

ukbetting plc

Annual Report & Accounts 2003



'The largest online sports content and gaming company in the UK'

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Directors and advisers

Directors	Sir David Sieff <i>Non-executive Chairman</i> P A D Dubens <i>Vice Chairman</i> E Semel <i>Chief Executive Officer</i> D C Annat <i>Content Director</i> T Beaumont <i>Gaming Director</i> A Galvin <i>Finance Director</i> A Berger <i>Non-executive</i>
Secretary	C Kennedy
Auditors	KPMG Audit Plc 1 The Embankment Neville Street Leeds LS1 4DW
AIM Nominated Adviser and Broker	Collins Stewart 88 Wood Street London EC2V 7QR
Solicitors	S J Berwin 222 Gray's Inn Road London WC1X 8XF Addleshaw Goddard Sovereign Street Leeds LS1 1HQ
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN
Registered Office	14 Waterloo Place London SW1Y 4AR
Registered No.	4134501
Website	www.plc.ukbetting.com

Chairman's statement

Overview

I am pleased to report a further year of strong growth for ukbetting plc both organically and through acquisition. Our two operating divisions, gaming and content underwent significant changes.

The gaming division saw the launch of the new gaming products, poker and casino, and the sports betting team underwent a complete restructuring under the new Gaming Director, Trevor Beaumont. These factors contributed to an overall improvement in the gross win from 4.1% in the first half to 9.6% in the second half.

The content division further consolidated the sector with the acquisitions of Oddschecker Limited and Rivals Digital Media Limited. These acquisitions have further strengthened our position in the online sports content market, making us the largest network of online sports sites in Europe. In addition, the content division continues to drive large numbers of customers to the gaming division.

ukbetting's strategic objectives have been to:

- build a strong position in the online sports content and gaming markets; and
- capitalise on the inherent synergies between sports content and sports betting.

We have successfully transformed the business since its listing on AIM in August 2001. The gaming division now provides a full service operation including fixed-odds betting, casino games, poker and pools which has yielded an improvement in gross win. The content division has developed into a strong network of sites with multiple revenue streams including subscription services, mobile services, audio, advertising and third party content distribution.

Since the year end we have seen a further improvement in the growth in both our gaming and content divisions and by the acquisition of GoldBet SportWetten GmbH, based in Austria.

In September 2003 we welcomed Trevor Beaumont as a director of ukbetting to manage the gaming division. Trevor has worked for nearly 30 years in the betting industry and held main board positions including the Racing and Trading Director of Corals and Managing Director of Eurobet. In December 2003, Hans Wagner retired and we would like to thank him for his support as a non-executive director.

Finally I would like to thank both our team and you, the shareholders, for all your support, which has been a major contribution to the success of the Company.

Sir David Sieff

Chairman

10 May 2004

Operational review

In the year to 31 December 2003 Group turnover grew by 39% to £54.5 million (2002: £39.1 million). The overall gross profit rose 107% to £9.1 million (2002: £4.4 million).

Gaming division

The gaming division turnover grew 33% to £46.8 million. In the first half of 2003 the gaming division was performing below the sector's average gross win and from the half year we followed a policy of restricting turnover until such time as a new team had been implemented to address the problem. In the latter part of the second half of 2003 we turned around our performance, with the addition of a highly experienced team under the leadership of Trevor Beaumont. The combination of the new team and the launch of new products, led to the gross win increasing from 4.1% in the first half of 2003 to 9.6% in the second half of 2003.

The number of registered users has continued to grow in the year, rising 39% to over 185,000. Margin and turnover is expected to further improve as a result of the introduction of new games, fixed odds and skill based games, and International Tote Pools. We continue to develop additional products for our customer base and launched a call centre in the second half of 2003. The introduction of casino and poker products to our sportsbook customers resulted in a very positive uptake of the product. With a growing suite of products we continue to attract and retain customers from our sports content business, and by March 2004 the number of registered users had grown to over 204,000.

Content division

Content revenue more than doubled to £7.7 million in 2003 up from £3.6 million in 2002, an increase of 114%. There was a strong performance from advertising sales up 25% at £1.5 million, against £1.2 million the previous year. We achieved substantial revenue gains from third party sales of mobile and audio content, where turnover increased to £1.7 million with customers such as Orange, T-Mobile and Hutchison's 3. There was further encouragement in the performance of in-store broadcast sales, providing radio and plasma screen services to customers such as Asda, Allsports and Moto, which increased revenue to £1.4 million in 2003.

The successful acquisition of Rivals Digital Media Limited and Oddschecker Limited in December contributed £0.1 million to 2003 turnover and consolidated the division's position as the leading online network of sports sites in Europe. In December 2003 the content division had 5.7 million users viewing 154 million page impressions in the month, up from 3.2 million users (78% growth) and 97 million page impressions (59% growth) in December 2002.

The acquisitions are an excellent strategic fit for the future revenue growth of the content division and by March 2004 we had 6.3 million users generating 213 million page impressions. The division is particularly strong in football with Rivals, TEAMtalk, Football 365 and Sportinglife generating a massive audience of football fans. In the other important sector of racing and betting information the combination of Oddschecker's live price comparison service together with Sportinglife's analysis, statistics and betting previews greatly strengthens our position in the online gaming information market. Finally the re-launch of Sportal in October 2003 as a multi media channel delivering streamed video and live 'talking head' programmes is designed to exploit the rapidly growing number of broadband users.

Operational review

continued

Content division

continued

The sites will retain their individuality but increasingly work as a network with merchandise such as Football365's very successful shop available across all sites. The gaming division will further benefit from increased customer generation, but the content division is now a clear market leader in online sports content in its own right.

Financial overview

Group turnover in the year was £54.5 million (2002: £39.1 million). The gaming division turnover was £46.8 million (2002: £35.2 million) and the content division produced turnover of £7.7 million (2002: £3.6 million).

The turnover growth is detailed in the operating reports and reflects both organic growth and full year contributions from the acquisitions made during 2002. The acquisition of Rivals and Oddschecker were made toward the very end of the year and their turnover included in the Group turnover is £0.1 million.

The gross profit generated within the divisions has increased to £9.1 million (2002: £4.4 million). The gaming division produced a gross profit (gross win less taxes and levies) of £2.5 million (2002: £1.3 million) reflecting the higher turnover levels and the impact of the new products of casino and poker. The content division gross profit has increased to £6.6 million (2002: £3.1 million) due to both turnover growth and full year contribution from the TEAMtalk business.

Operating expenses incurred during the year are £14.3 million (2002: £11.0 million). The content division operating expenses are £7.9 million (2002: £5.1 million), and include a full year of the costs of the TEAMtalk business acquired in July 2002. The gaming division operating expenses are £3.7 million (2002: £2.0 million), reflecting the incremental costs of the diversifying product offering (£0.9 million of marketing and launch costs) and the continued investment in the development of the existing business, in particular the reconstruction of the trading team. Amortisation of goodwill remains at £1.0 million. The acquisitions of Rivals and Oddschecker resulted in an addition to goodwill of £7.5 million and this will increase the annual charge by £0.75 million from 2004. Central costs and exceptional items are £1.7 million (2002: £2.9 million); the 2002 costs reflected the £1.4 million closure costs of the Sportscard and TEAMtalk 252 businesses.

The deferred contingent consideration payable on the acquisition of ukbetting.com Limited from ENIC plc in August 2001 has again been reviewed in the light of the sources of future growth expectations and product mix of the ukbetting.com customer base. This has reduced the provision to £2 million (2002: £3.0 million), to be satisfied in equal proportions of cash and shares of ukbetting plc. This has resulted in a reduction in the goodwill held in the balance sheet of £0.9m (Note 9).

EBITDA losses from continuing operations before exceptional items are £3.2 million (2002: loss of £4.4 million). Group operating losses are £5.3 million (2002: loss of £6.6 million) and are £5.7 million (2002: loss of £8.8 million) after exceptional items, interest and taxation.

Operational review

continued

Financial overview

continued

Finance costs are £0.5 million (2002: £0.9 million) reflecting the one-off costs of the facility fees in May 2002 and the utilisation of the facility during the second half of 2002. The facility has been repaid during 2003 saving the costs of servicing the facility.

Losses per share before exceptional items amounted to 10.02p basic (2002: loss of 19.29p) and 10.02p diluted (2002: loss of 19.29p). Adjusted loss per share was 8.37p (2002: loss of 10.65p).

At the end of the year, the consolidated balance sheet has strengthened considerably and shows net assets of £15.1 million (2002: £3.0 million). During the year the Company successfully raised £16.1 million (£15.4 million after costs), these funds being used to repay borrowings of £5 million, £4.4 million to finance the acquisitions of Rivals and Oddschecker and the balance to be utilised in operating cashflow. At the year end cash held was £4.6 million (2002: £3.0 million) and the net funds/(debt) was £4.6 million (2002: £(2.0) million).

Outlook

Since the year end gaming turnover and margin have increased significantly. Turnover in the first quarter of 2004 was £18.8 million, an increase of 61% versus 2003, gaming gross win was 9.7% versus 4.1% in the corresponding period in 2003, this has been helped through the acquisition of GoldBet, our first move away from the UK. The gaming division will expand its call centre, re-launch both ukbetting.com and totalbet.com on the latest Orbis betting platform which, in conjunction with the introduction of additional new products, will further diversify the revenue streams.

2004 has started well for the content division, with content revenues increased by 91% to £3.2 million in Q1 2004 against £1.7 million in the corresponding period in 2003, whilst our content sites have continued to grow during the first quarter of the current year reaching 6.3 million users in March 2004, generating 213 million page impressions. We will finalise the integration of the Rivals and Oddschecker businesses by the summer of 2004 and by the end of 2004 will have centralised the content delivery platform for all of our content sites. The content division will also re-launch two direct to consumer online merchandise sites. Firstly sports.co.uk selling downloadable sports ring tones and screensavers and acting as portal for the Group's new fantasy games portfolio, starting with a free to play Euro 2004 competition. This will be followed by mobilelounge.co.uk due to launch in May offering everything for the mobile phone. Both these signal the division's intention to increase revenue from its growing number of users.

We are confident that following two years of consolidation and restructuring, ukbetting plc should deliver an EBITDA profit for 2004.

