grosvenor House, PO Box 250, 66/67 Athol Street, Douglas, Isle of Man IM99 1XJ.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year Ended 31 May 2001

	Note	2001 £	2000 £
Group turnover			
Betting stakes received	2	48,536,839	11,695,342
Cost of sales			
Winnings paid and bets laid off		(47,194,317)	(11,285,097)
Betting duty paid		(146,430)	(35,294)
Gross profit	2	1,196,092	374,951
Administration expenses		(3,486,480)	(1,428,546)
Operating loss	3	(2,290,388)	(1,053,595)
Group operating loss			
Share of operating loss in			
- joint ventures		(8,169)	-
Total operating loss including share of joint ventures and associates		(2,298,557)	(1,053,595)
Interest receivable and similar income		71,507	27,303
Interest payable and similar charges	6	(93,174)	(9,324)
Loss on ordinary activities before taxation and retained loss for the year	4,14,15	(2,320,224)	(1,035,616)
Basic Loss Per Share (pence)	5	(2.96)	(3.01)
Diluted Loss Per Share (pence)	5	(2.91)	(2.85)

The directors consider that all results derive from continuing operations for both the current and prior year. 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 year. This was also the case for the prior year.

CONSOLIDATED BALANCE SHEET

31 May 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Intangible assets	7	377,739	257,028
Tangible assets	8,9	226,692	318,987
Investments in joint ventures	10		
- Share of gross assets		131,943	-
- Share of gross liabilities		(130,943)	-
Investments in associates	10	116,802	-
		722,233	576,015
CURRENT ASSETS			
Debtors	11	833,880	203,806
Cash at bank and in hand		947,013	3,421,795
		1,780,893	3,625,601
CREDITORS: amounts falling due within one year	12	(1,761,573)	(1,142,534)
NET CURRENT ASSETS		19,320	2,483,067
TOTAL ASSETS		741,553	3,059,082
CAPITAL AND RESERVES			
Called up share capital	13	783,296	781,841
Share premium	13	3,617,779	3,616,539
Profit and loss account	14	(3,659,522)	(1,339,298)
EQUITY SHAREHOLDERS' FUNDS	15	741,553	3,059,082

These financial statements were approved by the board of directors on 5 November, 2001

Signed on behalf of the board of directors

V E Caldwell
Director

W D Mummery
Director

BALANCE SHEET
31 May 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Intangible assets	7	-	558
Tangible assets	8	50,148	14,576
Investments	10	217,807	4
		267,955	15,138
CURRENT ASSETS			
Debtors	11	1,240,355	648,168
Cash at bank and in hand		885,353	3,421,795
		2,125,708	4,069,963
CREDITORS: amounts falling due within one year	12	(1,688,420)	(998,690)
NET CURRENT ASSETS		437,288	3,071,273
TOTAL ASSETS		705,243	3,086,411
CAPITAL AND RESERVES			
Called up share capital	13	783,296	781,841
Share premium	13	3,617,779	3,616,539
Profit and loss account	14	(3,695,832)	(1,311,969)
EQUITY SHAREHOLDERS' FUNDS		705,243	3,086,411

These financial statements were approved by the board of directors on 5 November, 2001

Signed on behalf of the board of directors

V E Caldwell
Director

W D Mummery
Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 May 2001

	Note	2001 £	2000 £
Net cash outflow from operating activities	16	(2,071,012)	(267,471)
Returns on investments and servicing of finance	17	(21,667)	17,979
Capital expenditure and financial investment	17	(278,176)	(629,682)
Cash outflow before use of liquid resources and financing		(2,370,885)	(879,174)
Financing	17	2,695	4,148,380
(Decrease)/increase in cash in the year		(2,368,160)	3,269,206

Reconciliation of net cash flow to net funds

	Note	2001 £	2000 £
Net funds at 1 June		3,294,079	24,873
(Decrease)/increase in cash in the year		(2,368,160)	3,269,206
Net funds at 31 May		925,919	3,294,079
Represented by			
Cash at bank and in hand		947,013	3,421,795
Bank overdrafts	12	(21,094)	(127,716)
		925,919	3,294,079

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

1. ACCOUNTING POLICIES

In the absence of comparable accounting standards in the Isle of Man, the directors have chosen to apply United Kingdom Accounting Standards published by the United Kingdom's Accounting Standards Board in the preparation of the financial statements, provided that they are not inconsistent with the requirements of the Isle of Man Companies Acts 1931 to 1993.

