betinternet.com

EUROPEAN WAGERING SERVICES

the betting experts.

betinternet.com plc
annual report and accounts **2005**

Welcome to betinternet.com plc

We offer customers the opportunity to place wagers — via the telephone or internet — on a wide variety of sports, through **fixed odds** and **Pari-Mutuel** betting.

Typically, customers place bets on all the major sports — football, tennis, golf, formula one, US sports, international greyhound and horse racing. However, our huge range of wagering options reflects the true diversity of sports played throughout the globe. No matter what the customer wants to take a bet on, a German handball game for instance, we will endeavour to create the odds for them.

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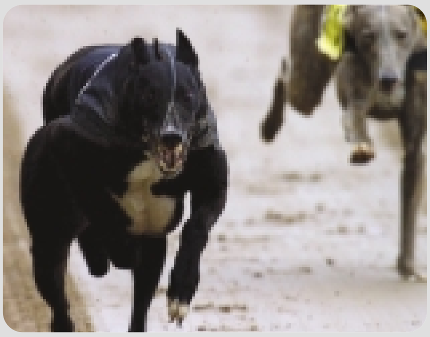


Operational Overview

betinternet.com

- offers fixed odds sports betting
- specialist in European soccer
- Far East and UK are largest markets
- live casino and Play Football recently added
- decision made to accept wagers from US customers
- new platform to be launched in early 2006
- servers being relocated to Curaçao

fixed odds

Pari-Mutuel

EUROPEAN WAGERING SERVICES

- offers Pari-Mutuel wagering
- owns and operates its own hub in the Isle of Man
- contracts with more than 70 thoroughbred, greyhound, harness and Jai Alai tracks worldwide
- provider of technical solutions for outlets and tracks
- remaining 50% of equity acquired during the period
- rebranded as European Wagering Services during the period

Chairman's Statement

"We are confident of seeing a significant boost to performance . . . during the current financial year."

Introduction

Following the announcement of promising interim results in January 2005, the remainder of the financial year, which ended on 29 May 2005, offered some significant challenges. On the basis of excellent results from European Wagering Services in the first half of the year, it was your board's intention to concentrate on developing this risk-free and potentially very lucrative side of the business further. Our strategy was to grow the global link between major track operators, content providers and customers wishing to make use of the wagering platform, multi-currency and technical services that the company offers through the Isle of Man hub.

Unfortunately, the company was mentioned in news reports relating to legal proceedings which took place in New York in January 2005. Two of the individuals under investigation were officers of the International Players Association, an organisation which had for two years referred 'high rolling' players to Euro Off-Track, now European Wagering Services. As a result of the unwelcome publicity and reaction of the tracks, we had no option but to cease this activity. This had a detrimental effect on our turnover and profitability.

I should emphasise that your company was not in any way involved in the legal proceedings and we were not contacted by any legal or regulatory authority in respect of them. Our probity was not in question. Indeed, some six months before these matters became public your board had reported its concerns regarding one of the defendants in the later proceedings, to the appropriate regulatory authority. It is our belief that this action led, in part, to the chain of events which was triggered in January 2005.

Since the year-end we have modestly begun to offer incentives to a small base of customers, but this is restricted to greyhound racing only.

As part of the process of rebuilding the potential of our wagering services and to maintain our good reputation as a global online gaming group, we invited the US Thoroughbred Protective Bureau (TRPB) – which body is, in effect, the conscience of US racecourses – to carry out an audit of our business. We are fully confident of the results of the audit which are to be reported later in 2005.

Strategy

As progress in European Wagering Services is temporarily held back, we have focused the company's energies on developing the performance of the sportsbook side of the business. Notably, we have decided to take wagers from US customers and will do so as soon as our new sportsbook platform, referred to below, is complete. We expect that this will be early in 2006.

This strategic move will involve us in relocating our sportsbook servers to a different jurisdiction, Curaçao, which encourages the acceptance of wagers from the USA. The majority of our sportsbook staff and European Wagering Services will continue to operate from the Isle of Man, which we continue to believe provides a supportive environment for the majority of our activities.

Since the year-end, significant progress has been made in developing an improved platform with a more complete sports offering and a comprehensive suite of both casino and 'fun' games for our customers. After detailed investigation we chose as software development partner, IGW, a Florida-based company whose experience in developing software for the US market and knowledge of the Curaçao jurisdiction is likely to prove invaluable. Accordingly, we are confident of seeing a significant boost to performance within the sportsbook during the current financial year.

We report in more detail on these positive achievements, and provide an account of other strategic investments, in the Operating Review that follows.

Overview of results

Group turnover rose to £93.7m (2004: £45.5m), an increase of 106%. However, after taking account of a sharply increased amortisation charge of £0.7m (2004: £0.2m), the group loss was £1.9m, the same as the previous period.

The results are more fully analysed in the Operational Review on page 6.

Fund-raising

The strategy for the first half of the year, which focused on the full acquisition and development of Euro Off-Track

— now called European Wagering Services – was supported through a placement of shares to Burnbrae Ltd in December 2004. To support recent developments within the sportsbook business, the board is in the process of finalising arrangements for Burnbrae to subscribe for a further placement of shares, details of which will be circulated to shareholders within the next few weeks.

Board and executive changes

We announced shortly after the end of the financial period that Hugh Mac Giolla Ri, a non-executive director, had tendered his resignation, due to ill health. We wish Hugh a speedy recovery and would like to thank him for his valuable contribution as a non-executive director since he joined the board in April 2003.

Also in June 2005, we were delighted to appoint Garry Knowles as Sportsbook Director. He joined us initially in November 2003 as Head of Trading Operations. Of immediate importance to Garry is the responsibility for leading the projects to upgrade the sportsbook platform and its relocation to Curaçao.

We strengthened our executive team with two senior appointments. On 30 March, Simon Nicholls was appointed as Chief Operating Officer of European Wagering Services. Simon was previously Managing Director of GG.com, the Internet arm of GG Media which holds the media rights to ten independent UK racecourses. At the same time, we also welcomed Tony Elder, previously a management consultant with Whitechapel Corporate Services, who was appointed Financial Controller of betinternet.com plc.

Following the establishment of this new management team, our Managing Director, Paul Doona, felt able to stand down from the role of leading the company, which he has undertaken for the last three years. Paul will step down from the board at the conclusion of the forthcoming annual general meeting, and will be succeeded by Garry Knowles. We wish Paul every success as he pursues new interests.

Summary

The setback in the otherwise excellent progress of European Wagering Services was a disappointment but it has served to direct our attention creatively on the performance of the sportsbook. I am confident that the combination of a strengthened sportsbook and the return to full potential of European Wagering Services during 2006, will hold betinternet.com on its course of developing one of the most compelling and exciting one-stop gaming and entertainment platforms available to customers across the world.

I should like to add my thanks to all betinternet staff for their hard work and commitment during the year. Together, we have many opportunities to explore and enjoy.

Chairman

Operational Review

"We are working at the forefront of online gaming technology."