Peter Dubens

Executive Vice Chairman

10 May 2004

Directors' biographies

Non-executive Directors

The Hon. Sir David Sieff (aged 65) – Chairman, Member of the Remuneration, Audit and Compliance Committees

Sir David joined Marks & Spencer plc in 1957 and was an executive director from 1972 to 1997, and a non-executive director from 1997 to July 2001. He is non-executive chairman of FIBI Bank (UK) plc and Newbury Racecourse plc and a non-executive director of GET plc. He is a member of the Jockey Club and was a director of the British Horseracing Board and a member of the Horserace Totalisator Board. Sir David was chairman of Racing Welfare Charities and the Stable Lads Welfare Trust and President of the Racehorse Owners Association. In addition, he was the first chairman of the National Lottery Charities Board, now The Community Fund.

Alex Berger (aged 42) – Chairman of the Remuneration and Audit Committees and a Member of the Compliance Committee

Alex Berger previously worked for Canal+ and Vivendi, now Vivendi-Universal S.A., for seven years from 1993 before leaving to form his own consulting and investment companies in October 2000, Content Participations S.A. and MM&I. At Canal+, Alex was senior advisor to the chairman and chief executive officer. He conceived and implemented the multi-access portal Vizzavi, as well as participating in the creation and development of Canal+'s thematic interactive channels and technology companies. He also founded and served as chairman and chief executive officer of CanalNumedia, and chief executive officer of VivendiNet. Alex also defined and initiated the strategy that led to the merger of Seagram, Canal+ and Vivendi. Alex is Chairman and CEO of Content Participations, a company focused in the development of media related companies.

Executive Directors

Peter Adam Daiches Dubens (aged 37) – Vice Chairman

Peter Dubens has experience in the start-up, development and restructuring of business both in the public and private sectors. He is Executive Chairman of PIPEX Communications PLC and the co-founder of Palmer Capital Management, a hedge fund introductory business. He is also a director of a number of other privately held companies.

Eric Semel (aged 35) – Chief Executive Officer

Eric Semel combines expertise in gaming and entertainment with a reputation for pioneering work in computer online sites. Eric has a variety of experience including working for Giant/Warner Bros Label Records, where he refined his marketing and management skills. Moving into the gaming industry in 1995, Eric applied his knowledge to The Mirage hotel and casino in Las Vegas, progressing from Management Associate to Casino Marketing Credit Executive. Subsequently he joined The Bellagio hotel and casino, where he became assistant director of Casino Marketing. Eric's consultancy work included a short-term contract with Entertainment Media Ventures, a venture capital fund, which invests in the areas of entertainment and gaming.

Directors' biographies

continued

Executive Directors continued

Trevor Kenneth Beaumont (aged 53) – Managing Director – Gaming Division

Trevor Beaumont has worked for nearly 30 years in the betting industry and held main board positions for the past 13 years. Trevor was previously the Racing and Trading Director of Corals and Managing Director of Eurobet and until 2003 was the Racing Director of the British Horseracing Board.

David Christie Annat (aged 59) – Managing Director – Content Division

David Annat joined the Group with the acquisition of Sporting Life (UK) Limited where he was managing director and has brought to the Board a wealth of experience in the sports content business. During the 1990's he was Managing Director of Trinity Mirror's sports division, Managing Director of Sporting Life Newspaper and was responsible for the acquisition of the Racing Post. In 1996 he founded PA Sporting Life Limited, a joint venture between Trinity Mirror and the Press Association and set up the first online betting platform in the UK in June 1998. Prior to this David had a number of senior management roles in retail operations.

Andrew Michael Galvin ACA (aged 36) – Finance Director, Chairman of the Compliance Committee

Andrew Galvin is a qualified chartered accountant and joined the Group with the acquisition of TEAMtalk Media Group plc. He has experience at Finance Director level in the sports content arena, and also spent 5 years within a large engineering group at director level. Andrew qualified as a chartered accountant in 1992 and spent 7 years in the accountancy profession before moving into industry.

Directors' report

The directors present their report and audited accounts for the year to 31 December 2003.

Results and dividend

The results for the year showing a loss before taxation of £5.7 million (2002: £8.834 million) are set out on page 20. The directors do not recommend payment of a dividend.

Principal activity and review of the business

The Company is the holding company for the Group's operating subsidiaries. These subsidiaries are engaged in the provision of gaming activities and the provision of sports content to both business and consumers across multiple delivery channels.

The operations of the Group are reviewed in detail on pages 4 to 6.

Directors

All of the directors, as set out on pages 7 and 8, served throughout the year (except as detailed below). Pursuant to Articles 110 and 104, being eligible, Trevor Beaumont and one third of the remaining directors offer themselves for election at the forthcoming annual general meeting.

Directors holding office during the year ended 31 December 2003

Peter Dubens

Eric Semel

Trevor Beaumont *Appointed 23 September 2003*

David Annat

Andrew Galvin

Alex Berger

Sir David Sieff

Hans Wagner *Resigned 31 December 2003*

The directors' interests in the shares of the Company are set out on pages 13 to 15.

Substantial shareholdings

At 28 April 2004 the directors had been notified of the following substantial interests in the Company's issued ordinary share capital:

	Ordinary Shares	Percentage of issued ordinary share capital
UBS held in name of Apollo Nominees	15,830,000	17.52
Eric New Media Investment Inc. held in name of Hargreave Hale Nominees Limited	6,000,000	6.64
Chase Nominees	4,885,566	5.41
Herald Investment Trust held in name of Bny (ocs) Nominees Limited	4,700,000	5.20
Fidelity International held in name of Chase Nominees Limited	3,744,037	4.14
UBS Global Asset Management held in name of Phildrew Nominees Limited	3,622,314	4.01
Fidelity International Small Cap Fund 2,617,419 plus other 897,261 held in name of Mellon Nominees (UK) Ltd	3,514,680	3.89
Peter Dubens	2,794,571	3.59
Eric Semel	2,646,100	3.35

Other than the above interests, the Company has not been notified and is not aware of any other person who is directly or indirectly materially interested in 3% or more, or who has a non-material interest in 10% or more, of the issued ordinary share capital of the Company.

Directors' report

continued

Going concern

The accounts have been prepared on the going concern basis as the directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future.

Payments to suppliers

The Group policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms, providing that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any code or statement on payment practice. In respect of the Group year end trade creditors represent 63 days (2002: 54 days) average purchases and expenses.

Political and charitable contributions

No contributions were made to any political party or for any charitable purposes during the year.

Employee involvement

Within the bounds of commercial confidentiality, staff are kept informed of matters that affect the progress of the Group.

All applications for employment are given full and fair consideration for all vacancies. If an existing employee were to become disabled, every effort would be made to ensure that his/her employment with the Group could continue. All persons have equal opportunities for training and career development except where constrained by practical limitations.

Special business at the annual general meeting

The full wording of the resolutions to be tabled at the forthcoming annual general meeting is set out in the notice of the meeting on pages 47 to 55.

Corporate governance

Although the Company is not required to comply with the provisions of the Combined Code, the directors have decided to provide the following voluntary corporate governance disclosures. The Board recognises the importance of, and is committed to, ensuring that effective corporate governance procedures relevant to smaller listed companies are in place.

This statement considers how the relevant principles of the Combined Code on Corporate Governance ("the Code") have been applied by the Company during the year to 31 December 2003. The Board have also considered the Revised Combined Code ("the Revised Combined Code") which was effective for accounting periods beginning on or after 1 November 2003.

Directors

The Board comprises five executive and two non-executive directors. The Board considers that all of the non-executive directors are independent and that because of the independence of the Chairman there is insufficient need to appoint a separate senior independent director. Whilst the non-executives have broad business experience, the Board acknowledges that the Audit Committee comprises the Chairman and does not contain a member with relevant financial expertise as suggested in the Revised Combined Code.

Directors' report

continued

Directors continued

There is an agreed procedure for individual directors to obtain independent legal advice and all directors have unrestricted access to the company secretary and Chairman.

The Board has met regularly throughout the year to monitor the Group's performance and to take decisions. Board papers and other relevant information are sent to the Board members in advance of the meetings to enable directors to be properly briefed on topics to be discussed at these meetings.

The Board has established a selection procedure for any future Board appointments and the responsibility is delegated to the Remuneration Committee. In accordance with the guidelines of the Quoted Companies Alliance, the Board does not have a Nomination Committee.

One third of the directors are subject to retirement by rotation every three years. In accordance with best practice each director will serve a three year period before standing for re-election.

The Board will consider the board performance evaluation requirements of the Revised Combined Code.

Directors' remuneration

The Remuneration Committee comprises the non-executive directors, chaired by Alex Berger. This Committee is responsible for determining the remuneration packages of the executive directors and for taking decisions regarding the Company's long-term incentive plans.

The Committee retain the appointment of external remuneration consultants.

The remuneration for the non-executive directors is determined by the Board. The remuneration report is set out on pages 12 to 13.

Accountability and audit

The Audit Committee comprises the non-executive directors. This Committee meets at least twice a year and the Company's auditors have, where appropriate, been in attendance at these meetings. The Committee, chaired by Alex Berger, assists the Board in observing its responsibility for ensuring that the Group's financial systems provide accurate and up to date information on its financial position and that the Company's published financial statements represent a true and fair reflection of this position.

Relations with shareholders

The Company encourages the participation of both institutional and private investors. Communication with private individuals is maintained through the annual general meeting, and annual and interim reports. Information is also contained on the Company's website and the Chairman will be available to answer questions at the annual general meeting.

Internal control

The Board has overall responsibility for the Group's systems of internal control and for monitoring their effectiveness. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the directors with reasonable assurance that issues are identified on a timely basis and dealt with appropriately.

Directors' report

continued

Internal control

continued

The Group has an established organisational structure with clearly defined lines of authority, responsibility and accountability, which is reviewed regularly. Group management are responsible for the identification and evaluation of key risks applicable to their areas of business. During the year the Board undertook a review of risk management and the effectiveness of internal control across the Group. Reports on procedures, controls and implementation have been made to the Compliance Committee which was formed in 2001 to provide an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The Committee has met regularly throughout the year.

The Board has considered the need for an internal audit function, but has resolved that due to the size of the Group, this cannot be justified on the grounds of cost effectiveness at present.

Remuneration report

The principal function of the Remuneration Committee (the "Committee") is to determine, on behalf of the Board, the remuneration packages of the executive directors and to take decisions regarding the Company's long-term incentive plans. The composition of the Committee is given on page 11.

