

**FOR IMMEDIATE RELEASE**  
**29 November 2005**

**BETINTERNET.COM PLC**  
**(“the company” or “betinternet”)**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 29 MAY 2005**

betinternet.com plc, the global on-line gaming group, today announces preliminary results for the year ended 29 May 2005

**Highlights of the results are:**

- Group turnover rose to £93.7m (2004: £45.5m) – an increase of 106%
- European Wagering Services (‘EWS’) turnover of £45.8m in 48 weeks following acquisition.
- Casino and Games turnover of £18.7m in 24 weeks following launch.
- Administration expenses reduced 27.6% on ‘like for like’ basis.
- Operating loss before amortisation reduced sharply to £1.1m (2004: £2.0m).
- Group Loss of £1.9m same as last year, after increased amortisation charge of £0.7m (2004: £0.2m)
- Enhanced platform with diversity of sports and games being developed.
- Decision taken to accept US wagers.
- Continued support of principal shareholder - arrangements for share placing being finalised

Commenting on the results, Denham Eke, chairman of betinternet, said: “We have reacted positively to what we believe is a temporary setback in the otherwise excellent progress of European Wagering Services and have directed our attention creatively on the performance of the sportsbook. I am confident that the combination of an enhanced sportsbook platform, soon to be accepting wagers from US customers, 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.”

**ENDS**

**For further information:**

**betinternet.com plc**

Paul Doona, Managing Director

**Tel: 01624 698141**

**Britton Financial PR**

Tim Blackstone

**Tel: 020 7251 2544**

**Notes to editors:**

The following are attached:

1. Chairman’s statement
2. Operational Review
3. Consolidated Profit & Loss Accounts
4. Consolidated Balance Sheets
5. Consolidated Cash Flow Statements
6. Notes to the Accounts

## **Chairman's Statement**

### **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 Operational 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.

### **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**

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 Curacao for this purpose. This decision was also influenced by the presence in Curacao 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, 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 earlier statement. 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 £45.8 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**

**Consolidated Profit and Loss Account  
for the period ended 29 May 2005**

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

**Consolidated Balance Sheet  
for the period ended 29 May 2005**

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

**Consolidated Cash Flow Statement  
for the period ended 29 May 2005**

	Note	2005 £000	2004 £000
Net cash outflow from operating activities	3	(1,182)	(984)
Returns on investments and servicing of finance		5	1
Capital expenditure		(94)	(345)
Acquisition	4	328	-
		-----	-----
Cash outflow before use of liquid resources and financing		(943)	(1,328)
Financing	4	985	-
		-----	-----
Increase/(decrease) in cash during the period		42	(1,328)
		-----	-----

**Reconciliation of net cash flow to movement in net funds**

		2005 £000	2004 £2004
Operating net funds		437	1,765
Increase/(decrease) in cash during the period		42	(1,328)
		-----	-----
Closing net funds	5	479	437
		-----	-----



## Notes to the Accounts

### 1 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 Operation Review, casino and games activities, not previously offered by the sportsbook platform were launched in December 2004.

### 2 Loss per share

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

Calculation of loss per share is based on losses of £1,892,156 (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.

Notes to the Accounts (continued)

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

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

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

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

5 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	<b>650</b>
Bank overdraft	(7)	(164)	<b>(171)</b>
	-----	-----	-----
	<b>437</b>	<b>42</b>	<b>479</b>
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6 Basis of preparation of the final statements

- (i) The results for the period ended 29 May 2005 are prepared in accordance with applicable UK accounting standards, using the same account policies as set out in the group accounts for the year ended 30 May 2004. These preliminary statements are unaudited, but have been reviewed, in accordance with Auditing Practices Board guidance by the Auditors, KPMG Audit LLC, whose report will be included in the report and accounts to be sent to shareholders.
- (ii) The abridged accounts for the year to 30 May 2004 are an extract from the full group accounts for that period on which an unqualified report was made by the group's auditors and which have been delivered to the Registrar of Companies.
- (iii) In preparing these financial statements the directors considered the adequacy of the cash resources and working capital available to the group for the next 12 months.

## **Notes to the Accounts (continued)**

The Directors noted that 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 has 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.

### **7 Other information**

- (i) All profits derive from continuing activities.
- (ii) The preliminary statement was approved by the board on 29 November 2005.
- (iii) The report and accounts upon which KPMG Audit LLC will deliver their report will be posted to shareholders on 29 November 2005. Following posting, copies will be available for inspection at the Company's Registered Office; Viking House, Nelson Street, Douglas, Isle of Man IM1 2AH.
- (iv) The Company's nominated advisor and broker is Williams de Broë, PO Box 515, 6 Broadgate, London EC2M 2RP.

End