The particular accounting policies adopted are described below.

Basis of preparation of the financial statements

As descried in note 22, on 5 November, 2001 the company entered into a Subscription Agreement under which substantial new funds will become available to the company. The terms of the agreement will need to be ratified at an Extraordinary General Meeting ("EGM") to be held on the same day as the AGM.

The directors are confident that the Subscription Agreement will be ratified at the EGM and, on this basis, consider it appropriate to prepare the accounts on a going concern basis. The financial statements do not include any adjustments which would result from a failure to obtain further funding for the company.

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, joint ventures and associate undertakings.

Joint ventures are accounted for using the gross equity method.

Shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group share of pre-tax profits and attributable taxation of the associated undertakings based on the audited financial statements for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown at the group's share of the net assets of the associated undertakings.

Investments

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

Betting stakes, free bets and winnings

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

Foreign currency

Foreign currency balances are translated to Sterling at the rate of exchange ruling on the last business day in the group's financial 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 translations and conversions are included in the profit and loss account.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

1. ACCOUNTING POLICIES (CONT.)

Operating leases

Operating lease rentals are charged to 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.

Tangible fixed assets

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

Computer equipment and software	33 1/3 %
Fixtures and fittings and office equipment	25%
Motor vehicles	25%

At 31 May 2000 the policy with regard to fixtures and fittings, computer equipment and software was to depreciate these over a two-year period. The directors have now decided, based on the policies being applied by other companies involved with Internet operations, to revise the policy applied so that all tangible fixed assets are depreciated over a three-year period. Had the old policy been applied during the year ended 31 May 2001 then the additional depreciation charge resulting would have been £15,157.

Intangible assets

Development costs for the group are capitalised where, in the opinion of the directors, there is a benefit that will be derived from the expenditure incurred. At 31 May 2000 given the nature of such costs they were written off in equal annual instalments over a period not exceeding two years. The directors have now decided, based on the policies being applied by other companies involved with Internet operations, to revise the policy applied so that all intangible fixed assets are amortised over a three-year period. Had the old policy been applied during the year ended 31 May 2001 then the additional amortisation charge resulting would have been £55,887.

In respect of the company the unamortised amount brought forward at 1 June 2000 of £558 has been written off in full during the year to 31 May 2001.

Deferred taxation

Deferred taxation is provided on 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.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

2. BETTING STAKES RECEIVED/BETTING DUTY PAID

Turnover represents the stakes received from customers less any void bets recorded. Betting duty is payable to Customs and Excise at the rate of 0.3% of gross stakes received.

The company provides an international telephone and on-line Internet betting service from the Isle of Man. The directors are of the opinion that the markets to which its services are supplied do not differ substantially and accordingly may be treated as one so no geographical analysis is provided. The analysis between the telephone and Internet betting is as detailed below:

Year ended 31 May 2001	Telephone £	Internet £	Total £
Betting stakes received	39,551,612	8,985,227	48,536,839
Winnings paid and bets laid off	(38,669,986)	(8,524,331)	(47,194,317)
Betting duty paid	(119,322)	(27,108)	(146,430)
Gross profit	762,304	433,788	1,196,092
Margin (%)	1.93%	4.83%	2.46%

For the prior year the level of Internet based bets was insignificant and accordingly comparative figures have not been prepared.

There was no turnover generated by the investment in joint ventures.

3. OPERATING LOSS

Operating loss is stated after charging:

	2001 £	2000 £
Depreciation on tangible fixed assets	121,691	49,531
Amortisation of intangible assets	126,528	40,538
Auditors' remuneration - audit fees	41,125	37,050
- other services	38,775	85,775
Directors' remuneration	273,729	58,750
Operating lease rentals - other than plant and machinery	57,276	17,232

Directors’ remuneration above excludes any employers’ national insurance costs borne by the group. Under the provisions of the Isle of Man Companies Acts 1931 to 1993 there are no requirements to disclose any additional information regarding staff costs, staff numbers, or information regarding the remuneration of directors.