Remuneration policy

The Committee aims to ensure that the executive directors are fairly rewarded for their individual contributions to the Company's overall performance. Each director is assessed individually so that his remuneration is directly related to his performance over time and so that a significant proportion of his remuneration package is performance related.

The Committee is responsible for recommendations on all elements of directors' remuneration including, in particular, basic salary, annual bonus, long-term incentives and other benefits:

- (i) The basic salary for each director is intended to be competitive, but fair, using information provided both by external and internal sources.
- (ii) A policy for granting share options as recommended by the Committee is to provide an incentivisation for staff and executive directors based on future results which add value for all shareholders and to ensure that the proposals are fair to the staff and executive directors concerned, the Company and shareholders.

Directors' report

continued

Directors' emoluments

	<i>Basic salary</i> 2003 £	<i>Fees</i> 2003 £	<i>Bonus</i> 2003 £	<i>Benefits</i> 2003 £	<i>Total emoluments</i> 2003 £	<i>Total emoluments</i> 2002 £
Executive						
Peter Dubens	140,000	—	100,000	3,079	243,079	130,500
Eric Semel	150,000	—	100,000	2,852	252,852	181,333
Trevor Beaumont	40,417	—	15,000	—	*55,417	—
David Annat	127,500	—	60,000	20,732	208,232	53,000
Andrew Galvin	109,583	—	47,500	11,354	168,437	*26,250
Alan Pereira	—	—	—	—	Nil	**97,500
Non-executive						
Sir David Sieff	—	65,000	—	—	65,000	65,000
Alex Berger	—	25,000	—	—	25,000	20,000
Anthony McAuslan	—	—	—	—	Nil	**10,000
Dr Hans Wagner	—	10,000	—	—	**10,000	17,500
Total	<u>567,500</u>	<u>100,000</u>	<u>322,500</u>	<u>38,017</u>	<u>1,028,017</u>	<u>601,083</u>

* The above figures represent payments made in the year from the date of appointment.

** The above figures represent the payments made in the year to date of leaving.

Service contracts

Service contracts are in force for all directors. The contracts for executive directors are terminable by 12 months' notice and the contracts for non-executive directors are terminable by 6 months' notice.

Directors' pension rights

Andrew Galvin, David Annat and Trevor Beaumont are members of the ukbetting plc pension scheme. The scheme is a defined contribution group personal pension to which the Company contributes 10% of basic salary per annum.

No other director received a pension contribution from the Company during the year.

Directors' interests

The directors' beneficial interests in the issued ordinary share capital of the Company were:

	<i>As at 31 December 2003</i>	
	<i>Ordinary shares</i>	<i>Warrants/Options*</i>
Sir David Sieff	115,085	400,000 Options
Peter Dubens	2,794,571	4,640,000 Warrants 770,270 Options plus 1,160,000 Further Subscription Rights
Eric Semel	2,646,100	5,200,000 Warrants 770,270 Options plus 1,300,000 Further Subscription Rights
Trevor Beaumont	90,000	1,440,000 Options
David Annat	20,000	1,237,450 Options
Andrew Galvin	20,000	844,747 Options
Alex Berger	106,580	120,000 Options
Dr Hans Wagner**	2,066,580	Nil

* Warrants and Options entitle the holder to subscribe for ordinary shares in the Company as defined on page 14.

** Held in the name of S Sonder & Cie SA.

Directors' report

continued

Directors' interests continued

The Further Subscription Rights give the holders the right to subscribe for Ordinary Shares at a subscription price of 25p per Ordinary Share and to be issued with four Warrants for each Ordinary Share subscribed for.

The following changes occurred during the financial year:

The non-executive directors were allotted shares in lieu of fees at 22 January 2003 as follows:

Sir David Sieff	35,085
Alex Berger	26,580
Hans Wagner	26,580

The following executive directors were granted options on 2 April 2003 at 26p:

Peter Dubens	500,000
Eric Semel	500,000
David Annat	200,000
Andrew Galvin	150,000

On 10 April 2003 David Annat purchased 20,000 shares at 25p.

On 9 June 2003 Peter Dubens purchased 860,000 shares in the Placing at 29p.

On 23 September Trevor Beaumont was granted 790,000 options at 41.5p upon appointment to the Company.

Hans Wagner purchased 700,000 shares at various prices over the following dates:

25 September 2003	50,000	at 41.5p
26 September 2003	100,000	at 41p
30 September 2003	200,000	at 42p
3 October 2003	250,000	at 42p
6 October 2003	100,000	at 42p

On 11 December 2003 the following executive were granted options at 45p:

Trevor Beaumont	650,000
David Annat	440,000
Andrew Galvin	300,000

On 15 December 2003 the following executive directors purchased shares as part of the Placing at 45p:

Trevor Beaumont	90,000
Peter Dubens	556,000
Eric Semel	556,000

No changes have occurred in the period from the end of the financial year to 10 May 2004.

Directors' report

continued

Share options and Warrants

The following are the share options and warrants held by the directors at 31 December 2003:

	No. of 1p Ordinary Shares to which Options/Warrants relate		Option Price	Date exercisable from	Date exercisable to
Sir David Sieff	400,000	Options	25p	07/08/01	07/08/06
Peter Dubens	4,640,000	Warrants	25p	07/08/01	07/08/06
	1,160,000	Further Subscription Rights	25p	07/08/01	07/08/06
	270,270	Options	37p	30/11/04	30/11/11
	500,000		26p	02/04/06	02/40/13
Eric Semel	5,200,000	Warrants	25p	07/08/01	07/08/06
	1,300,000	Further Subscription Rights	25p	07/08/01	07/08/06
	270,270	Options	37p	30/11/04	30/11/11
	500,000		26p	02/04/06	02/04/13
Trevor Beaumont	790,000	Options	41.5p	24/09/06	24/09/13
	650,000		45p	11/12/06	11/12/13
David Annat	202,703	Options	37p	30/11/04	30/11/11
	394,747		38p	02/11/05	02/11/12
	200,000		26p	02/04/06	02/04/13
	440,000		45p	11/12/06	11/12/13
Andrew Galvin	394,747	Options	38p	02/11/05	02/11/12
	150,000		26p	02/04/06	02/04/13
	300,000		45p	11/12/06	11/12/13
Alex Berger	120,000	Options	25p	07/08/01	07/08/06

During the year, the Company's share price on AIM ranged 24.5p and 53.5p. At 31 December 2003 the share price was 53.5p.

Financial risk management

The Board regularly reviews the financial requirements of the Group and the risks associated therewith.

Group operations are primarily financed by cash held at banks and loan funding. In addition to the primary financial instruments the Group also has other financial instruments such as investments, debtors, trade creditors and accruals that arise directly from the Group's operations.

At 31 December 2003 the Group had cash balances of £4.581 million (2001: £2.974 million) and finance lease liabilities of £nil (2001: £7,000).

The Group's cash balances surplus to day-to-day requirements are held in high interest deposit accounts to maximise the interest return but maintaining flexibility to withdraw funds as required.

Assets and liabilities held in foreign currencies are detailed in note 17 of the financial statements. The Group has not entered into any hedging transactions.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing these risks.

Interest rate risk

The Group's exposure to interest rate risk on its cash deposits is managed by reviewing available rates.

Directors' report

continued

Credit risk

Counterparty risk arises from the deposit of surplus funds. The risk is managed by restricted transactions to banks with an appropriate credit rating.

Foreign exchange risk

The Group's exposure to foreign exchange risk is managed by the balancing of assets and liabilities within currencies and hedging if deemed appropriate.

Auditors

A resolution to effect the reappointment of KPMG Audit Plc as auditors to the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Peter Dubens

Vice Chairman

10 May 2004

Statement of directors' responsibilities

in respect of the accounts

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that year. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of ukbetting plc

We have audited the financial statements on pages 20 to 46, except for the *pro forma* turnover information on page 29.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 directors' report and, as described on page 17, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 Act 1985. 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' remuneration and transactions with the Group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those 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.

Independent auditor's report continued

to the members of ukbetting plc

Opinion

In our opinion

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003.
- the financial statements and the part of the Director's remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor

10 May 2004

Consolidated profit and loss account

for the year ended 31 December 2003

	Notes	2003						2002	
		Discontinued operations	Continuing operations		Total	Discontinued operations	Continuing operations		Total
		£000	Acquisitions £000	Continuing operations £000	£000	£000	Non-recurring £000	Continuing operations (excluding non-recurring items) £000	£000
Turnover: Group and share of joint venture	2	44	137	54,338	54,519	346	—	42,613	42,959
Less: Share of joint venture turnover		—	—	—	—	—	—	(3,876)	(3,876)
Group turnover	2	44	137	54,338	54,519	346	—	38,737	39,083
Cost of sales		(88)	(18)	(45,322)	(45,428)	(284)	—	(34,369)	(34,653)
Gross profit/(loss)		(44)	119	9,016	9,091	62	—	4,368	4,430
Administrative expenses (including operating exceptional)		(16)	(202)	(14,131)	(14,349)	(705)	(1,401)	(8,940)	(11,046)
EBITDA before exceptional items	5	(23)	16	(3,172)	(3,179)	(458)	(1,046)	(3,383)	(4,887)
Exceptional items	5	(37)	(97)	(370)	(504)	—	(355)	—	(355)
EBITDA after exceptional items		(60)	(81)	(3,542)	(3,683)	(458)	(1,401)	(3,383)	(5,242)
Depreciation and amortisation		—	(2)	(1,573)	(1,575)	(185)	—	(1,189)	(1,374)
Group operating loss	3	(60)	(83)	(5,115)	(5,258)	(643)	(1,401)	(4,572)	(6,616)
Share of joint venture operating profit		—	—	—	—	—	—	114	114
Loss on termination of operations	5	—	—	—	—	(1,470)	—	—	(1,470)
Loss on ordinary activities before interest and taxation		(60)	(83)	(5,115)	(5,258)	(2,113)	(1,401)	(4,458)	(7,972)
Interest receivable		—	—	7	7	25	—	47	72
Interest payable and similar charges	6	—	—	(489)	(489)	—	(369)	(565)	(934)
Loss on ordinary activities before taxation		(60)	(83)	(5,597)	(5,740)	(2,088)	(1,770)	(4,976)	(8,834)
Tax on loss on ordinary activities	7	—	—	—	—	—	—	—	—
Loss for the financial year attributable to members of the parent undertaking		(60)	(83)	(5,597)	(5,740)	(2,088)	(1,770)	(4,976)	(8,834)
Loss per share – pence									
Basic and diluted					(10.02)				(19.29)
Adjusted Loss per share – pence									
Basic and diluted					(8.37)				(10.65)

Adjusted loss per share has been calculated to provide a better understanding of the underlying performance of the Group. Adjusted loss is before exceptional and non-recurring costs (see note 8).

