betinternet.com plc

Interim Statement
Six months ended 30 November 2001

betinternet.com plc

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Vincent Edward Caldwell	Chairman & Managing Director
David Peter Craine	Finance Director
William David Mummery	Technical Director
Patrick Michael Flanagan	Operations Director
Sean Patrick Ciaran Graham	Deputy Operations Director
Harley Corkill	Non-Executive Director
Mark Child	Non-Executive Director

SECRETARY
David Peter Craine

REGISTERED OFFICE
Burleigh Manor
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Douglas
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IM1 5EP

PRINCIPAL BANKERS
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Douglas
Isle of Man

Bank of Ireland
St Stephens Green
Dublin 2
Ireland

ADVOCATES
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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
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REGISTRARS
Northern Registrars Limited
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HD8 0LA

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CHAIRMAN'S REPORT

Interim results for the six months ended 30 November 2001

• Gross profit up 474%
• Gross profit margin up to 6.84% from 1.13%
• Value of Internet bets increased to £14m from £2.6m for same period 2000
• Internet betting equals 62% of turnover compared to 11% last year
• Euro off-track is live
• Significant new funding in place
• World Cup offers further expansion of Asian client base

I am pleased to be able to report that, during the six months ended 30 November 2001, the Company achieved a gross profit, before administration expenses and interest payable, of £1,551,000, compared with £270,000 for the comparable period last year, an increase of 474 per cent. As a result, the loss after taxation has been reduced from £1,456,000 (1.85p per share) last year to £596,000 (0.76p per share) for the first six months of this financial year.

The marginal reduction in total turnover from £23,794,000 to £22,676,000 reflects the Board's deliberate strategy of increasing the proportion of betting turnover placed over the Internet. Whilst the volume of telephone bets accepted has been the subject of a managed reduction to £8.6 million for the period under review from £21.2 million for the comparative period, the gross margin achieved from telephone betting has improved significantly to 6.66 per cent up from 0.99 per cent for the same period last year. For the period under review, 62 per cent of bets were placed on-line, producing revenues of £14 million, compared with 11 per cent creating revenues of £2.6 million for the previous period. The success of this strategy is demonstrated by the increase in the overall gross profit margin to 6.84 per cent for the six months to 30 November 2001, compared with 1.13 per cent for the comparative period and 2.46 per cent for the year ended 31 May 2001.

The Directors expect gross margins to improve further as the proportion of betting turnover placed on-line increases and the average bet size reduces. During the six months under review an average of 1,500 new Internet accounts were opened each month. Investment in technology and marketing initiatives are delivering significant business benefits. These have resulted in the number of bets placed on-line increasing from 60,000 in May 2001 to in excess of 120,000 in October 2001. During December 2001 136,000 Internet bets were placed, representing approximately 75 per cent of turnover, with an average bet size of £33. The increase in Internet betting has also been facilitated by the Company in September 2001, providing a fully secure, multi-currency on-line transactional facility with a turn round time of six seconds. Month on month turnover is continuing to increase, surpassing £5.8 million for December 2001.

Of the Company's on-line turnover, some 76 per cent is now represented by betting on soccer, and approximately 62 per cent emanates from the Far East, where 45 per cent of the Company's registered clients are based. The Directors believe the Company is well placed to benefit from the forthcoming Soccer World Cup which is taking place in Japan and Korea later this year, and which is expected to generate substantial turnover growth and provides a unique opportunity to capitalise on significant numbers of potential new customers.

In October 2001 the Company's 50-50 joint venture, Euro off-track, went live (euroofftrack.com). Euro off-track has the unique ability to co-mingle wagering data into host track pools The Euro off-track wagering data hub is the largest pari-mutuel "Super Hub" built to date by Amtote International, and can support multi-community transactions and process nearly 29 million transactions per hour.

Euro off-track has been appointed by The Racing Network International (TRNI) as one of its strategic hubs, transmitting wagering data directly into host track pools at premier USA horse and greyhound racing tracks.

Euro off-track has also been appointed as the exclusive international hub for the American Greyhound Broadcast Association and the Irish Greyhound Board. In addition Euro off-track has been granted exclusive international broadcast rights by the Irish Greyhound Board. To date the Euro off-track hub is connected to 18 North American horse and greyhound tracks. The hub has just successfully completed its beta testing with the Irish Greyhound Board's totalisator facilities in Ireland. During March Euro off-track will commence the broadcast of Irish Greyhound racing to an international audience and will offer B2C bettors the ability to wager into the pools at Irish Greyhound racetracks.