The focus on strengthening the attraction and performance of the sportsbook side of the business during the last year and since the year end is progressing well. The board's decision to take play from the US required us to site the company's servers in a new jurisdiction and we have selected Curaçao for this purpose. This decision was also influenced by the presence in Curaçao of IGW Software, a company based in Miami which has substantial experience in designing and powering software specifically for sportsbook applications. We are currently working with IGW Software to create a new and dynamic sportsbook website which will enable us to diversify and build our range of sports and games for customers all over the world. The site in its revamped form will be launched early in 2006.

Last December we launched an online casino in partnership with CasinoWebcam and this has proved very successful. To add to the potential which this demonstrated, we have contracted with Real Time Gaming, a provider of gaming software to some of the most successful internet casino sites, to launch a random number casino and slots offering on the new sportsbook platform. Last year we also introduced a new game, Play Football, offering virtual football matches and this too has proved popular, especially in the summer months, traditionally our quiet period. We are continually seeking new betting opportunities and will be adding to the suite of sports and new leagues during the forthcoming year to develop our customer-base in Asia and Hong Kong, while enhancing the platform in Europe and the US.

In March 2005, we announced an agreement to take a 22.5 per cent stake in Coresports (Global Coresports Limited). This is a company established to exploit artificial intelligence technology to create a virtual reality gaming experience which can be played in real-time and on demand in a multi-player format. The system architecture has been developed by a team of six leading Cambridge academics, all of whom have extensive experience of start-up ventures, particularly in the area of biotechnology. The first application, to be launched in the current financial year, is an exciting football management game, the technology for which can be adapted for other team sports.

As these ventures demonstrate, we are working at the forefront of online gaming technology and, in due course, will offer a sportsbook platform that is utterly compelling to customers.

Part of our strategy has been to invest in order to develop opportunities in promising new territories. Last year we

announced the formation of a joint venture company, Isle of Man Tote Limited, with Phumelela Gold Enterprises of South Africa. This was created to exploit the opportunities of our Isle of Man-based hub and to provide an international service for South African thoroughbred racing. In due course the venture is intended to host pool betting on a variety of tote activities. Although progress has been slower than anticipated, we have seen the start of an income stream in the period following the end of the financial year.

Results

Our financial performance was severely impacted by events within European Wagering Services, which are more fully described by the Chairman in his statement on page 4. This was particularly frustrating as turnover increased significantly and underlying administration expenses were reduced sharply.

Group turnover increased by 106% to £93.7m (2004: £45.5m). Turnover from European Wagering Services contributed £45.8m during the 48 weeks it was wholly consolidated. However, much of this growth was made during the first half of the year before the termination of contracts in the US and the cessation of rebating had taken effect. It is likely that the downturn in turnover will continue for at least the first half of the current year after which we expect significant revival and further growth.

The margin achieved from pari-mutuel business (2.3%) reflects its risk-free nature and the gross profit earned, before betting duty, was £1.1m for the 48 weeks that the operation was consolidated.

Turnover from the fixed odds business, including casino and games, was £47.9m (2004: £45.5m). The blended margin for the fixed odds business fell to 4.8% (2004: 5.5%) due to the lower margin arising from casino and games.

Gross margin before betting duty, was £2.1m, compared with £2.5m in the previous period.

Administration expenses, which included 48 weeks for European Wagering Services, were £4.2m, a reduction of 6.7% compared with the previous period. Stripping out those additional expenses, the period on period reduction was 27.6%.

The group operating loss before amortisation was therefore reduced sharply to £1.1m from £2.0m in the previous period.

The overall loss at £1.9m was identical to the previous period, but takes into account a substantially increased amortisation charge arising as a result of the European Wagering Services acquisition of £0.7m (2004: £0.2m) and the loss from the joint venture prior to its acquisition.

Having spent the last three years involved in developing the strategy, trading philosophy and systems that are now in place in your company, it is my intention to step down from the board following the conclusion of the forthcoming annual general meeting. I am delighted that Garry Knowles has agreed to succeed me as Managing Director. I am particularly confident in the steer that will be provided by Garry and Simon Nicholls as they develop the fortunes of betinternet.com's sportsbook and European Wagering Services, respectively.

Paul Doona
Managing Director

Directors and Advisers

D H N Eke, aged 54
Non-Executive Chairman
Denham Eke began his career in Stockbroking before moving into Corporate Planning for a major UK Insurance Broker. He is a director of many years' standing of both Public and Private companies involved in the retail, manufacturing and financial services sectors.

Mr Eke was appointed Chairman of betinternet.com plc in April 2003.

P E Doona, aged 53
Managing Director
Paul Doona was appointed to the board as Finance Director in September 2002 and became Managing Director in February 2003. Mr Doona is a Chartered Accountant with many years' public company experience, having been Finance Director and Company Secretary of St. Modwen Properties PLC from 1988 to 1999, and Finance Director and later Managing Director of Claims Direct plc from 1999 to 2001. Mr Doona was interim Finance Director of bet365 Group Ltd until August 2002.

Mr Doona will step down from the board at the forthcoming annual general meeting.

Garry Knowles, aged 39
Sportsbook Director
Garry Knowles has 20 years' experience in the gaming industry having worked for the William Hill Organisation for 15 years, most recently as Deputy Manager for their International Call Centre in the Isle of Man. Latterly, Garry held the position of Director of Customer Relations for MGM Mirage Online before joining betinternet as Head of Trading Operations in November 2003.

Mr Knowles joined the board in June 2005.

J Mellon, aged 48
Non-Executive Director
Jim Mellon is the founding and principal shareholder and non-executive director of Regent Pacific Group Limited. In addition, he is the founding and principal shareholder and non-executive chairman of Charlemagne Capital Limited. Earlier in his career he worked for GT Management in the United States and in Hong Kong and later became the co-founder and managing director of Tyndall Holdings plc. He is currently a director of Fixed Odds Group Limited and a variety of other investment companies.

Mr Mellon joined the board in July 2004.

Directors
D H N Eke, Chairman
P E Doona, Managing Director
G Knowles, Sportsbrook Director
J Mellon, Non-Executive Director

Secretary
M Caldwell

Registered Office
Viking House, Nelson Street, Douglas
Isle of Man, IM1 2AH

Principal Bankers
Barclays Bank, Barclays House
Victoria Street, Douglas
Isle of Man, IM1 1HN

Auditors
KPMG Audit LLC
Chartered Accountants
Heritage Court, 41 Athol Street
Douglas, Isle of Man, IM99 1HN

Nominated Adviser and Broker
Williams de Broë, PO Box 515
6 Broadgate, London, EC2M 2RP

Registrars
Capita IRG
Northern House, Woodsome Park
Fenay Bridge, Huddersfield, HD8 0LA

Directors' Report

The directors present their annual report and the audited financial statements for the period ended 29 May 2005.