There is no material difference between historical cost profits and those reported in the profit and loss account.

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2003

	2003 £000	2002 £000
Retained loss of the financial period	(5,740)	(8,834)
Exchange adjustments offset in reserves	(16)	7
Total recognised losses since last annual report	<u>(5,756)</u>	<u>(8,827)</u>

Reconciliation of shareholders' funds

for the year ended 31 December 2003

	2003 £000	2002 £000
<i>Group</i>		
Shareholders' funds at 1 January	3,011	9,707
Total recognised losses	(5,756)	(8,827)
New shares issued	16,363	1,631
Shares to be issued	1,483	500
Shareholders' funds at 31 December	<u>15,101</u>	<u>3,011</u>
<i>Company</i>		
Shareholders' funds at 1 January	9,186	11,727
Total recognised losses	(2,185)	(4,672)
New shares issued	16,363	1,631
Shares to be issued	1,483	500
Shareholders' funds at 31 December	<u>24,847</u>	<u>9,186</u>

Consolidated balance sheet

at 31 December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Intangible assets	9	13,822	8,119
Tangible assets	10	1,087	1,412
		<u>14,909</u>	<u>9,531</u>
Current assets			
Stock	12	57	68
Debtors	13	3,433	2,380
Cash at bank and in hand	17	4,581	2,974
		<u>8,071</u>	<u>5,422</u>
Creditors: amounts falling due within one year	14	(6,748)	(10,600)
Net current assets/(liabilities)		<u>1,323</u>	<u>(5,178)</u>
Total assets less current liabilities		<u>16,232</u>	<u>4,353</u>
Creditors: amounts falling due after more than one year	15	(911)	(1,139)
Provisions for liabilities and charges			
Other provisions	19	(220)	(203)
		<u>15,101</u>	<u>3,011</u>
Capital and reserves			
Called up share capital	20	903	473
Share premium account	21	20,479	5,526
Shares to be issued	21	2,983	1,500
Other reserve	21	7,916	6,936
Profit and loss account	21	(17,180)	(11,424)
Equity shareholders' funds		<u>15,101</u>	<u>3,011</u>

Peter Dubens

Vice Chairman

10 May 2004

Company balance sheet

at 31 December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible fixed assets	10	12	20
Investments	11	30,298	23,723
		<u>30,310</u>	<u>23,743</u>
Current assets			
Debtors	13	3,879	3,398
Cash at bank and in hand		3,443	1,724
		<u>7,322</u>	<u>5,122</u>
Creditors: amounts falling due within one year	14	(11,874)	(18,540)
Net current liabilities		<u>(4,552)</u>	<u>(13,418)</u>
Total assets less current liabilities		25,758	10,325
Creditors: amounts falling due after more than one year	15	(911)	(1,139)
		<u>24,847</u>	<u>9,186</u>
Capital and reserves			
Called up share capital	20	903	473
Share premium	21	20,479	5,526
Shares to be issued	21	2,983	1,500
Other reserve	21	7,916	6,936
Profit and loss account	21	(7,434)	(5,249)
Equity shareholders' funds		<u>24,847</u>	<u>9,186</u>

Peter Dubens

Vice Chairman

10 May 2004

Consolidated statement of cash flows

for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Cash outflow from operating activities	1	(4,508)	(6,352)
Returns on investments and servicing of finance	2	(369)	(630)
Capital expenditure and financial investment	2	(186)	(200)
Acquisitions and disposals	2	(3,641)	1,434
Net cash outflow before financing		(8,704)	(5,748)
Financing	2	10,356	4,994
Increase/(decrease) in cash in the year		<u>1,652</u>	<u>(754)</u>

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Increase/(decrease) in cash for the year		1,652	(754)
(Increase)/decrease in debt	3	<u>5,007</u>	<u>(4,994)</u>
Change in net funds/(debt) resulting from cash flows		6,659	(5,748)
Non-cash movements		<u>(45)</u>	<u>(33)</u>
Change in net funds/(debt) resulting from cash flows and non-cash movements		6,614	(5,781)
Movement in net funds/(debt) for the year		6,614	(5,781)
Net funds/(debt) at start of the year		<u>(2,033)</u>	<u>3,748</u>
Net funds/(debt) at end of the year		<u>4,581</u>	<u>(2,033)</u>

Notes to the consolidated statement of cash flows

for the year ended 31 December 2003

1 Reconciliation of operating loss to operating cash flows	2003 £000	2002 £000
Operating loss	(5,258)	(6,616)
Depreciation and amortisation	1,575	1,374
Decrease in debtors	224	1,631
Decrease in stock	33	10
Increase/(decrease) in creditors	(1,099)	(2,683)
Increase/(decrease) in provisions	17	(68)
Net cash outflow from operating activities	<u>(4,508)</u>	<u>(6,352)</u>
2 Analysis of cash flows for headings netted in the cash flow statement	2003 £000	2002 £000
Returns on investment and servicing of finance		
Interest received	7	72
Interest paid	(376)	(332)
Finance lease charges	—	(1)
Charges on raising of facilities	—	(369)
Net cash (outflow)/inflow from returns on investments and servicing of finance	<u>(369)</u>	<u>(630)</u>
Capital expenditure and financial investment		
Acquisition of tangible fixed assets	(496)	(706)
Disposal of tangible fixed assets	310	506
Net cash outflow from capital expenditure and financial investment	<u>(186)</u>	<u>(200)</u>
Acquisitions and disposals		
Purchase of subsidiary undertakings net of cash acquired of £299,000 (2002: £14,480,000)	(3,641)	1,531
Payment on termination of joint venture arrangement	—	126
Closure of businesses	—	(223)
Net cash inflow from acquisitions and disposals	<u>(3,641)</u>	<u>1,434</u>
Financing		
Proceeds from shares issued by parent undertaking	16,050	—
Cost of share issues	(687)	—
Bank finance/term loan	(5,000)	5,000
Repayment of finance leases	(7)	(6)
Net cash inflow from financing	<u>10,356</u>	<u>4,994</u>

Details of acquisitions and the cashflows arising from the acquired companies are shown in note 23, which includes details of material non-cash transactions.

Notes to the consolidated statement of cash flows

continued

for the year ended 31 December 2003

3 Analysis of net funds/debt

	<i>At 31 December 2002 £000</i>	<i>Cash flow £000</i>	<i>Other non-cash changes £000</i>	<i>At 31 December 2003 £000</i>
Cash at bank and in hand	2,974	1,652	(45)	4,581
Finance leases	(7)	7	—	—
Loans	(5,000)	5,000	—	—
Net funds/(debt)	<u>(2,033)</u>	<u>6,659</u>	<u>(45)</u>	<u>4,581</u>

Notes to the consolidated accounts

for the year ended 31 December 2003

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Basis of consolidation

The Group accounts consolidate the accounts of ukbetting and its subsidiary undertakings made up to 31 December 2003. The subsidiary undertakings are accounted for using acquisition accounting and their results are included in the profit and loss account from the date control passed. No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985.

Goodwill

Goodwill arising on acquisitions of subsidiary undertakings is capitalised and amortised over its estimated useful life on a straight line basis. The useful life of goodwill is determined based on the individual circumstances of each business acquired. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other years if changes in circumstances or events indicate that the carrying value may not be recoverable.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Investments

Investments are held at cost less any provision for impairment in value. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold property	–	40 years
Fixtures and fittings and office equipment	–	over 3 – 4 years

The carrying value of tangible fixed assets is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Revenue recognition

Content

Connectivity revenue is recognised when the Group has determined that users have accessed the Group's services via a telecommunications network or service provider. Connectivity revenue is recorded as the gross amount received by the network or service provider and any deductions retained by the provider for additional services are recorded in cost of sales. Content syndication contracts are recognised rateably over the period of the contract. Professional services, such as web design and software implementation, and advertising revenues are recognised when the services are performed.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

1 Accounting policies continued

Gaming

Revenue is recognised when customers have placed a bet in respect of fixed odds, pool and other similar products. The revenue recognisable from the casino products is net win from the casino, not the total amount staked. Poker revenue is determined by the commission earned on players' stakes not the total amount staked.

Costs of sales include customer winnings, hedging, betting duty, levies and an estimate of ante-post liabilities.

Turnover

Turnover, which excludes value added tax and sales between Group businesses, represents the value of services supplied to customers.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign exchange currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

Group

The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet. The profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Research and development

Research and development costs include expenses incurred by the Group to develop, enhance, manage, monitor and operate the Group's web sites and systems. Research and development costs are expensed as incurred.

Leasing and hire purchase agreements

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is recognised, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Onerous contracts

Provision is made for future rental expenses (net of estimated sublease income) where space is vacant and not planned to be used for ongoing operations and for other costs associated with onerous contracts.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

1 Accounting policies continued

Pensions costs

The Group operated a defined contribution pension scheme in which the employees participate. The pension cost under this scheme is the amount of the contributions payable in respect of the year. The Group provides no other post-retirement benefits to its employees.

Stock

Stock is valued at the lower of cost and net realisable value.

2 Turnover and segmental analysis

	2003	2002
	£000	<i>Pro-forma</i> £000
Group turnover	54,519	39,083
Share of joint venture turnover	—	3,876
Turnover: Group and share of joint venture	<u>54,519</u>	<u>42,959</u>
Joint venture partners' share of joint venture turnover (on <i>pro forma</i> basis)	—	3,876
	<u><u>54,519</u></u>	<u><u>46,835</u></u>

Pro forma turnover has been shown for 2002 due to the full acquisition of the joint venture in 2002. *Pro forma* turnover shows the amount of turnover that would have been recorded if the joint venture had been shown under the principles of acquisition accounting from 1 January 2002.

Group turnover represents the amount derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax.

The Group operates in two principal areas of activity, that of online gaming and the provision of sports content.

Geographical turnover has been disclosed by origin, which arises wholly within the UK. All operating loss and net assets related to the UK. 98% of gaming turnover derived from the clients resident in UK, the balance derived from Europe and Asia. 68% of content turnover derived from clients resident in UK, the balance derived from clients resident in Europe and USA.