During 2002 Euro off-track intends to increase the number of premier thoroughbred horse and greyhound tracks connected to the hub to 40.

Of the value of wagers processed by the hub, Euro off-track retains a risk free commission.

During the coming year Euro off-track intends to extend the hub's services to other bookmakers as a gateway into our exclusive racing content and the host track pools.

The Directors believe that, in the future, a very substantial portion of major sports wagering will be based on the risk free pari mutuel model and Euro off-track is well placed to capitalise on this change.

As part of its strategy, in November the Company ceased opening fixed odds accounts for USA residents.

The Directors believe that Euro off-track will, in the future, make a substantial contribution through the provision of a risk free revenue stream and positions the Company as the "prime mover" in the co-mingling of global pari-mutuel wagers.

In November 2001 the Company announced that it had entered into a subscription agreement with Burnbrae Limited and others for the subscription of a total of 30,000,000 new ordinary shares in the Company to provide £3,000,000 of working capital over the next 12 months The subscription was accompanied by a bonus issue to all shareholders of warrants to subscribe for approximately 27 million new ordinary shares in the Company at an exercise price of 12p per share. Following the approval of these arrangements by shareholders in general meeting on 10 December 2001, Mr Mark Child, one of the subscribers, was appointed to the Board as a Non-Executive Director.

Significant milestones have been achieved during the first half of the financial year. Over the next period we shall complete the third pillar of our gaming strategy. betinternet.com has applied for an on-line casino licence on the Isle of Man and is in discussion with a number of established casino operators. The company intends to offer on-line casino products to our clients in the future.

The Directors believe that their integrated on-line strategy for fixed odds, casino and pari mutuel wagering greatly enhances the Company's aspiration to be a significant player in the e-gaming industry.

V.E.CALDWELL **4th Febuary 2002**

CHAIRMAN

betinternet.com plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six Months to 30 November 2001 £'000 Unaudited	Year Ended 31 May 2001 £'000 Audited	Six Months to 30 November 2000 £'000 Unaudited
Turnover			
Betting stakes received			
Internet	14,005	8,985	2,625
Telephone	8,671	39,551	21,169
	22,676	48,536	23,794
Share of joint venture turnover	10	-	-
Total group turnover	22,686	48,536	23,794
Cost of sales			
Winnings paid and bets laid off	(21,047)	(47,194)	(23,451)
Betting duty paid	(88)	(146)	(73)
Gross profit	1,551	1,196	270
Administration expenses	(1,993)	(3,494)	(1,755)
Total Operating loss	(442)	(2,298)	(1,485)
Operating Loss Analysis			
betinternet Group	(399)	(2,290)	(1,485)
Joint Venture	(43)	(8)	-
Total Group Operating loss	(442)	(2,298)	(1,485)
Interest receivable and similar income	9	71	54
Interest payable and similar charges	(163)	(93)	(25)
Loss on ordinary activities before and after taxation and retained loss for the year/period	(596)	(2,320)	(1,456)
Basic Loss Per Share (pence)	(0.76)	(2.96)	(1.85)
Diluted Loss Per Share (pence)	(0.67)	(2.46)	(1.50)

The directors consider that all results derive from continuing operations for both the current period and for the year ended 31 May 2001. 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.

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.

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, and bonus warrants granted to shareholders, where the exercise price is less than the average market price of the Company's shares during the year.

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CONSOLIDATED BALANCE SHEET

	30 November 2001 £'000 Unaudited	31 May 2001 £'000 Audited	30 November 2000 £'000 Unaudited
FIXED ASSETS			
Intangible assets	476	377	281
Tangible assets	244	227	344
Investments in joint ventures			
- share of gross assets	269	132	-
- share of gross liabilities	(312)	(131)	-
Investments	112	117	-
	789	722	625
CURRENT ASSETS			
Debtors	978	834	534
Cash at bank and in hand	973	947	1,792
	1,951	1,781	2,326
CREDITORS : amounts falling due within one year	(2,594)	(1,761)	(1,337)
NET CURRENT (LIABILITIES) / ASSETS	(643)	20	989
TOTAL ASSETS	146	742	1,614
CAPITAL AND RESERVES			
Called up share capital	783	783	783
Share premium	3,618	3,618	3,627
Profit and loss account	(4,255)	(3,659)	(2,796)
EQUITY SHAREHOLDERS' FUNDS	146	742	1,614

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CONSOLIDATED CASH FLOW STATEMENT