Principal activities

The group operates as a licensed sports bookmaker providing a worldwide telephone and internet service. The group operates a pari-mutuel service to individual and business customers, utilising its totalizator facility in the Isle of Man. In previous periods this service was provided by way of joint venture. This activity was acquired wholly during the period under review.

Business review

The group operates on a worldwide basis and provides internet and telephone facilities in respect of a wide variety of sporting events.

A more detailed review of the business, its results and future developments is given in the Chairman's Statement and Operational Review on pages 4 and 6, respectively.

Proposed dividend

The directors do not propose the payment of a dividend (2004: nil).

Policy and practice on payment of creditors

It is the policy of the group to agree appropriate terms and conditions for its transactions with suppliers by means of standard written terms to individually negotiated contracts. The group seeks to ensure that payments are always made in accordance with these terms and conditions.

At the year end there were 41 days (2004: 36 days) purchases in trade creditors.

Directors and directors' interests

The directors who held office during the period were as follows:

D H N Eke	Chairman
P E Doona	Executive
W D Mummery	Executive (resigned 25 June 2004)
M L Child	Non-executive (resigned 25 June 2004)
H Corkill	Non-executive (resigned 25 June 2004)
H Mac Giolla Ri	Non-executive (resigned 21 July 2005)
J Mellon	Non-executive (appointed 16 July 2004)

Mr G Knowles was appointed to the board on 3 June 2005. He retires in accordance with the articles of association and, being eligible, offers himself for re-election. The director retiring by rotation is Mr D H N Eke who, being eligible, offers himself for re-election.

The directors who held office at the end of the period had the following interests in the ordinary shares of the company and options to purchase such shares arising from incentive schemes:

Directors' Report continued

	Ordinary Shares		Options	
	Interest at end of period	Interest at start of period	Interest at end of period	Interest at start of period
D H N Eke	—	—	—	—
P E Doona	320,000	320,000	6,833,740	2,333,740
H Mac Giolla Ri	24,000	24,000	—	—
J Mellon (appointed 16 July 2004)	51,968,000	—	—	—

Mr Mellon's interests are more fully described in the note below (Substantial interests).

Subsequent to the period end, Mr Mac Giolla Ri resigned from the board.

Further details of the options issued to the executive directors are contained in the Report of the remuneration committee on pages 15 to 17.

Substantial interests

On 21 November 2005 the following interests in 3 per cent or more of the company's ordinary share capital had been reported:

	%	Number of ordinary shares
Burnbrae Limited	33.96	51,100,000
Mill Properties Limited	8.84	13,293,500
Vincent Caldwell	7.29	12,964,967
Merrion Stockbrokers Nominees Limited a/c 900741	6.20	9,329,264
Vidacos Nominees	5.82	8,761,125
Diplomat Trust Company Limited	3.81	5,734,400
Pershing Keen Nominees Limited a/c CACLT	3.35	5,042,100
Jennifer Caldwell	3.28	4,937,600

The board has been informed that Mr J Mellon is a beneficiary of a trust that holds the entire share capital of Burnbrae Limited. Mr Mellon is also a beneficiary of a trust that holds 950,000 ordinary shares in the company. Separately, Mr Mellon is also interested in 18,000 ordinary shares in the company.

Jennifer Caldwell is a sister of Vincent 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.

Annual General Meeting

Shareholders will be asked to approve at the Annual General Meeting certain resolutions as special business. Some of these resolutions have become routine business at the Annual General Meetings of most public companies, including your company, and relate to the renewal of the authority for the directors to allot relevant securities and the renewal of the powers for the directors to allot equity securities for cash.

The board, as has been its practice in the past, is also proposing to seek authority for the company to purchase certain of its own shares and intends to seek shareholder approval to the Report of the Remuneration Committee.

Employees

The group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, race or religion.

The group recognises the importance of ensuring employees are kept informed of the group's performance, activities and future plans.

Political and charitable contributions

The group made no political contributions nor donations to charities during the year.

Auditors

KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

By order of the board

M Caldwell
Company Secretary
29 November 2005

Corporate Governance

The company is committed to high standards of corporate governance. The board is accountable to the company's shareholders for good corporate governance.

The company has applied the principles set out in Section 1 of the revised Combined Code (issued in 2003).

This statement describes how the principles of corporate governance are applied to the company and the company's compliance with the Code provisions.

1. Directors

The company is controlled through the board of directors which comprises two executives and two non-executive directors.

The Chairman is mainly responsible for the conduct of the board, and he, together with the Managing Director, seeks to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings.

The Managing Director is responsible for co-ordinating the company's business and implementing strategy. The Managing Director currently also undertakes the role of Finance Director.

None of the non-executive directors is deemed to be independent, although the board intends to appoint at least one independent director at an appropriate time.

Shareholders are encouraged to contact the Chairman should they require clarification on any aspect of the company's business.

All directors are able to take independent professional advice in furtherance of their duties if necessary.

The board has a formal schedule of matters reserved for it and meets 11 times per year. It is responsible for overall group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks including legislative, jurisdictional and major liability management issues. The board approves the annual budget and the progress towards achievement of the budget. The board also considers employee issues and key appointments. It also seeks to ensure that all directors receive appropriate training on appointment and then subsequently as appropriate. All directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

The board has established two standing committees, both of which operate within defined terms of reference. The committees established are the Audit Committee and the Remuneration Committee. The board does not consider it necessary for a company of its size to establish a standing Nominations Committee. Instead the board's policy in relation to board appointments is for the Chairman to agree selection criteria with all board members and use independent recruitment consultants to initiate the search for candidates. The final decision on appointments rests with the full board.

2. Directors' Remuneration

The Report of the Remuneration Committee is set out on pages 15 to 17 of the report and accounts.

3. Relations with Shareholders

The company encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

The Managing Director attended meetings with analysts and shareholders during the period ended 29 May 2005, at the time of the announcements of both the company's interim and final results.

The board has sought to use the Annual General Meeting to communicate with private investors and encourages their participation.

4. Financial Reporting

The performance and financial position of the company are provided in the Chairman's Statement on page 4, the Operational Review on page 6 and the Directors' Report on pages 9 to 11. These enable the board to present a balanced and understandable assessment of the company's position and prospects. The directors' responsibilities for the financial statements are described on page 14.

Internal Control

The board seeks to apply Principle D.2 of the Combined Code and believes it has controls in place which have established an ongoing process for identifying, evaluating and managing the significant risks faced by the group. In this regard, the board seeks to work closely with the company's auditors.

The board also acknowledges that it has overall responsibility for reviewing the effectiveness of internal control. It believes that senior management within the group's operating businesses should also contribute in a substantial way and this has been built into the process.

There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The system adopted by the board manages rather than eliminates the risk of failure to achieve business objectives.