For the prior year fees of £85,775 were paid to he company’s auditors in their capacity as Reporting Accountants in connection with the admission of the company’s shares on the Alternative Investment Market of the London Stock Exchange. This amount was written off against the share premium account arising on the issue of those shares.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

4. TAX ON LOSS ON ORDINARY ACTIVITIES

No provision for tax is required for either the current or previous year, due to the level of losses incurred.

5. LOSS PER SHARE

The basic earnings 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 earnings per share is based on losses of £2,320,224 (2000 : £1,035,616 loss) and the weighted average number of ordinary shares being the equivalent of 78,298,098 (2000 : 34,403,724 ordinary 1p shares).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all diluted potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the year.

Calculation of diluted earnings per share is based on losses of £2,320,224 (2000 : £1,035,616 loss) and the weighted average number of ordinary shares being the equivalent of 79,734,225 (2000 : 36,383,858 ordinary 1p shares).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank overdraft interest	384	757
Bank and electronic payment charges	92,790	8,567
	93,174	9,324

7. INTANGIBLE ASSETS

	Development Costs	
Cost	Group £	Company £
At 1 June 2000	299,794	6,685
Additions	247,239	-
At 31 May 2001	547,033	6,685
Accumulated amortisation		
At 1 June 2000	42,766	6,127
Charge for the year	126,528	558
At 31 May 2001	169,294	6,685
Net book value		
At 31 May 2001	377,739	-
At 31 May 2000	257,028	558

NOTES TO THE ACCOUNTS
Year ended 31 May 2001

8. TANGIBLE ASSETS

Group	Long leasehold property £	Computer equipment and software £	Motor vehicle £	Office equipment fixtures & fittings £	Total £
Cost					
At 1 June 2000	120,282	240,574	-	22,745	383,601
Additions	-	70,342	16,050	63,286	149,678
Disposals	(120,282)	-	-	-	(120,282)
At 31 May 2001	-	310,916	16,050	86,031	412,997
Accumulated depreciation					
At 1 June 2000	-	61,180	-	3,434	64,614
Charge for the year	-	99,885	4,012	17,794	121,691
At 31 May 2001	-	161,065	4,012	21,228	186,305
Net book value					
At 31 May 2001	-	149,851	12,038	64,803	226,692
At 31 May 2000	120,282	179,394	-	19,311	318,987

Company	Computer equipment and software £	Motor vehicle £	Office equipment fixtures & fittings £	Total £
Cost				
At 1 June 2000	43,880	-	9,006	52,886
Additions	27,191	16,050	44,098	87,339
At 31 May 2001	71,071	16,050	53,104	140,225
Accumulated depreciation				
At 1 June 2000	36,593	-	1,717	38,310
Charge for the year	34,478	4,012	13,277	51,767
At 31 May 2001	71,071	4,012	14,994	90,077
Net book value				
At 31 May 2001	-	12,038	38,110	50,148
At 31 May 2000	7,287	-	7,289	14,576

9. LONG LEASEHOLD PROPERTY

During the year ended 31 May 2001 the long leasehold property was disposed of for £122,000 with the net proceeds after legal and other associated costs being £118,741 resulting in a loss on disposal of £1,541.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

10. INVESTMENTS

Group **joint ventures and asociated undertakings**	Investment in joint ventures £	Investment in associates £
Cost		
At 1 June 2000	-	-
Additions	1,000	164,125
Provision against investment in associate	-	(47,323)
Loss for the year	(8,169)	-
Further contribution accrued to make good the net liability position (see note 12)	8,169	-
At 31 May 2001	1,000	116,802

Company	2001 £	2000 £
Technical Facilities & Services Limited	2	2
Downsview Limited	2	2
BetinternetUK.com Limited	1	-
Betinternet.com (Holdings) Limited	100,000	-
Fettercairn Limited	2	-
Off-Track Worldwide Limited	1,000	-
Mobile Gaming Solutions Limited	164,125	-
	265,132	4
Provision against Downsview Limited	(2)	-
Provision against investment in Mobile Gaming Solutions Limited	(47,323)	-
	217,807	4

Subsidiaries	Country of incorporation	Activity	Holding (%)
BetinternetUK.com Limited	England	Holder of UK bookmaker's permit – non trading	100
Betinternet.com (Holdings) Limited	Malta	Holding company	100
Fettercairn Limited	Isle of Man	Holding company	100
Technical Facilities & Services Limited	Isle of Man	Provision of Internet and telephone betting systems to group companies	100
Downsview Limited	Isle of Man	Former property owning company	100