	Note	Six months to 30 November 2001 £ 000 Unaudited	Year Ended 31 May 2001 £ 000 Audited	Six months to 30 November 2000 £ 000 Unaudited
Net cash outflow from operational activities	2	(155)	(2,071)	(1,359)
Returns on investments and servicing of finance	3	(154)	(22)	29
Capital expenditure and financial investment	3	(287)	(278)	(250)
Cash outflow before use of liquid resources and financing		(596)	(2,371)	(1,580)
Financing	3	521	3	11
Decrease in cash in the period / year		(75)	(2,368)	(1,569)

RECONCILIATION OF NET CASH FLOW TO NET FUNDS

Opening net funds	926	3,294	3,294
Decrease in cash in the period / year	(75)	(2,368)	(1,569)
Closing net funds	851	926	1,725
Represented by			
Cash at bank and in hand	973	947	1,792
Bank overdrafts	(122)	(21)	(67)
	851	926	1,725

NOTES TO THE INTERIM STATEMENT

1. BASIS OF PREPARATION

This Interim Statement, which is unaudited, complies with the relevant accounting standards and should be read in conjunction with the 2001 Annual Report. The accounting policies are in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP) and have, in all material respects, been applied on a consistent basis with those applied in the 2001 Annual Report.

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

	Six Months to 30 November 2001 £ 000 Unaudited	Year Ended 31 May 2001 £ 000 Audited	Six months to 30 November 2000 £ 000 Unaudited
Operating Loss	(399)	(2,290)	(1,485)
Depreciation and amortisation charges	172	248	200
Loss on disposal of leasehold property	-	2	-
Write down of associate	6	47	-
Increase in debtors	(144)	(630)	(329)
Increase in creditors	210	552	255
	(155)	(2,071)	(1,359)

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

	Six Months to 30 November 2001 £000 Unaudited	Year Ended 31 May 2001 £000 Audited	Six Months to 30 November 2000 £000 Unaudited
Returns on investments and servicing of finance			
Interest receivable and similar income	9	71	54
Interest payable and similar charges	(163)	(93)	(25)
	(154)	(22)	29
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets including long leasehold property	77	150	68
Payments on development expenditure	210	247	182
Receipts from sales of tangible fixed assets	-	(119)	-
	287	278	250
Financing			
Issue of shares including share premium	-	3	11
Other loans	521	-	-
	521	3	11

4. DIRECTORS' SHARE INTERESTS

	21 January 2002 Beneficial Holdings No. (1p shares)	21 January 2002 Beneficial Options No. (1p shares)	21 January 2002 Beneficial Bonus Warrants No. (1p shares)
V E Caldwell	15,633,500	300,000	3,908,375
D P Craine	200,000	100,000	50,000
W D Mummery	-	500,000	-
P M Flanagan	-	1,000,000	-
S P C Graham	-	500,000	-
H Corkill	21,600	100,000	5,400
M Child	1,150,000	-	287,500

5. SUBSTANTIAL INTERESTS

	%	21 January 2002 Number of Ordinary Shares
Pershing Nominees Limited	16.95	15,636,668
Mill Properties Limited	13.29	13,293,500
Burnbrae Limited	10.83	10,000,000
Jennifer Caldwell	5.35	4,937,600
Diplomat Trust Company Limited	4.87	4,500,000

The directors are not aware of any other individual holdings in excess of 3% of the company's share capital.

6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

At an Extraordinary General Meeting of the Company held on 10 December 2001 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 was ratified. The principal terms of the Subscription Agreement were as follows:

- prior to signing the Subscription Agreement £390,920 was lent to the company by one of the new investors;
- within 3 days of the EGM the new investors subscribed 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 was repaid;
- at this time the Chairman and members of his family, or companies nominated by them, subscribed for 2,500,000 new ordinary 1p shares, issued at 10p per share, for a consideration of £250,000. The consideration was 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 were solicited to invest in the placement of 1,000,000 new ordinary 1p shares at 10p each, which raised 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.

Also ratified at the EGM was the issue to all existing shareholders and the new shareholders as detailed above, 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.

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AIM INDEPENDENT REVIEW REPORT TO betinternet.com plc

INTRODUCTION

We have been instructed by the company to review the financial information for the six months ended 30 November 2001 which comprises the profit and loss account, the balance sheet, the cashflow statement and related notes 1 to 6. 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. The directors are also responsible for preparing the interim report in accordance with the listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 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 excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom 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 six months ended 30 November 2001.

Deloitte & Touche

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