Group turnover, loss on ordinary activities before tax and net assets are analysed as follows. The share of operating profit of the joint venture and net liabilities of the joint venture relate to the online gaming activity.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

2 Turnover and segmental analysis continued

<i>Segmental Analysis</i>				2003				2002	
Area of activity	<i>Gaming</i> £000	<i>Content</i> £000	<i>Credit Card</i> <i>Marketing</i> £000	<i>Total</i> £000	<i>Gaming</i> £000	<i>Content</i> £000	<i>Credit Card</i> <i>Marketing</i> £000	<i>Total</i> £000	
Group turnover									
Discontinued	—	—	44	44	—	63	283	346	
Continuing – Acquisitions	—	137	—	137	—	—	—	—	
Continuing	46,795	7,543	—	54,338	35,182	3,555	—	38,737	
	<u>46,795</u>	<u>7,680</u>	<u>44</u>	<u>54,519</u>	<u>35,182</u>	<u>3,618</u>	<u>283</u>	<u>39,083</u>	
Group operating loss before exceptional items and common costs									
Discontinued	—	—	(45)	(45)	—	(177)	(466)	(643)	
Continuing – Acquisitions	—	(105)	—	(105)	—	—	—	—	
Continuing (excluding non-recurring)	(1,984)	(1,398)	—	(3,382)	(1,671)	(1,544)	—	(3,215)	
	<u>(1,984)</u>	<u>(1,503)</u>	<u>(45)</u>	<u>(3,532)</u>	<u>(1,671)</u>	<u>(1,721)</u>	<u>(466)</u>	<u>(3,858)</u>	
Common costs including non-recurring costs				(1,726)				(2,758)	
Group operating loss				(5,258)				(6,616)	
Share of profit of joint venture				—				114	
Net interest and income from investments				(482)				(862)	
Loss on termination of operations				—				(1,470)	
Loss on ordinary activities before taxation				<u>(5,740)</u>				<u>(8,834)</u>	
Net assets/(liabilities)									
Discontinued	—	—	1,947	1,947	—	—	1,992	1,992	
Continuing – Acquisitions	—	7,409	—	7,409	—	—	—	—	
Continuing	(944)	4,070	—	3,126	1,908	2,807	—	4,715	
	<u>(944)</u>	<u>11,479</u>	<u>1,947</u>	<u>12,482</u>	<u>1,908</u>	<u>2,807</u>	<u>1,992</u>	<u>6,707</u>	
Unallocated net assets/(liabilities)				2,619				(3,696)	
Total net assets				<u>15,101</u>				<u>3,011</u>	
Unallocated net assets/(liabilities) comprise:									
Cash				3,443				1,724	
Other debtors				228				182	
Other creditors				(1,052)				(5,602)	
				<u>2,619</u>				<u>(3,696)</u>	

Notes to the consolidated accounts continued

for the year ended 31 December 2003

2 Turnover and segmental analysis continued

Analysis of Group's share of joint venture (all gaming)

	£000	£000
Turnover	—	3,876
Profit before tax	—	114
Taxation	—	—
Profit after tax	—	114
Current assets	—	—
Liabilities due within one year	—	—
Net liabilities	—	—

3 Group operating loss

This is stated after charging:	2003 £000	2002 £000
Auditors' remuneration – audit services (Company: £10,000)	90	85
– non-audit services	50	59
Amortisation of intangible fixed assets	944	993
Depreciation of owned fixed assets	631	381
Operating lease rentals – land and buildings	334	201
– plant and equipment	46	39

4 Staff costs

<i>Employee costs and numbers</i>	2003 £000	2002 £000
Wages and salaries	4,755	2,850
Social security costs	498	283
Pension costs	135	95
	5,388	3,228

The average monthly number of employees during the year was as follows:

	No.	No.
Operational	148	110
Administration	20	14
	168	124

Details of directors' remuneration can be found on page 13.

5 Non-recurring costs

Exceptional items of £504,000 comprise the termination payments and redundancy costs incurred in the final integration of TEAMtalk and Sportinglife in March 2003, and provisions for the redundancy of executive directors within Rivals.

Non-recurring costs of £1,401,000 disclosed in the profit and loss account in 2002 comprise those operating costs incurred during the post TEAMtalk acquisition period until the completion of integration and reorganisation procedures, after which they do not recur. Costs arising directly from the integration and reorganisation, comprising principally redundancy and termination payments, were included as exceptional non-recurring costs.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

6 Interest payable and similar charges	2003 £000	2002 £000
Interest on bank loans and overdrafts	336	380
Interest on finance leases	—	1
Interest on unwinding of discount on deferred consideration	124	151
Arrangement fees relating to acquisition finance	—	369
Exchange losses	29	33
	<u>489</u>	<u>934</u>

7 Tax on loss on ordinary activities	2003 £000	2002 £000
Corporation tax	—	—
Deferred tax	—	—
	<u>—</u>	<u>—</u>

The Group has no tax charge due to the losses in the year and has losses to carry forward of approximately £26 million (2002: £20 million).

Current tax reconciliation

	2003 £000	2002 £000
Loss on ordinary activities before tax	(5,740)	(8,834)
Expected current tax thereon at 30%	(1,722)	(2,650)
Expenses which are not deductible for tax purposes	608	1,059
Depreciation in excess of capital allowances	191	101
Increase/(decrease) in tax losses carried forward	923	1,490
Group relief surrendered	—	—
Current tax charge per accounts	<u>—</u>	<u>—</u>

8 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial period.

Reconciliation of the loss and weighted average number of shares used in the calculations are set out below:

	2003 Losses £000	2003 Weighted average number of shares	Per share (pence)	2002 Losses £000	2002 Weighted average number of shares	Per share (pence)
Basic losses per share						
Loss attributable to shareholders	<u>(5,740)</u>	<u>57,264,916</u>	<u>(10.02)</u>	<u>(8,834)</u>	<u>45,790,645</u>	<u>(19.29)</u>

Notes to the consolidated accounts continued

for the year ended 31 December 2003

8 Loss per share continued

Diluted loss per share is the same as the basic loss per share as the exercise of share options and warrants would reduce the loss per share, and are therefore not dilutive under FRS 14.

Adjusted loss per share has been calculated to provide a better understanding of the underlying performance of the Group as follows:

	2003		2002	
	<i>Losses</i> £000	<i>Per share</i> <i>amount</i> <i>(pence)</i>	<i>Losses</i> £000	<i>Per share</i> <i>amount</i> <i>(pence)</i>
Basic losses per share				
Loss attributable to shareholders	(5,740)	(10.02)	(8,834)	(19.29)
Amortisation of goodwill	944	1.65	993	2.17
Goodwill charged on termination of Sportscard business	—	—	1,195	2.61
Non-recurring cost	—	—	1,770	3.86
	<u>(4,796)</u>	<u>(8.37)</u>	<u>(4,876)</u>	<u>(10.65)</u>

9 Intangible fixed assets

<i>Group</i>	<i>Goodwill</i> £000
Cost:	
At 31 December 2002	10,617
Additions (note 23)	7,516
Reassessment of deferred contingent consideration	(869)
At 31 December 2003	<u>17,264</u>
Amortisation:	
At 31 December 2002	2,498
Charge for the year	944
At 31 December 2003	<u>3,442</u>
Net book value:	
At 31 December 2003	<u>13,822</u>
At 31 December 2002	<u>8,119</u>

Capitalised goodwill relates to the acquisitions of ukbetting.com Limited, Sportinglife UK Limited, SCG Enterprises Limited, TEAMtalk Media Group Ltd, Oddschecker Ltd and Rivals Digital Media Ltd. The goodwill is being amortised over 10 years.

The reassessment of deferred contingent consideration relates to the acquisition of ukbetting.com Limited in 2001.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

10 Tangible fixed assets

	<i>Freehold property £000</i>	Group <i>Fixtures fittings and office equipment £000</i>	<i>Total £000</i>	Company <i>Fixtures fittings and office equipment £000</i>
Cost:				
At 31 December 2002	312	1,456	1,768	27
Additions	—	501	501	6
Acquisitions	—	115	115	—
Disposals	(312)	—	(312)	—
At 31 December 2003	<u>—</u>	<u>2,072</u>	<u>2,072</u>	<u>33</u>
Depreciation:				
At 31 December 2002	2	354	356	7
Charged in the year	—	631	631	14
Disposals	(2)	—	(2)	—
At 31 December 2003	<u>—</u>	<u>985</u>	<u>985</u>	<u>21</u>
Net book value:				
At 31 December 2003	<u>—</u>	<u>1,087</u>	<u>1,087</u>	<u>12</u>
At 31 December 2002	<u>310</u>	<u>1,102</u>	<u>1,412</u>	<u>20</u>

11 Fixed assets investments

<i>Company</i>	<i>Investments in subsidiary undertakings £000</i>
Cost or valuation:	
At 31 December 2002	23,723
Additions	7,444
Reassessment of deferred contingent consideration (note 9)	(869)
At 31 December 2003	<u>30,298</u>

Notes to the consolidated accounts continued

for the year ended 31 December 2003

11 Fixed assets investments continued

The principal subsidiary undertakings at 31 December 2003 were:

	<i>Nature of business</i>	<i>Country of incorporation</i>	<i>Percentage proportion of shares held</i>
<i>Held directly</i>			
ukbetting.com Limited	Online gaming	England	100
SCG Enterprises Limited	Non trading	England	100
Sportinglife UK Limited	Media	England	100
Sportscard Group plc	Credit card marketing	England	100
TEAMtalk Media Group Limited	Holding Company	England	100
Oddschecker Ltd	Holding Company	England	100
Rivals Digital Media Ltd	Media	England	100
<i>Held indirectly</i>			
Sportscard Credit Card Company Limited	Credit card marketing	England	100
Sportscard Limited	Sport ticket marketing	England	100
Sportinglife Bets Limited	Online gaming	England	100
TEAMtalk Satellite Limited	Media	England	100
TEAMtalk Satellite Inc	Media	USA	100
TEAMtalk.com Limited	Media	England	100
TTC2 Limited	Holding Company	England	100
TTC3 Limited	Holding Company	England	100
TTC4 Limited	Holding Company	England	100
Rapid Raceline Limited	Intellectual Property	England	100
TEAMtalk Media Limited	Media	England	100
TEAMtalk Broadcast Limited	In-store Radio	England	100
Web-Bet Limited	Non trading	England	100
Oddschecker (Jersey) Ltd	Media	BVI*	100
Oddschecker Services Ltd	Media	England	100
365 Digital Publishing Pty	Media	South Africa	100
UKB License Holding N.V.	Online gaming	Curacao	100

*British Virgin Islands

12 Stock

	2003	2002
	£000	£000
Receiving equipment and goods for resale	57	68

Notes to the consolidated accounts continued

for the year ended 31 December 2003

13 Debtors

<i>Group</i>	2003 £000	2002 £000
Trade debtors	2,186	995
Other debtors	250	626
Prepayments	997	759
	<u>3,433</u>	<u>2,380</u>
 <i>Company</i>	 2003 £000	 2002 £000
Amounts due from subsidiary undertakings	3,651	3,216
Other debtors	44	46
Prepayments	184	136
	<u>3,879</u>	<u>3,398</u>

Included under Group prepayments are sports debentures of £nil (2002: £104,174). The amount due after more than one year is £nil (2002: £39,900). During the year the value of these debentures was written down to nil following an impairment review.