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

10. INVESTMENTS (CONT.)

Sub-subsidiaries

Betinternet.com (Malta) Limited	Malta	Holder of Maltese betting licence- non trading	100
Fada International Limited	Hong Kong	Non-trading	100

Other investments

Mobile Gaming Solutions Limited	Republic of Ireland	Developer of technology based betting applications	25
Off-Track Worldwide Limited	Isle of Man	Holding company	50
Euro Off-Track Limited Partnership	Guernsey	Design, development and operation of European Internet and interactive wagering totaliser hub	50

Downsview Limited held a property which was disposed of prior to 31 May 2001 (see note 9). Since the balance sheet date the company has been dissolved.

Betinternet.com (Holdings) Limited is wholly owned by betinternet.com plc. It in turn holds the entire issued share capital of Betinternet.com (Malta) Limited which holds a Maltese issued betting licence. The company has not traded.

Fettercairn Limited has one wholly owned subsidiary, Fada International Limited. Neither company has traded.

Off-Track Worldwide Limited is a joint venture between betinternet.com plc and Greyhound Channel Inc. Off-Track Worldwide Limited is the general partner in Euro Off-Track Limited Partnership, having a 1% interest, with the remaining 99% split equally between betinternet.com plc and Greyhound Channel Inc. Under the terms of the agreement between the parties covering the design, development and operation of the European internet and interactive wagering totaliser system, the betinternet.com plc group is obligated to spend up to US$ 1,000,000 in relation to the establishment, installation and operation of the system. The amount expended by the betinternet.com plc group under the agreement will be recoverable in priority to any distribution to either Off-Track Worldwide Limited or Greyhound Channel Inc. This investment is treated as a joint venture.

The company holds a 25% holding in Mobile Gaming Solutions Limited which is treated as an associate.

The group holds no other investments.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

11. DEBTORS

	The Group		The Company	
	2001 £	2000 £	2001 £	2000 £
Trade debtors	490,006	42,547	490,006	42,547
Amount due from group undertakings	-	-	488,100	510,575
Sundry debtor (see note 19)	261,885	-	227,595	-
VAT recoverable	-	66,213	-	-
Prepayments	81,989	85,046	34,654	85,046
Deposits	-	10,000	-	10,000
	833,880	203,806	1,240,355	648,168

The sundry debtor represents amounts incurred by betinternet.com plc and a subsidiary in the establishment, installation and operation of the European Internet and interactive wagering totaliser system as referred to in note 10. The amount is recoverable under the terms of the agreement in priority to any distribution to the other parties of the joint venture.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2001 £	2000 £	2001 £	2000 £
Bank overdrafts	21,094	127,716	21,094	87,860
Trade creditors	903,370	544,157	929,268	544,157
Deferred income	222,051	12,895	222,051	12,895
Accruals and other creditors	441,764	457,766	350,882	353,778
Amount payable re investment in a joint venture	9,169	-	1,000	-
Amount payable re investment in an associate company	164,125	-	164,125	-
	1,761,573	1,142,534	1,688,420	998,690

Included in accruals and other creditors for both the company and the group are amounts payable in respect of income tax and national insurance of £44,807 (31 May 2000 : £37,354) relating to the payroll, and betting duty payable of £6,694 (31 May 2000 : £1,912).

The amount payable by the company of £164,125 is in respect of an investment in an associate company where the investment had been made prior to 31 May 2001 but the consideration had not been paid as at that date.

The amount payable by the group of £9,169 is in respect of the investment in a joint venture comprising £1,000 initial investment, and a further £8,169 to clear the net liability position of the joint venture entity.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

13. SHARE CAPITAL AND SHARE PREMIUM

At 31 May 2001	2001 £	2000 £
Authorised		
120,000,000 ordinary shares of 1p each	1,200,000	1,200,000
Issued and fully paid		
78,329,647 (2000: 78,184,047) ordinary shares of 1p each	783,296	781,841

Movements in the issued share capital and share premium account during the year ended 31 May 2001 are as follows:

	No.	Share capital £	Share premium £
At 1 June 2000 – 1p ordinary shares	78,184,047	781,841	3,616,539
Issue of shares – options exercised	145,600	1,455	1,240
At 31 May 2001 – 1p ordinary shares	78,329,647	783,296	3,617,779

Movements in share options during the year ended 31 May 2001 is as follows:

	No.	Option Price (p)
At 1 June 2000 – 1p ordinary shares	3,161,600	1p to 23.1465p
Issue of options	120,000	12p to 23.5p
Options exercised	(145,600)	1p to 23.1465p
Options lapsed	(70,400)	-
At 31 May 2001 – 1p ordinary shares	3,065,600	1p to 23.5p

The 145,600 options exercised during the year ended 31 May 2001 were exercised at an average exercise price of 1.85p per share. The total consideration received for the options was £2,695. All options were satisfied by cash payment. During the year ended 31 May 2001 new options were granted to new employees for 120,000 shares at exercise prices ranging from 12p for 80,000 shares and 23.5p for the remaining 40,000 shares.

The remaining 3,065,600 share options have an exercise price ranging from 1p to 23.5p, and all are exercisable during the period of 10 years from the respective date of granting of the option. Options held by the directors of the company are disclosed in the directors' report.

Options over further shares will be offered pursuant to the company's 2000 Share Option Plan and 2000 USA Share Option Plan. The number of shares and the exercise price is as yet to be determined.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

14. RESERVES

Group	Share Premium £	Profit and loss account £
At 1 June 2000	3,616,539	(1,339,298)
Movement on share premium account (See note 13)	1,240	-
Retained balance for the year	-	(2,320,224)
At 31 May 2001	3,617,779	(3,659,522)

Company	Share Premium £	Profit and loss account £
At 1 June 2000	3,616,539	(1,311,969)
Movement on share premium account (See note 13)	1,240	-
Retained loss for the year	-	(2,383,863)
At 31 May 2001	3,617,779	(3,695,832)

15. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

At 31 May 2001	2001 £	2000 £
Loss for the financial year	(2,320,224)	(1,035,616)
Issue of shares (see note 13) Increase in issued share capital and share premium account	2,695	4,148,380
Net (decrease)/increase in shareholders' funds	(2,317,529)	3,112,764
Opening shareholders' funds/(deficit)	3,059,082	(53,682)
Closing shareholders' funds	741,553	3,059,082

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

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

	2001 £	2000 £
Operating loss	(2,290,388)	(1,053,595)
Depreciation and amortisation charges	248,219	90,069
Loss on disposal of leasehold property	1,541	-
Write down of associate	47,323	-
Increase in debtors	(630,074)	(190,060)
Increase in creditors	552,367	886,115
Net cash outflow from operating activities	(2,071,012)	(267,471)

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

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest receivable and similar income	71,507	27,303
Interest payable and similar charges	(93,174)	(9,324)
	(21,667)	17,979
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets including long leasehold property	149,678	336,573
Payments on development expenditure	247,239	293,109
Receipts from sales of tangible fixed assets	(118,741)	-
	278,176	629,682
Financing		
Issue of shares, including share premium (see note 13)	2,695	4,148,380

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

18. 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 £222,051 (31 May 2000 : £12,895) of such stakes that had been received where the event to which they related was after the balance sheet date. Accordingly £222,051 (31 May 2000 : £12,895) has been reflected as deferred income in the balance sheet (see note 12).

The company has provided a bond for £125,000, since the 31 May 2001, under the terms of a merchant service agreement for the processing of credit card transactions.

19. CAPITAL COMMITMENTS

As at 31 May 2000 the group had no capital commitments.

As at 31 May 2001 the group had contracted for but not provided for expenditure amounting to £136,771 (31 May 2000 : nil). This expenditure is in relation to the Euro Off-Track agreement referred to in note 10 above, and will be recovered by betinternet.com plc under the terms of that agreement. The terms of the agreement are such that betinternet is responsible for the first US$ 1 million of costs in relation to the development and installation of the European Internet and interactive wagering totaliser system as described in note 10. As at 31 May 2001 an amount of £261,885 had already been incurred. After allowing for the £136,771 contracted for but not provided for, this leaves a commitment of approximately £290,000 in relation to the contract. Again under the term of the agreement all expenditure up to the US$ 1 million is recoverable by the betinternet.com plc group.