In carrying out its review of the effectiveness of internal control in the group the board takes into consideration the following key features of the risk management process and system of internal control:

- Risks are identified which are relevant to the group as a whole and encompass all aspects of risk including operational, compliance, financial and strategic.
- The board seeks to identify, monitor and control the significant risks to an acceptable level throughout the group. In order to do so the Audit Committee, acting on behalf of the board, reviews risk matters at each meeting of the Audit Committee.
- The group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results with budgets. Management accounts are prepared for each operating activity and the group on a monthly basis. Material variances from budget are thoroughly investigated. In addition, the group's profitability forecast is regularly updated based on actual performance as the year progresses. A thorough reforecast exercise is undertaken following production of the half-year accounts.
- Cash flow forecasts are regularly prepared to ensure that the group has adequate funds and resources for the foreseeable future.

Risks are identified and appraised through the annual process of preparing these budgets.

Steps have been taken to embed internal control and risk management into the operations of the business and to deal with areas of improvement which come to management's and the board's attention. This process is continuing to increase risk awareness throughout the group.

Audit Committee

The Audit Committee comprises the non-executive directors and is chaired by Mr D H N Eke. The committee acts in an advisory capacity to the board and meets not less than twice a year. Its terms of reference require it to take an independent view of the appropriateness of the group's accounting controls, policies and procedures. The committee also reviews and approves the reports, appointment and fees of the external auditors, and meets its external auditors at least twice a year. Additional meetings may be requested by the auditors.

Going Concern

As more fully explained in note 1 to the accounts on page 23, and after making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Internal Audit

The directors have reviewed the need for an internal audit function and believe that the group is not of sufficient size and complexity to require such a function.

Compliance Statement

The company has sought to fully comply with the provisions set out in Section 1 of the code and the board considers that as far as is practicable for a company of its size and stage of development it complies with the principles of the code at the date of this report.

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 group and of the profit or loss 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the Remuneration Committee

Introduction

This report has been prepared to accord as far as possible with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for UK public companies in relation to the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. This report also attempts to meet, as far as is practicable for a company of betinternet's size, the relevant requirements of the Listing Rules of the UK Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

Remuneration Committee

The company has an established Remuneration Committee which has a formal constitution and is composed of the non-executive directors of the company under the Chairmanship of D H N Eke.

No director plays a part in any discussion about his own remuneration.

Remuneration Policy

The Remuneration Committee's policy is to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre.

The remuneration of the non-executive directors is considered by the executive directors and reflects the time which they commit to the company. Non-executive directors do not participate in any of the company's share option schemes and are not eligible to join the company's pension scheme.

The major elements of the remuneration package for the executive directors are:

- Basic annual salary and benefits.
- Eligibility to participate in an annual bonus scheme, when such scheme operates.
- Share option incentives.
- Contribution to a pension plan.

The committee seeks to ensure that bonus and share option incentives have a strong link with individual performance.

Basic Salary

The level of basic annual salary and benefits is determined by the Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies.

Annual Bonus Payments

Although no bonus scheme operated during the period under review, it is anticipated that a scheme will operate when group profitability and cash flow allow. Bonuses for the executive directors are calculated with reference to the profit before tax as disclosed in the audited financial statements of the group, together with an assessment by the Committee of the director's performance against agreed personal targets. Bonus payments are not pensionable.

Given the nature of the discretionary annual bonus payments, which will be linked to the respective performance of the group, and the contribution of individual directors, the Committee believes this illustrates the relative importance placed on performance related remuneration.

Share Options

The Committee believes that share ownership by executives strengthens the link between their personal interests and those of shareholders. The company currently operates four share option schemes, although it is intended that following the adoption of the 2005 Share Option Plan, no further options will be issued under these schemes. Options are granted to executives periodically at the discretion of the Remuneration Committee. The grant of share options is not subject to fixed performance criteria. This is deemed to be appropriate as it allows the Committee to consider the performance of the group and the contribution of the individual executives and, as with annual bonus payments, illustrates the relative importance placed on performance related remuneration.

Pensions

The group intends to contribute to the personal pension plan of Mr P E Doona in the forthcoming period.

Service Contracts

During the period under review, the service contract of Mr P E Doona provided for a notice period of six months by all parties.

Report of the Remuneration Committee

continued

Aggregate Directors' Remuneration

The total amounts for director's remuneration were as follows:

		2005 £000	2004 £000
Emoluments	— salaries	**117**	242
	— termination payments	**—**	53
	— fees	**41**	62
Contributions to pension plans		**14**	18
		172	375

Directors' Emoluments

	Basic salary £000	Fees £000	Benefits £000	2005 Total £000	2004 Total £000
Executive					
P E Doona	110	—	13	**123**	122
W D Mummery (resigned 25 June 2004)	7	—	1	**8**	100
S P C Graham (resigned 25 October 2003)	—	—	—	—	91
Non-Executive					
D H N Eke*	—	20	—	**20**	20
H Mac Giolla Ri	—	11	—	**11**	11
J Mellon (appointed 16 July 2004)	—	10	—	**10**	—
H Corkill (resigned 25 June 2004)	—	—	—	**—**	12
M L Child (resigned 25 June 2004)	—	—	—	**—**	19
Aggregate emoluments	**117**	**41**	**14**	**172**	375

* paid to Burnbrae Limited

Details of the options outstanding at 29 May 2005 are as follows:

Name of director	30 May 2004	(Lapsed)/ granted in year	29 May 2005	Exercise price	Date from which exercisable	Expiry date
P E Doona						
(a) 2000 Share Option Plan	777,914	—	**777,914**	12p	20 Dec. 2005	20 Dec. 2012
(b) 2000 USA Share Option Plan	1,555,826	—	**1,555,826**	10p	23 Dec. 2005	23 Dec. 2012
(c) 2005 Share Option Plan	—	4,500,000	**4,500,000**	10.4p	18 March 2008	18 March 2015
W D Mummery (resigned 25 June 2004)						
(a) 2000 Share Option Plan	777,914	(777,914)	**—**	12p	20 Dec. 2005	20 Dec. 2012
(b) 2000 USA Share Option Plan	1,555,826	(1,555,826)	**—**	10p	23 Dec. 2005	23 Dec. 2012
(c) 1998 Share Option Plan	500,000	—	**500,000**	1p	23 April 2002	23 April 2009
H Corkill (resigned 25 June 2004)						
(a) 1998 Share Option Plan	100,000	(100,000)	**—**	23.15p	2 Sept. 2003	2 Sept. 2010
	5,267,480	2,066,260	**7,333,740**			

Prior to joining the board on 3 June 2005, Mr G Knowles was granted, on 18 March 2005, an option over 1,500,000 ordinary shares. The exercise price is 10.4p and the option is exercisable between 18 March 2008 and 18 March 2015.

The market price of the shares at 27 May 2005 (the last closing price prior to the period end) was 8.50p. The range during the period was 4.75p to 12.00p.

Approval

The report was approved by the board of directors and signed on behalf of the board.

D H N Eke
Chairman
29 November 2005

Report of the Independent Auditors

Report of the independent auditors to the members of betinternet.com plc

We have audited the financial statements on pages 19 to 34. This report is made solely to the company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 14, this includes responsibility for preparing the financial statements in accordance with applicable Isle of Man law and United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the Isle of Man 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 2004. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company 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' transactions with the group is not disclosed.