14 Creditors: amounts falling due within one year

<i>Group</i>	2003 £000	2002 £000
Obligations under finance leases and hire purchase contracts (note 16)	—	7
Trade creditors	3,694	3,177
Other taxes and social security costs	653	264
Accruals	2,401	2,146
Other creditors	—	6
Bank loan – term facility	—	5,000
	<u>6,748</u>	<u>10,600</u>
 <i>Company</i>	 2003 £000	 2002 £000
Trade creditors	478	148
Amounts due to subsidiary undertakings	10,822	12,938
Other creditors	—	15
Accruals	574	439
Bank loan – term facility	—	5,000
	<u>11,874</u>	<u>18,540</u>

Notes to the consolidated accounts continued

for the year ended 31 December 2003

15 Creditors: amounts falling due after more than one year

<i>Group</i>	2003 £000	2002 £000
Deferred consideration	911	1,139
	<u>911</u>	<u>1,139</u>
<i>Company</i>	2003 £000	2002 £000
Deferred consideration	911	1,139
	<u>911</u>	<u>1,139</u>

Deferred consideration comprises the cash element of the amount payable to ENIC plc in respect of the acquisition of ukbetting.com Limited. This has been decreased in the year due to reassessment of future turnover levels which determine the deferred consideration payable. The deferred consideration is payable in March 2006.

The amount now due is analysed as follows:

	£000
Amount due at 31 December 2002	1,139
Discount applied in the year	124
Decrease in amount due	(352)
Amount due at 31 December 2003	<u>911</u>

16 Obligations under finance leases

<i>Group</i>	2003 £000	2002 £000
Net obligations under finance leases are repayable as follows:		
Within one year	—	7
Within two to five years	—	—
	<u>—</u>	<u>7</u>
Total obligations at 1 January	7	13
Additions under lease agreements during the year	—	—
Capital repayments during the year	(7)	(6)
Total obligations at 31 December	<u>—</u>	<u>7</u>

Notes to the consolidated accounts continued

for the year ended 31 December 2003

17 Financial instruments and derivatives

The directors' report on page 15 provides an explanation of the Group's treasury objectives and policies with regards to financial instruments and the management of risk. An outline of the policies adopted for achieving these objectives is also provided.

Short-term debtors and creditors have been omitted from this note as permitted under FRS 13.

(a) Interest rate risk profile as at 31 December 2003

The interest rate risk profile of the Group is as follows:

	<i>Floating rate</i>	2003 <i>Total</i>	2002 <i>Total</i>
	£000	£000	£000
<i>Financial assets</i>			
US Dollar	168	168	266
Euro	53	53	124
Sterling	4,348	4,348	2,584
Other	12	12	—
	<u>4,581</u>	<u>4,581</u>	<u>2,974</u>

The financial assets of the Group comprise:

	2003 £000	2002 £000
Cash and deposits	4,581	2,974
Total financial assets	<u>4,581</u>	<u>2,974</u>

The floating rate financial assets comprise cash earning interest linked to base rates.

<i>Financial liabilities</i>	<i>Fixed rate</i>	<i>Financial liabilities on which no interest is charged</i>	<i>Total</i>	<i>Fixed rate financial liabilities</i>	
				<i>Weighted average interest rate</i>	<i>Weighted average year</i>
	£000	£000	£000	%	Years
2003 Sterling	<u>911</u>	<u>220</u>	<u>1,131</u>	7.7	2.1
2002 Sterling	<u>6,146</u>	<u>203</u>	<u>6,349</u>	9.7	1.0

The financial liabilities of the Group comprise:

	2003 £000	2002 £000
Finance lease	—	7
Deferred consideration	911	1,139
Other financial liabilities	220	203
Bank loan term facility	—	5,000
	<u>1,131</u>	<u>6,349</u>

Notes to the consolidated accounts continued

for the year ended 31 December 2003

17 Financial instruments and derivatives continued

(b) Foreign currency exposure profile as at 31 December 2003

As explained in the Group's accounting policy, exchange differences arising from the retranslation of the opening net assets of subsidiary undertakings which have functional currencies other than sterling are taken to reserves, together with the differences arising between the profit and loss translated at average rates compared with year end rates.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their functional currency. Foreign exchange differences on the retranslation of these assets and liabilities are taken to the profit and loss account of the subsidiary concerned and the Group. The position at 31 December 2003 was as follows:

Net foreign currency monetary assets/(liabilities)

	US dollar £000	Euro £000	2003 Total £000	2002 £000
Functional currency of Group operation				
Sterling	281	15	296	330
Total	<u>281</u>	<u>15</u>	<u>296</u>	<u>330</u>

(c) Liquidity profile of financial liabilities as at 31 December 2003

The following table analyses the Group's financial liabilities as at 31 December 2003, which are repayable as follows:

	2003 £000	2002 £000
In one year or less or on demand	164	5,007
In more than one year but not more than two years	56	89
In more than two years but not more than five years	911	1,253
In more than five years	—	—
Total	<u>1,131</u>	<u>6,349</u>

Notes to the consolidated accounts continued

for the year ended 31 December 2003

17 Financial instruments and derivatives

continued

(d) *Fair values of financial assets and liabilities*

	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>
	2003	2003	2002	2002
	£000	£000	£000	£000
Primary financial instruments held or used to finance the Group's operations				
Cash deposits	4,581	4,581	2,974	2,974
Borrowings maturing within one year	—	—	(5,007)	(5,007)
Borrowings maturing after one year	(911)	(911)	(1,139)	(1,139)
Other financial liabilities	(220)	(220)	(203)	(203)
	<u>3,450</u>	<u>3,450</u>	<u>(3,375)</u>	<u>(3,375)</u>

- (i) The Group does not hold any financial instruments for trading purposes.
- (ii) The fair value of cash at bank and in hand approximate to book value due to short-term maturity of these instruments.
- (iii) The fair values of the deferred consideration have been calculated by discounting expected future cash flows at prevailing interest rates.

18 Deferred taxation

Group

The movements in deferred taxation during the current and previous years are as follows:

	2003	2002
	£000	£000
At 31 December 2002	—	—
Charge for the year	—	—
At 31 December 2003	<u>—</u>	<u>—</u>

The deferred tax asset is made up as follows:

	<i>Recognised</i>		<i>Not recognised</i>	
	2003	2002	2003	2002
	£000	£000	£000	£000
Accelerated capital allowances	—	—	1,230	1,026
Short term timing differences	—	—	22	8
Tax losses	—	—	7,707	6,141
	<u>—</u>	<u>—</u>	<u>8,959</u>	<u>7,175</u>

The deferred tax asset of £8.9 million (2002: £7.1 million) has not been recognised on the basis that there is insufficient certainty as to whether events will materialise to crystallise the deferred tax benefit.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

19 Other provisions

	2003	2002
	£000	£000
At 1 January	203	24
New provisions	104	247
Utilised	(87)	(68)
At 31 December	<u>220</u>	<u>203</u>

The provisions have been set up to cover rent and other costs associated with onerous contracts. The provisions are expected to be utilised in 2004 and 2005.

20 Share capital

Authorised, allotted, called up and fully paid

	2003	2003	2002	2002
	No.	£000	No.	£000
Ordinary shares of £0.01 each	<u>90,331,735</u>	<u>903</u>	<u>47,295,312</u>	<u>473</u>

During the period the following fully paid shares were issued:

- On 22 January 2003, 88,245 1p ordinary shares were issued to the non-executive directors in lieu of fees.
- On 9 June 2003 15,000,000 1p ordinary shares were issued in respect of a Placing for which general authority was granted by the shareholders at the annual general meeting on 6 May 2003.
- On 11 December 2003 26,000,000 ordinary shares were issued in respect of the Placing approved by shareholders at the extraordinary general meeting on 11 December 2003.
- On 23 December 2003 1,948,178 ordinary shares were issued as part of the consideration for the purchase of Rivals Digital Media Limited.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

20 Share capital continued

The following options and/or Warrants have been granted over the ordinary shares of the Company:

	<i>Date of grant or exchange</i>	<i>No. of 1p ordinary shares to which awards relate</i>	<i>Exercise price pence</i>	<i>Date exercisable</i>
Options to non-executive directors at flotation	7 Aug 01	600,000	25	Prior to 7 Aug 06
Warrants and options to executive directors at flotation	7 Aug 01	9,940,000	25	Prior to 7 Aug 06
Warrants to substantial shareholder at flotation	7 Aug 01	6,000,000	25	Conditional upon turnover by 31 Dec 05
Further Subscription Rights to executive directors – shares	7 Aug 01	2,460,000	25	Prior to 7 Aug 06
Further Subscription Rights to executive directors – Warrants	7 Aug 01	9,840,000	25	Prior to 7 Aug 06
Sportscard exchange options	12 Nov 01	257,140	42	Prior to 1 Mar 11
Options to executive directors and staff	30 Nov 01	988,805	37	From 30 Nov 04 and before 30 Nov 11
Options to executive directors and staff	2 Oct 02	1,118,421	38	From 2 Oct 05 and before 2 Oct 12
Options to executive directors	2 Apr 03	1,350,000	26	From 2 Apr 06 and before 2 Apr 13
Options to executive director	24 Sep 03	790,000	41.5	From 24 Sep 06 and before 24 Sep 13
Options to executive directors and staff	11 Dec 03	1,412,222	45	From 11 Dec 06 and before 11 Dec 13
Options to executives of Rivals Digital Media Limited	24 Dec 03	584,454	51.33	From 24 Apr 04 and before 24 Apr 07

The Company operates an approved share option scheme and an unapproved share option scheme.