20. OPERATING LEASE COMMITMENTS

At 31 May 2001, the group was committed to making the following payments during the next year in respect of operating leases:

	Other 2001 £	Land & Buildings 2001 £	Other 2000 £	Land & Buildings 2000 £
Leases which expire:				
Within two to five years	-	-	-	-
After five years	-	72,737	-	53,586
	-	72,737	-	53,586

21. RELATED PARTY TRANSACTIONS

During the year ended 31 May 2001 an amount totalling £161,873 (net of VAT where VAT has been recovered) (31 May 2000 : £169,396) has either been paid by the group or reflected as payable, to a single supplier, Partingtons Limited. W D Mummery who is a director of betinternet.com plc is a 50% shareholder of that supplier.

Amounts totalling £63,204 (2000 : £168,396) were paid, or are reflected as payable, to the group's solicitors, Binchys. One of the partners and a consultant of that firm are respectively a sister and brother of the Chairman of betinternet.com plc. The consultant has, since the 31 May 2001, ceased to act as a consultant to Binchys.

During the year amounts of £18,400 and £40,066 were paid to two brothers of the Chairman for services provided to the group in connection with consultancy services provided. For the prior year the amount was £35,000 paid to one brother for strategic advice provided. The amounts exclude any expenses reimbursed.

During the year £30,307 has been paid to Browne Craine Associates Limited for the provision of David Craine's services as Finance Director and Company Secretary.

The company has a 25% interest in Mobile Gaming Solutions Limited (see note 10). Another company, in which the Chairman and his family have a 50% interest, holds a 25% shareholding in Mobile Gaming Solutions Limited.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 5th November 2001 the company entered into a subscription and shareholders agreement (the "Subscription Agreement") with two new investors ("the new investors") to provide for a total investment in the company of £3,000,000.

The terms of the Subscription Agreement need to be ratified by the company's shareholders at the Extraordinary General Meeting ("EGM") to be held on the same day as the Annual General Meeting. The principal terms of the Subscription Agreement are as follows:

- within 2 days of signing the Subscription Agreement £390,920 is to be lent to the company by one of the new investors;
- within 3 days of the EGM the new investors will subscribe for 10,500,000 new ordinary 1p shares in the company, issued at 10p per share, for a consideration of £1,050,000 and the loan of £390,920 will be repaid;
- at this time the Chairman and members of his family, or companies nominated by them, will subscribe for 2,500,000 new ordinary 1p shares, issued at 10p per share, for a consideration of £250,000. The consideration will be settled by offset against the £250,000 loan payable by the company to those parties. This loan was not in place at 31 May 2001 and has been provided since that date as temporary working capital for the group. Also at this time other investors will be solicited to invest in the placement of 1,000,000 new ordinary 1p shares at 10p each, with the aim of raising a further £100,000;
- within 6 months of the EGM and conditional on there being no material breach of the warranties contained in the Subscription Agreement the new investors will subscribe for 8,000,000 new ordinary 1p shares in the company, issued at 10p per share, for a consideration of £800,000;
- within 12 months of the EGM and conditional on there being no material breach of the warranties contained in the Subscription Agreement the new investors will subscribe for a further 8,000,000 new ordinary 1p shares in the company, issued at 10p per share, for a further consideration of £800,000.

Subject to ratification at the EGM the company will also issue to all existing shareholders and the new shareholders as detailed above, as soon as possible after the record date, being within 3 days of the EGM, a bonus warrant on the basis of a warrant to subscribe for 1 new ordinary 1p share at 12p per share for every 4 held. The new investors will also have the right to receive additional warrants on the same basis in respect of their subscriptions within 6 and 12 months of the EGM described above. All warrants shall terminate 3 years from the date of the issue of the initial warrants.

23. PENSION ARRANGEMENTS

The group does not operate any pension scheme for any of its directors or employees. Where payments are made to certain directors to contribute to their own personal pension arrangements then such amounts are included within directors remuneration as disclosed in note 3.

24. CONTROLLING PARTY AND ULTIMATE CONTROLLING PARTY

At 31 May 2001 the largest single shareholding in the company represented 20.41% of the issued share capital and as such it is deemed that there is no single ultimate controlling party.




Corporate Information Website

http://www.betinternet.com/investrelations/index.html betinternet.com plc