We read the other information contained in the annual report, including the corporate governance statement and the directors' remuneration report, and consider whether it is consistent with the audited 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 audit opinion

We conducted our audit in accordance with 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 group's circumstances, 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.

In forming our opinion, we have considered the adequacy of the disclosures in note 1 to the financial statements concerning the basis of preparation of the financial statements. Whilst we consider that this matter should be drawn to your attention, our opinion is not qualified in this respect.

Opinion

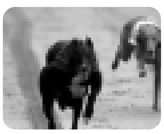
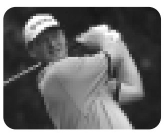
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 29 May 2005 and of the loss of the group for the 12 month period then ended and have been properly prepared in accordance with the Companies Acts 1931 to 2004.

KPMG Audit LLC

Chartered Accountants

Heritage Court, 41 Athol Street, Douglas, Isle of Man, IM99 1HN

29 November 2005


Consolidated Profit and Loss Account

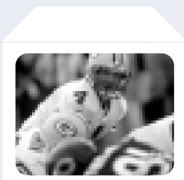
for the period ended 29 May 2005

	Note	Continuing operations £000	Acquisitions £000	2005 £000	2004 £000
Turnover including share of joint venture					
Betting stakes received					
Fixed odds		29,157	—	**29,157**	45,494
Pari-Mutuel		1,403	45,794	**47,197**	22,513
Casino & Games		18,747	—	**18,747**	—
		49,307	45,794	**95,101**	68,007
Less: share of joint venture		(1,403)	—	**(1,403)**	(22,513)
Total group turnover	2	47,904	45,794	**93,698**	45,494
Cost of sales					
Winnings paid and bets laid off	2	(45,836)	(44,728)	**(90,564)**	(43,004)
Betting duty paid	2	(50)	(32)	**(82)**	(53)
Gross Profit	2	2,018	1,034	**3,052**	2,437
Administration expenses		(3,236)	(933)	**(4,169)**	(4,467)
Operating loss before amortisation		(1,218)	101	**(1,117)**	(2,030)
Amortisation of goodwill				**(675)**	(219)
Operating loss after amortisation	3			**(1,792)**	(2,249)
Share of operating (loss)/profit in joint venture				**(105)**	354
Total operating loss including share of joint venture				**(1,897)**	(1,895)
Interest				**5**	1
Loss on ordinary activities before and after taxation and retained loss for the year	5,14			**(1,892)**	(1,894)
Basic and diluted loss per share (pence)	6			**(1.4)**	(1.6)

All results derive from continuing operations.

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 prior period.

The accompanying accounting policies and notes form an integral part of these financial statements.


Consolidated Balance Sheet

as at 29 May 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Intangible assets	7		**541**		219
Tangible assets	8		**351**		620
Investments	9		**83**		—
			975		839
Current assets					
Debtors	10	**207**		851	
Cash at bank and in hand		**650**		444	
		857		1,295	
Creditors					
amounts falling due within one year	11	**(1,611)**		(1,517)	
Net current liabilities			**(754)**		(222)
Provision for liabilities and charges					
Investment in joint venture	9				
Share of gross assets		**–**		446	
Share of gross liabilities		**–**		(636)	
Share of net liabilities			**–**		(190)
Creditors					
amounts falling due after more than one year	12		**(63)**		—
Net assets			**158**		427
Capital and reserves					
Called up share capital	13		**1,505**		1,167
Share premium	14		**8,213**		6,928
Profit and loss account	14		**(9,560)**		(7,668)
Equity shareholders' funds	15		**158**		427

The financial statements were approved by the board of directors on 29 November 2005.

D H N Eke Director

P E Doona Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Balance Sheet

as at 29 May 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Tangible assets	8		**52**		93
Investments	9		**784**		1
			836		94
Current assets					
Debtors	10	**482**		2,107	
Cash at bank and in hand		**446**		413	
		928		2,520	
Creditors					
amounts falling due within one year	11	**(1,268)**		(1,399)	
Net current assets			**(340)**		1,121
Creditors					
amounts falling due after more than one year	12		**(63)**		—
Net assets			**433**		1,215
Capital and reserves					
Called up share capital	13		**1,505**		1,167
Share premium	14		**8,213**		6,928
Profit and loss account	14		**(9,285)**		(6,880)
Equity shareholders' funds	15		**433**		1,215

The financial statements were approved by the board of directors on 29 November 2005.

D H N Eke Director

P E Doona Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the period ended 29 May 2005

	Note	2005 £000	2004 £000
Net cash outflow from operating activities	16	**(1,182)**	(984)
Returns on investments and servicing of finance		**5**	1
Capital expenditure		**(94)**	(345)
Acquisition	17	**328**	—
Cash outflow before use of liquid resources and financing		**(943)**	(1,328)
Financing	17	**985**	—
Increase/(decrease) in cash during the period		**42**	(1,328)

Reconciliation of net cash flow to movement in net funds

	Note	2005 £000	2004 £000
Opening net funds		**437**	1,765
Increase/(decrease) in cash during the period		**42**	(1,328)
Closing net funds	18	**479**	437

Notes to the Accounts

for the period ended 29 May 2005

1 Accounting policies

In the absence of 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 2004. No such inconsistencies were identified.

The particular accounting policies adopted are described below.

Basis of preparation of the financial statements

The group has incurred losses of £9,560,000 since the commencement of trading. As at 29 May 2005 the group has net assets of £158,000 and cash balances of £479,000, of which £125,000 was deposited with Barclays Merchant Services as security for the provision of credit card services. The directors are in the process of implementing a number of strategies designed to achieve profitability.

As described in note 26 equity finance of £1.5m (before issue costs) will be raised, subject to shareholder approval, and when received will enable the group to fully implement the strategies described in the Chairman's statement, including relocating the company's servers and increasing the marketing budget. The directors believe that the successful implementation of this strategy will place the group in a strong position to attract additional funding and have prepared a business plan, including cash flow information for the next 12 months, with the working assumption that a third party fund raising for £2 million can be achieved in the first half of 2006. On that basis, the directors believe that the group will have adequate resources to meet its obligations as they fall due and have sufficient resources to expand the business profitably. Although there can be no certainty in these matters, the directors have concluded that it is appropriate to prepare these financial statements on the going concern basis.

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 associated undertakings as at 29 May 2005.

Under the acquisition method of accounting, the results of subsidiary undertakings are included from the effective date of acquisition.

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's 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

Turnover represents the stakes received from customers less any void bets recorded.

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 with 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.

Notes to the Accounts continued

The company is liable to betting duty at 1.5% of net stake receipts in the case of international bets and 15% on net UK stake receipts. Net stakes are betting stakes received less winnings and bets laid off.

Employee share schemes
The cost of awards to employees that take the form of shares or rights to shares are recognised over the period prior to which the employee becomes unconditionally entitled to the shares.