Under the terms of the Company's unapproved share option scheme the individual is liable to pay the National Insurance accruing to the Company on the gains accruing on the exercise of options. The National Insurance liability has been accrued for within creditors and has been offset by an amount recoverable from employees within debtors. Consequently there is no charge to the profit and loss account in respect of National Insurance accruing on the exercise of share options.

The Company has not issued any share options at less than the market price.

Committed but unissued shares:

At 31 December 2003 51,562 options issued to staff had lapsed. The total options committed at 31 December 2003 under the share option schemes were 5,659,448.

On 12 December 2003 4,444,444 ordinary shares were committed in respect of the £2m deferred consideration for Oddschecker Limited under the general authority granted by the shareholders at the annual general meeting on 6 May 2003. These will be allotted on or after 30 June 2004 once the criteria for payment of the consideration has been met.

Other options and warrants committed at flotation and upon acquisition were 25,185,588.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

21 Reserves

	Shares to be issued £000	Other reserve £000	Share premium £000	Profit and loss account £000
<i>Group</i>				
At 31 December 2002	1,500	6,936	5,526	(11,424)
Share issues	—	980	14,953	—
Additional deferred contingent consideration (note 23)	2,000	—	—	—
Reassessment of deferred contingent consideration (note 9)	(517)	—	—	—
Loss for the year	—	—	—	(5,740)
Exchange adjustments	—	—	—	(16)
At 31 December 2003	<u>2,983</u>	<u>7,916</u>	<u>20,479</u>	<u>(17,180)</u>
	Shares to be issued £000	Other reserve £000	Share premium £000	Profit and loss account £000
<i>Company</i>				
At 31 December 2002	1,500	6,936	5,526	(5,249)
Share issues	—	980	14,953	—
Additional deferred contingent consideration	2,000	—	—	—
Reassessment of deferred contingent consideration (note 9)	(517)	—	—	—
Loss for the year	—	—	—	(2,185)
At 31 December 2003	<u>2,983</u>	<u>7,916</u>	<u>20,479</u>	<u>(7,434)</u>

The loss attributable to members of ukbetting plc dealt with in the accounts of the Company is £2,185,000 (2002: £4,672,000).

22 Other commitments

Annual commitments under non-cancellable operating leases as follows:

	Plant and equipment 2003 £000	Land and buildings 2003 £000	Total 2003 £000	Plant and equipment 2002 £000	Land and buildings 2002 £000	Total 2002 £000
<i>Group</i>						
Operating leases which expire:						
Within one year	16	171	187	4	24	28
Between two and five years	29	209	238	52	174	226
After five years	—	195	195	—	187	187
	<u>45</u>	<u>575</u>	<u>620</u>	<u>56</u>	<u>385</u>	<u>441</u>

Notes to the consolidated accounts continued

for the year ended 31 December 2003

23 Acquisitions

(a) Acquisition of Oddschecker Limited ("Oddschecker")

On 18 December 2003 the Group acquired the entire issued share capital of Oddschecker. The total consideration of £4,943,517 including expenses was satisfied by cash of £2,943,517 and includes a deferred contingent amount of £2,000,000 payable in shares. The deferred contingent consideration is payable on achieving certain EBITDA performance criteria.

The Group has used acquisition accounting to account for the purchase and the resulting goodwill of £4,778,805 has been capitalised and is being amortised over 10 years.

	Book value £000	Accounting policy alignment £000	Provisional fair value adjustments £000	Provisional fair value of net assets £000
<i>Net assets acquired</i>				
Tangible fixed assets	159	(99) ⁽ⁱ⁾	—	60
Debtors	343	—	(2) ⁽ⁱ⁾	341
Cash	89	—	—	89
Creditors	(285)	—	(40) ⁽ⁱⁱⁱ⁾	(325)
Net assets	<u>306</u>	<u>(99)</u>	<u>(42)</u>	<u>165</u>
Goodwill				<u>4,779</u>
Consideration				<u>4,944</u>
				£000
Satisfied by:				
Cash				2,944
Shares				<u>2,000</u>
				<u>4,944</u>

The adjustments represent revisions to book values of existing assets and liabilities under FRS 7, 'Fair values in acquisition accounting' as follows:

- (i) write off the capitalisation of website development costs
- (ii) increase in provision against debtors and the inclusion of a provision against onerous contracts.

Notes to the consolidated accounts continued

for the year ended 31 December 2003

23 Acquisitions continued

The summarised profit and loss accounts of Oddschecker for the periods immediately prior to the acquisition by the Group are:

	1 July 2002 to 30 June 2003 £000	1 July 2001 to 30 June 2002 £000
Turnover	1,280	664
Operating profit	422	202
Profit before taxation	427	204
Taxation	(160)	—
Profit after taxation	<u>267</u>	<u>204</u>

(b) Acquisition of Rivals Digital Media Limited ("Rivals")

On 24 December 2003 the Group acquired the entire issued share capital of Rivals. The total consideration of £2,500,052 including expenses, was satisfied with cash of £1,500,052 and the issue of £1,000,000 of shares. The Group has used acquisition accounting to account for the purchase and the resulting goodwill of £2,737,218 has been capitalised and is being amortised over 10 years.

	Book value £000	Provisional fair value adjustments £000	Provisional fair value of net liabilities £000
<i>Net assets acquired</i>			
Tangible fixed assets	55	—	55
Stock	39	(17) ⁽ⁱ⁾	22
Debtors	1,004	(68) ⁽ⁱ⁾	936
Cash	210	—	210
Creditors	(1,352)	(108) ⁽ⁱⁱⁱ⁾	(1,460)
	(44)	(193)	<u>(237)</u>
Goodwill			<u>2,737</u>
Consideration			<u>2,500</u>
			£000
Satisfied by:			
Cash			1,500
Shares			1,000
			<u>2,500</u>

Notes to the consolidated accounts continued

for the year ended 31 December 2003

23 Acquisitions continued

The adjustments represent revisions to book values of existing assets and liabilities, under FRS 7, as follows:

- (i) increase in provision against debtors and stock
- (ii) inclusion of a provision against onerous contracts

The summarised profit and loss accounts of Rivals for the periods immediately prior to the acquisition by the Group are:

	<i>1 September 2002 to 31 August 2003 £000</i>	<i>1 September 2001 to 31 August 2002 £000</i>
Turnover	3,705	2,329
Operating loss	(1,110)	(1,701)
Loss before taxation	(1,121)	(1,688)
Taxation	—	—
Retained loss	<u>(1,121)</u>	<u>(1,688)</u>

24 Post balance sheet events

Subsequent to the year end the Group acquired GoldBet SportWetten GmbH, based in Austria, for at total maximum consideration of EUR 4.5 million, dependant on the achievement of certain performance criteria.

The acquisition is structured in two parts, 51% of the business immediately for EUR 0.5 million and the remaining 49% of the business will be acquired in March 2006.

Notice of annual general meeting

Notice is hereby given that the third annual general meeting of ukbetting plc will be held at Addleshaw Goddard, Third Floor, 25 Cannon Street, London EC4M 5TB on Wednesday, 9 June 2004 at 11.00 am to consider and, if approved, to pass resolutions 1 to 6 as ordinary resolutions, and resolutions 7 to 10 as special resolutions.

Ordinary business

1. To receive approve and adopt the report of the directors and the financial statements of the Company for the financial year ended 31 December 2003 together with the report of the auditors thereon.
2. To elect Trevor Beaumont as a director, who retires pursuant to article 110 of the Company's articles of association.
3. To re-elect Peter Dubens as a director, who retires pursuant to article 104 of the Company's articles of association.
4. To re-elect Alex Berger as a director, who retires pursuant to article 104 of the Company's articles of association.
5. To re-appoint KPMG Audit Plc as auditors to the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting and to authorise the directors to fix their remuneration.
6. That
 - (i) the directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in Section 80(2) of the Act) of the Company up to an aggregate nominal value of £301,105.78 during the year commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company to be held in 2005 provided that the Company may make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities of the Company to be allotted after the expiry of such authority and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired, and
 - (ii) all previous authorisations given by the Company in general meeting or otherwise pursuant to Section 80 of the Act be and are hereby revoked to the extent not previously exercised.

Special business

7. That, subject to the passing of resolution 1 in the notice of annual general meeting of the Company dated 10 May 2004, the directors be and are hereby empowered pursuant to Section 95(1) of the Companies Act 1985 (the "Act") to allot equity securities (as defined in Section 94(2) of the Act) of the Company as if Section 89(1) of the Act did not apply to such allotment provided that such power be limited to:
 - (i) the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in accordance with the rights attaching thereto subject only to such exclusions or other arrangements as the directors may consider expedient to deal with fractional entitlements or legal or practical considerations arising under the laws of any territory or the requirements of any regulatory body, and

Notice of annual general meeting

continued

- (ii) the allotment (otherwise than pursuant to paragraph (i) of this resolution) of equity securities up to an aggregate nominal value of £301,105.78

and shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company to be held in 2005, save that the directors 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.

8. That the Company be and is hereby granted general and unconditional authority (pursuant to Section 166 of the Companies Act 1985 (the "Act")) to make market purchases (as defined in Section 163 of the Act) of its own ordinary shares on such terms and in such manner as the directors may from time to time determine provided that:

- (i) the maximum number of ordinary shares hereby authorised to be purchased is 9,033,173;
- (ii) the maximum price which may be paid for an ordinary share is an amount equal to 5% above the average of the middle market quotations for the ordinary shares taken from the London Stock Exchange plc Daily Official List for the ten dealing days before the day on which the share is contracted to be purchased exclusive of expenses payable by the Company;
- (iii) the minimum price which may be paid for an ordinary share is 1p, and
- (iv) the authority conferred by this resolution shall expire on the conclusion of the annual general meeting of the Company to be held in 2005 or 8 September 2005 (whichever shall first occur), except that the Company may, before such expiry, enter into a contract for the purchase of its own shares which would or may require to be completed or executed wholly or partly after the expiration of this authority and a purchase of shares may be made in pursuance of such a contract.