Foreign currency
Foreign currency balances and the assets and liabilities of overseas subsidiaries 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 transactions and conversions are included in the profit and loss account.

Operating leases
Operating lease rentals are charged in 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.

Goodwill
Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life, which is two years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets
Development costs for the group, which relate to the group's proprietary software, are capitalised where, in the opinion of the directors, there is a benefit that will be derived from the expenditure incurred.

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

Development costs	33$^1/_3$%
Computer equipment and software	33$^1/_3$%
Fixtures and fittings and office equipment	33$^1/_3$%
Motor vehicles	33$^1/_3$%

Creditors
Amounts due to customers which arise from cash payments they have made to group companies or the proceeds of successful bets are included in Trade Creditors. These amounts can be used by customers for stakes relating to future bets or may be the subject of a request by the customer for repayment.

In the event of a customer account remaining dormant for a period of more than two years, the balance may, after review, be written back to income.

Deferred taxation
Deferred taxation is provided on all 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, except for deferred tax assets which are only recognised to the extent that they have been agreed with the Assessor of Income Tax and/or the group anticipates making sufficient taxable profits in the near future.

2 Segmental Analysis

Period ended 29 May 2005

	Fixed Odds £000	Pari-Mutuel £000 (48 weeks)*	Casino & Games £000 (24 weeks)†	Total £000
Betting stakes received	**29,157**	**45,794**	**18,747**	**93,698**
Winnings paid and bets laid off	**(27,460)**	**(44,728)**	**(18,376)**	**(90,564)**
Gross margin	**1,697**	**1,066**	**371**	**3,134**
%	**5.8%**	**2.3%**	**2.0%**	
Betting duty				**(82)**
Gross Profit				**3,052**

Period ended 30 May 2004	Fixed Odds £000	Total £000
Betting stakes received	45,494	45,494
Winnings paid and bets laid off	(43,004)	(43,004)
Gross margin	2,490	2,490
%	5.5%	
Betting duty		(53)
Gross profit		2,437

* Pari-Mutuel operations are the activities of European Wagering Services Limited. In previous periods, these activities were undertaken by way of joint venture. The group acquired the 50% of European Wagering Services Limited, not previously owned, on 28 June 2004. From that date, the activities were fully consolidated.

† As explained more fully in the Operational Review on page 6, casino and games activities, not previously offered by the sportsbook platform were launched in December 2004.

3 Group operating loss

Group operating loss is stated after charging:

	2005 £000	2004 £000
Auditors' remuneration:		
Group — audit	**36**	39
— other services	**49**	12
Company — audit	**27**	33
Depreciation of tangible fixed assets	**465**	566
Exchange losses	**31**	56
Operating lease rentals — other than plant and machinery	**168**	98

Notes to the Accounts continued

4 Staff numbers and cost

	2005	2004
Average number of employees	**41**	49

The aggregate payroll costs of these persons were as follows:

	2005 £000	2004 £000
Wages and salaries	**1,093**	1,209
Social security costs	**115**	122
Other pension costs	**18**	18
	1,226	1,349

The remuneration of directors is disclosed in the Report of the Remuneration Committee on pages 15 to 17. The total emoluments of directors was £172,000 (2004: £375,000).

5 Tax on loss on ordinary activities

No provision for tax is required for either the current or previous period, due to the level of losses incurred. Unprovided deferred tax amounted to an asset of £720,000 (2004: £645,000) which is the result of accumulated tax losses less accelerated capital allowances.

6 Loss per share

The basic loss per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares during the year.

Calculation of loss per share is based on losses of £1,892,156 (2004: £1,893,941) and the weighted average number of ordinary shares being the equivalent of 135,217,660 (2004: 116,687,254) 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.

7 Intangible assets

	Goodwill £000
Cost	
At 31 May 2004	438
Additions during period	997
At 29 May 2005	**1,435**
Accumulated Depreciation	
At 31 May 2004	219
Charge	675
At 29 May 2005	**894**
Net book value	
At 29 May 2005	**541**
At 30 May 2004	219

8 Tangible assets

Group

	Development costs £000	Computer equipment and software £000	Office equipment, fixtures & fittings £000	Total £000
Cost				
At 31 May 2004	1,268	1,020	184	2,472
Additions	52	36	6	94
Arising on acquisition	372	—	70	442
Disposals	—	(71)	(30)	(101)
At 29 May 2005	**1,692**	**985**	**230**	**2,907**
Depreciation				
At 31 May 2004	967	727	158	1,852
Charge	219	202	44	465
Disposals	—	(71)	(29)	(100)
Arising on acquisition	326	—	13	339
At 29 May 2005	**1,512**	**858**	**186**	**2,556**
Net book value				
At 29 May 2005	**180**	**127**	**44**	**351**
At 30 May 2004	301	293	26	620

Company

	Computer equipment and software £000	Office equipment, fixtures & fittings £000	Total £000
Cost			
At 31 May 2004	211	73	284
Additions	6	6	12
Disposals	(71)	—	(71)
At 29 May 2005	**146**	**79**	**225**
At 31 May 2004	127	64	191
Charge	47	6	53
Disposals	(71)	—	(71)
At 29 May 2005	**103**	**70**	**173**
Net book value			
At 29 May 2005	**43**	**9**	**52**
At 30 May 2004	84	9	93

Notes to the Accounts continued

9 Investments

Group	Investment in associated company £000	Investment in joint ventures £000	Total £000
At 31 May 2004	—	(190)	(190)
Share of loss of joint ventures	—	(105)	(105)
Arising on acquisition of whole	—	295	295
Addition	83	—	83
At 29 May 2005	**83**	**—**	**83**

Company	Investment in subsidiary companies £000	Investment in associated company £000	Investment in joint ventures £000	Total £000
At 31 May 2004	—	—	1	1
Arising on acquisition of whole	701	—	(1)	700
Addition	—	83	—	83
At 29 May 2005	**701**	**83**	**—**	**784**

Subsidiaries	Country of incorporation	Activity	Holding (%)
European Wagering Services Limited	Isle of Man	Operation of interactive wagering totaliser hub	100
Technical Facilities & Services Limited	Isle of Man	Provision of betting systems to group companies	100
bi Marketing Limited	Macau	Provision of marketing services	100
Oddsalive Limited	Malta	Operation of internet betting service	100
betinternet UK.com Limited	England	Holder of UK bookmaker's permit non-trading	100
Other investments — associated company			
Global coreSports Limited	Isle of Man	Gaming software developer	22.5

The holding in European Wagering Services Limited was 50% at the previous period end. The 50% not owned by the group was acquired on 28th June 2004.

The investment in Global coreSports Limited is held at cost.

On 28 June 2004, betinternet.com acquired the remaining 50% interest in Euro Off-Track Limited Partnership, which had previously been accounted for as a joint venture and since renamed European Wagering Services ("EWS"). EWS has been accounted for as a wholly owned subsidiary since this date.

The fair values of the assets and liabilities of EOT acquired at 28 June 2004 were as follows:	£'000
Fixed assets	49
Debtors	258
Cash	207
Customer accounts	(342)
Sundry liabilities	(468)
Net liabilities acquired	(296)
Goodwill	997
Consideration	
Issue of 8,761,125 ordinary 1p shares at a premium of 7p each	701

Goodwill is being amortised over 2 years from the date of acquisition.

10 Debtors

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade debtors	**97**	52	**15**	51
Amount due from group undertakings	**—**	—	**418**	1,316
Sundry debtor from joint venture	**—**	641	**—**	661
Other debtors and prepayments	**110**	158	**49**	79
	207	851	**482**	2,107

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Due within one year	**207**	210	**64**	130
Due after more than one year	**—**	641	**418**	1,977
	207	851	**482**	2,107

Amounts due from group undertakings are unsecured, interest free and repayable in more than one year.

11 Creditors: amounts falling due within one year

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank overdrafts	**171**	7	**129**	—
Trade creditors	**1,137**	1,208	**884**	1,114
Deferred income	**25**	16	**25**	16
Income tax and national insurance	**28**	25	**24**	25
Accruals and other creditors	**250**	261	**206**	244
	1,611	1,517	**1,268**	1,399

The group's policy regarding liquidity is outlined in note 23 on page 34. The bank overdrafts carry variable interest rates and are payable on demand.

12 Creditors: amounts falling due after more than one year

	The Group and Company	
	2005	2004
	£000	£000
Loan	**63**	—

The company has been provided with a loan facility, totalling £250,000 from a shareholder, Burnbrae Limited, in respect of its intended investment in Global coreSports Limited. At the period end £62,500 had been drawn down against this facility. Further drawings have been made subsequent to the period end.

The loan is secured over certain assets of the group and bears interest at the rate of LIBOR plus 4%.

Notes to the Accounts continued

13 Share Capital

Authorised

	No.	2005 £000	2004 £000
Ordinary shares of 1p each	**185,000,000**	**1,850**	1,850
Allotted, issued and fully paid			
At 31 May 2004: ordinary shares of 1p each	116,687,652	**1,167**	1,167
Issued during the year	33,773,950	**338**	—
At 29 May 2005: ordinary shares of 1p each	**150,461,602**	**1,505**	1,167

During the period the following issues of ordinary shares occurred:

(1) On 28 June 2004, 8,761,125 ordinary shares were issued at 8p per share to Vidacos Nominees in consideration for the 50% of Euro Off-Track Limited Partnership (now European Wagering Services Limited) not owned by the company

(2) On 10 December 2004, 1,625 ordinary shares were issued to existing shareholders following the exercise of warrants at 12p per share.

(3) On 29 December 2004, 25,000,000 ordinary shares were issued to Burnbrae Limited at 4p per share under the terms of a placing agreement approved by shareholders at an extraordinary general meeting held on that date.

(4) On 10 March 2005, 11,200 ordinary shares were issued at 3.25p under the terms of the 1998 share option plan.

Options

Movements in share options during the period ended 29 May 2005 were as follows:

	No.
At 31 May 2004 — 1p ordinary shares	6,297,080
Options granted	6,000,000
Options lapsed	(2,850,540)
Options exercised	(11,200)
At 29 May 2005 — 1p ordinary shares	**9,435,340**

Details of options at 29th May 2005 were as follows:

	Price per share	Options granted	Exercisable between
1998 Share Option Plan	1p	80,000	June 2001 and June 2008
1998 Share Option Plan	1p	500,000	April 2002 and April 2009
1998 Share Option Plan	3.25p	33,600	September 2002 and September 2009
1998 Share Option Plan	23.15p	56,000	September 2003 and September 2010
1998 Share Option Plan	23.15p	32,000	April 2003 and April 2010
2000 USA Share Option Plan	10p	911,247	December 2003 and December 2012
2000 USA Share Option Plan	10p	911,246	December 2004 and December 2012
2000 Share Option Plan	12p	911,247	December 2005 and December 2012
2005 Share Option Plan	10.4p	6,000,000	March 2008 and March 2015
		9,435,340	

13 Share Capital (continued)

Warrants

Movements in share warrants during the period ended 29 May 2005 were as follows:

(a) Warrants in respect of subscription agreement dated December 2001	No.	Subscription price (p)	Maximum subscription (£000)	Latest date of exercise
As at 31 May 2004 — 1p ordinary shares	25,262,507	12	3,032	
Exercised	(1,625)	12	—	
Lapsed	(25,260,882)	12	(3,032)	
	—		—	Lapsed
(b) Warrants issued to Williams de Broe Plc				
At 31 May 2004 and 29 May 2005 — 1p ordinary shares	**312,500**	**16**	**50**	May 2007

14 Reserves

Group

	Share Premium £000	Profit and Loss Account £000
At 31 May 2004	6,928	(7,668)
Premium on share issues less expenses	1,285	—
Retained loss for the year	—	(1,892)
At 29 May 2005	**8,213**	**(9,560)**

Company

	Share Premium £000	Profit and Loss Account £000
At 31 May 2004	6,928	(6,880)
Premium on share issues less expenses	1,285	—
Retained loss for the year		(2,405)
At 29 May 2005	**8,213**	**(9,285)**

15 Reconciliation of movements in equity shareholders' funds

	The Group		The Company	
	2005 £000	**2004 £000**	**2005 £000**	**2004 £000**
Loss for the financial period	**(1,892)**	(1,894)	**(2,405)**	(1,711)
Increase in issued share capital and share premium account	**1,623**	—	**1,623**	—
Net decrease in shareholders' funds	**(269)**	(1,894)	**(782)**	(1,711)
Opening shareholders' funds	**427**	2,321	**1,215**	2,926
Closing shareholders' funds	**158**	427	**433**	1,215

Notes to the Accounts continued

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

	2005 £000	2004 £000
Operating loss	**(1,792)**	(2,249)
Depreciation and amortisation charges	**1,140**	785
Decrease in debtors	**537**	760
Decrease in creditors	**(1,067)**	(280)
Net cash outflow from operating activities	**(1,182)**	(984)

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

	2005 £000	2004 £000
Acquisition		
Investment	**(83)**	–
Cash acquired from subsidiary	**411**	–
	328	–
Financing		
Issue of new shares including share premium	**922**	–
Amounts falling due after more than one year	**63**	–
	985	–

18 Analysis of net funds

	At 30 May 2004 £000	Cash Flow £000	At 29 May 2005 £000
Cash in hand and at bank	444	206	**650**
Bank overdraft	(7)	(164)	**(171)**
	437	42	**479**

19 **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 £24,959 (2004: £16,087) of such stakes that had been received where the event to which they related was after the balance sheet date. Accordingly, such amount has been reflected as deferred income in the balance sheet (see note 11).

20 **Capital commitments**

As at 29 May 2005, the group had no capital commitments (2004: £nil).

21 **Operating lease commitments**

At 29 May 2005, the group was committed to making the following payments during the next period in respect of operating leases:

	2005 £000	2004 £000
Leases which expire after five years	**103**	108

22 **Related party transactions**

Rental and service charge payments of £168,237 (2004: £149,794) were paid to Burnbrae Limited during the period.

During the period ended 29 May 2005 a total of £12,668 (2004: nil) was paid to Mr M Caldwell, a major shareholder, for company secretarial services and for a report commissioned on pari-mutuel wagering.

Notes to the Accounts continued

23 Financial instruments

The group's financial instruments comprise cash balances, loans and liquid resources. The group has no derivatives. The main purpose of these financial instruments is to raise finance for the group's operations. The disclosures below exclude short-term debtors and creditors. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk.

Interest rate risk

The group finances its operations mainly through capital with limited levels of borrowings. Cash at bank and in hand earns interest at floating rates, based principally on short-term inter bank rates. At the period end the group had no borrowings other than temporary overdrafts caused by timing differences associated with cash in transit.

Liquidity

The group's objective is to maintain continuity of funding through trading and share issues but to also retain flexibility through the use of short-term loans.

In order to provide customers with the reassurance that repayment requests are immediately met, the group seeks to ensure that its cash balances plus amounts held by host tracks on behalf of customers exceed the balances due to customers. On this measure, there was a shortfall of £189,000 at the period end. As indicated in the Chairman's Statement, the group anticipates raising new funds in the near future which will eliminate this deficit.

Credit risk

The group's policy is to control credit risk by only entering into financial instruments with counterparties after taking account of their credit rating.

Foreign currency risk

The group incurs foreign currency risk on stakes and winnings that are denominated in a currency other than sterling. The group ensures that whenever stakes are denominated in other currencies, corresponding winnings are also denominated in those other currencies, thus limiting the foreign currency risk to the margin on these transactions.

Fair values

The fair value of financial assets and liabilities is equivalent to balance sheet values.

24 Pension arrangements

The group does not operate any pension scheme for any of its directors or employees. Payments were, however, made on behalf of certain directors to contribute to their own personal pension arrangements.

25 Controlling party and ultimate controlling party

The directors are of the opinion that there is no single ultimate controlling party.

26 Post-balance sheet events

The group is in the process of arranging for a placing of new ordinary shares with Burnbrae Limited in order to raise further funding of £1.5 million (before issue costs). The proceeds of this issue will be used to repay a working capital facility which Burnbrae have provided to allow the company to proceed with the strategies described in the Chairman's Statement. It is anticipated that this will result in additional funds of £965,000 (before issue costs) being received. The placing will be subject to, and conditional upon, the approval of the independent shareholders to the waiver of the requirements of Rule 9 of the City Code.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the seventh Annual General meeting of betinternet.com plc will be held at The Claremont Hotel, 18/19 Loch Promenade, Douglas, Isle of Man, on 11 January 2006 at 2.00 pm for the purpose of transacting the following business:

Ordinary Business

1 To receive and adopt the report of the directors and the accounts for the year ended 29 May 2005.

2 To re-elect as a director Mr D H N Eke who retires by rotation and, being eligible, offers himself for re-election in accordance with the company's Articles of Association.

3 To elect as a director Mr G Knowles who was appointed since the date of the previous annual general meeting and offers himself for election in accordance with the company's Articles of Association.

4 To reappoint KPMG Audit LLC as auditors and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions:

As an Ordinary Resolution

5 That the authority granted to the Directors of the Company to allot relevant securities by a special resolution which was passed at the Annual General Meeting of the Company held on 9 December 2002 be renewed pursuant to the power provided by Article 6(E) of the Company's Articles of Association, that such renewal of authority be for the exercise of that power generally and unconditionally and in all respects in the same terms as originally granted, and that such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this Resolution unless renewed, varied or revoked by the Company in General Meeting;

As a Special Resolution

6 The directors of the Company be and they are hereby empowered pursuant to Article 8 of the Articles of Association of the Company (the "Articles") to allot equity securities (as defined in Article 7(H) of the Articles) pursuant to the authority conferred on the directors to allot relevant securities by Resolution 5 above as if paragraph A of Article 7 of the Articles did not apply to such allotment PROVIDED THAT this power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities are issued proportionally (or as nearly as may be) to the respective number of ordinary shares held by such shareholders (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with issues arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the fixing of exchange rates applicable to any such equity securities where such equity securities are to be issued to shareholders in more than one territory, or legal or practical problems in resect of overseas shareholders, fractional entitlements or otherwise howsoever);

(ii) the allotment of equity securities to holders of any options under any share option scheme of the Company for the time being in force, on the exercise by them of any such options; and

(iii) the allotment (otherwise than pursuant to paragraphs (i) or (ii) above) of equity securities up to a maximum aggregate nominal value equal to 5% of the issued ordinary share capital of the Company for the time being.

The power hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this Resolution unless such power shall be renewed in accordance with and subject to the provisions of the said Article 8, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

Notice of Meeting continued

As Ordinary Resolutions

7 That in accordance with Article 12 of the Company's Articles of Association and with Section 13 of the Companies Act 1992 the Company be generally and unconditionally authorised to make market purchases (as defined by Section 13(2) of the Companies Act 1992) of ordinary shares of 1 pence each in its capital, provided that:

(a) the maximum number of shares that may be acquired is 15,046,000;

(b) the minimum price that may be paid for the shares is 1 pence;

(c) the maximum price that may be paid is, for a share the Company contracts to purchase on any day, a sum equal to 105% of the average of the upper and lower quotations on the Daily Official List of the London Stock Exchange for the ordinary shares of the Company on the five business days immediately preceding that day; and

(d) the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution unless renewed, varied or revoked by the Company in General Meeting, but not so as to prejudice the completion of a purchase contracted before that date.

8 That the Report of the remuneration committee be received and adopted.

By order of the Board

M Caldwell
Secretary

Dated 29 November 2005

Registered Office: Viking House, Nelson Street, Douglas, Isle of Man, IM1 2AH

Notes

1. A member of the company who is entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his, her or its behalf. A proxy need not be a member of the company. Completion of a proxy form does not preclude a member from attending the above Meeting and from speaking and voting thereat.
2. To be valid, proxy forms must be deposited with the company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 2.00 pm on 9 January 2006.
3. A copy of the contracts of service between each of the current directors of the company and the company will be available for inspection at the Meeting from 15 minutes prior to and until the conclusion of the Meeting.
4. The register of directors' interests and particulars of directors' transactions in the share capital of the company and its subsidiary companies will be available for inspection at the Meeting from 15 minutes prior to and until the conclusion of the Meeting. Otherwise they will be open for inspection at the Registered Office of the company during normal business hours on any week-day (Saturdays and Isle of Man public holidays excluded) from the date of this notice until the date of the Meeting.

Designed and printed by **Jones & Palmer Limited, Birmingham.** *tel:* **(0121) 236 9007**

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