9. That the ukbetting plc Inland Revenue Approved Share Option Plan 2004 (Approved Plan) and the ukbetting plc Unapproved Share Option Plan 2004 (together the "Plans"), as detailed in the summary attached (Appendix 1) and in the forms produced to the meeting and initialled by the Chairman for purposes of identification, be and are hereby approved and adopted subject to any amendments required by the Inland Revenue in order to obtain approval of the Approved Plan under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003.

Notice of annual general meeting

continued

10. That the individual warrants to be entered into by the Company with Trevor Beaumont, David Annat, Andrew Galvin and one key executive, as detailed in the summary attached (Appendix 2) and in the forms produced to the meeting and initialled by the Chairman for purposes of identification, be and are hereby approved.

BY ORDER OF THE BOARD

Christina Kennedy

Secretary

10 May 2004

Registered Office:
14 Waterloo Place
London SW1Y 4AR

Notes

1. Any member entitled to attend and vote at the annual general meeting convened by this notice may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
2. To appoint a proxy, the form attached should be completed and deposited at the offices of the Company's registrars not less than 48 hours before the meeting time of the annual general meeting specified above.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, members will be entitled to attend and to vote at the meeting if they are registered on the Company's register of members at 6.00 pm on 6 June 2004 or, if the meeting is adjourned, at 6.00 pm on the day which is two full days prior to such adjourned meeting.
4. Copies of all the Articles of Association, together with directors' service contracts or memoranda of the terms thereof (other than contracts expiring or determinable by the employing company without compensation within one year), the register of interests of directors (and their families) in shares of the Company kept in accordance with section 325 of the Companies Act 1985 the ukbetting Unapproved and Inland Revenue Approved Share Option Plans and all the warrants will be available for inspection at the registered office of the Company and at the offices of Addleshaw Goddard, 150 Aldersgate Street, London EC1A 4EJ during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the annual general meeting and will be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the meeting.

Appendix 1

Summary of the principal terms of the ukbetting plc Inland Revenue Approved Share Option Plan 2004 and the ukbetting plc Unapproved Share Option Plan 2004

Introduction

The Board are seeking approval to the adoption to the new plans as the existing plans are not appropriate for the Company at this stage of its development. If the introduction of the new plans is approved no further options will be awarded under the old plans.

The ukbetting plc Inland Revenue Approved Share Option Plan 2004 (**Approved Plan**) and ukbetting plc Unapproved Share Option Plan 2004 (**Unapproved Plan**) (together the "Plans") allow options to be granted to eligible employees of the Company. The Approved Plan is designed so that if certain conditions are met, holders of options may, on exercise, benefit from relief from income tax and National Insurance (NI) and, unlike the Unapproved Plan, the maximum value of shares that may be held under such options by a single individual at any one time is £30,000. The Approved Plan will be submitted for approval by the Inland Revenue under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003.

The following summary applies to both Plans except where otherwise specified.

1 Administration

The Plans will be administered by the Board in consultation with the Remuneration Committee all the members of which are non-executive directors.

2 Eligibility

The Remuneration Committee may recommend to the Board that any executive director or employee of the Company or its subsidiaries for the time being may be selected to participate in either or both Plans. However, no eligible person may participate if he is within 6 months of his normal contractual retirement date.

3 Grant of options

Options can only be granted within a period of 42 days from (i) the day the Unapproved Plan is adopted by shareholders in general meeting, (ii) the day the Approved Plan is formally approved by the Inland Revenue, (iii) the day after the Company makes an announcement of its results for any period, or (iv) the day on which the Board resolves that exceptional circumstances exist which justify the grant of options.

No options will be granted if there are any statutory or regulatory restrictions from making a grant, and no options can be granted after the tenth anniversary of the adoption of the Plans.

4 Grant and exercise price

No payment will be required for the grant of an option. The price at which shares may be acquired on exercise of options shall (i) if the Shares are listed on the London Stock Exchange, not be less than an amount equal to the average middle market quotation of a share on the three dealing days immediately preceding the date of grant (as derived from the Daily Official List of the London Stock Exchange), and (ii) if the Shares are dealt in on the Alternative Investment Market, be its closing price unless the Board considers that such

Appendix 1 continued

Introduction continued

figure is not a fair assessment of market value, in which case the Board will (with the prior agreement of the Shares Valuation Division of the Inland Revenue in relation to the Approved Plan) determine the market value of a Share.

5 Limits on issue of shares

The number of shares which may be issued under the Plans or any other employees' share scheme adopted by the Company shall be limited to 15% of the issued ordinary share capital of the Company over any 10 year period.

For the Approved Plan, the maximum value of shares which may be held under such options by a single individual at any one time is £30,000.

6 Exercise of options

In normal circumstances, an option granted under the Plans may not be exercised earlier than 3 years or more than 10 years after grant. However, early exercise is allowed if a participant ceases to be employed by reason of death, injury or disability, retirement or redundancy, because the Company or the business that employs him is transferred out of the Group, or in circumstances of a takeover, reconstruction or winding up of the Company.

If an participant ceases employment for any other reason, his option will normally lapse unless the Remuneration Committee decides otherwise.

If an option does become exercisable following early termination of employment it must be exercised within 6 months, although this period is extended to 12 months in the case of death.

7 Performance conditions

The Remuneration Committee may, where appropriate, set performance conditions to apply to all options.

8 Pension rights

Awards of shares under the Plans will not form part of pensionable earnings.

9 Variation of capital

In the event of a variation to the share capital of the Company, the Remuneration Committee may make such adjustment as it considers appropriate to the number of shares under options and the price at which they may be acquired and, additionally for the Approved Plan, subject to Inland Revenue approval if it is to remain an approved plan.

10 Amendments

No amendments to the key features of the Plans will be made without the prior approval of the Company in general meeting, except for minor amendments to benefit the administration of the Plans, to take account of changes in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company or companies in its Group. Amendments to the Approved Plan require Inland Revenue approval if it is to remain an approved plan.

Appendix 1 continued

Introduction continued

11 Tax and NI

If a participant exercises an option under the Plans where income tax and primary and secondary Class 1 NI are payable, the participant is obliged to account for it to the Company on exercise of his option. Therefore, a participant can only exercise his option on condition that he enters into arrangements acceptable to the Company to pay the tax and NI.

The summary above does not form part of, and should not be taken as affecting the interpretation of, the detailed terms and conditions constituting the rules of the Plans.

The directors reserve the right, up to the time of the 2004 annual general meeting, to make such amendments and additions to the draft rules of the Plans (which are available for inspection as described on page 49 of this document) as they may consider necessary or desirable, provided that such amendments and additions to the Plans do not conflict in any material respect with the summary set out above.

Appendix 2

Introduction

Summary of the principal terms of the warrants to acquire shares in the Company granted to executive directors and employees

The Board have considered the importance of the Group's development over the next two years and are seeking shareholders approval to the granting of warrants to certain members of the executive board and one key executive. The proposed warrants contain challenging performance criteria which if achieved will, in the opinion of the Board, be beneficial to shareholders. The warrants if approved will total 3,150,000 shares and will be 3.49% of the current issued capital.

The principal features of the warrants, the terms of which are set out in the individual warrants, are as follows:

1 Eligibility

The Remuneration Committee has recommended to the Board that Andrew Galvin be granted a warrant to subscribe for 600,000 shares, David Annat be granted a warrant to subscribe for 750,000 shares and that Trevor Beaumont be granted a warrant to subscribe for 1,500,000 shares and in addition one key executive, who is not eligible for options under the plan rules, will be granted a warrant to subscribe for 300,000 shares.

2 Grant of warrants

Warrants will only be granted within the period of 42 days following the day the approval of the warrants at the annual general meeting on 9 June 2004.

3 Grant and exercise price

No payment will be required for the grant of a warrant. The price at which shares may be acquired on exercise of a warrant shall be its closing price on the date of approval, unless the Board considers that such figure is not a fair assessment of market value, in which case the Board will determine the market value of a Share.

4 Exercise of warrants

Warrants may normally only be exercised while the warrant holder continues to hold office and/or be employed by the Group Company and not more than 10 years have elapsed since the date of grant.

If a warrant holder ceases to hold office and /or remain in employment for any other reason, his warrant will lapse unless the Remuneration Committee decides otherwise.

If an option does become exercisable following termination of employment it must be exercised within 1 month, although this period is extended to 12 months in the case of death.

5 Performance conditions

The Remuneration Committee has set performance conditions to apply to all warrants. It is intended that the performance conditions attaching to the warrants will be based on the Group Company achieving EBITDA as set out below.

Appendix 2 continued

Introduction continued

“Group EBITDA” means the Earnings Before Interest Tax Depreciation and Amortisation of all the operations of the Group Company including the gaming and content divisions of the Company.

“Content Division EBITDA” means the Earnings Before Interest Tax Depreciation and Amortisation of content division of the Company.

“Gaming Division EBITDA” means the Earnings Before Interest Tax Depreciation and Amortisation of gaming division of the Company.

Financial Year means the financial year of the Company ending 31 December.

Andrew Galvin

If the combined Group EBITDA for the Financial Years 2004 and 2005 total at least £6.5 million, all of the shares under warrant will become exercisable.

David Annat

If the combined Content Division EBITDA for the Financial Years 2004 and 2005 total at least £4.5 million, all of the shares under warrant will become exercisable.

Trevor Beaumont and one key executive

If the combined Gaming Division EBITDA for the Financial Years 2004 and 2005 total at least £5 million, all of the shares under warrant will become exercisable.

6 Pension rights

Awards of shares under the warrants will not form part of pensionable earnings.

7 Variation of capital

In the event of a variation to the share capital of the Company, the Remuneration Committee may make such adjustment as it considers appropriate to the number of shares under warrant and the price at which they may be acquired.

8 Amendments

No amendments to the key features of the warrants to the advantage of participants will be made without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the warrants, to take account of changes in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company or companies in the Group.

Appendix 2 continued

Introduction continued

9 Tax and NI

On the exercises of a warrant where income tax and primary and secondary Class 1 NI are payable, the warrant holder is obliged to account for the tax and NI to the Company on exercise of his warrant. Therefore, a participant can only exercise his warrant on condition that he enters into arrangements acceptable to the Company to pay the tax and NI.

The summary above does not form part of, and should not be taken as affecting the interpretation of, the detailed terms and conditions constituting the rules of the warrants.

The directors reserve the right, up to the time of the 2004 annual general meeting, to make such amendments and additions to the draft warrants (which are available for inspection as described on page 49 of this document) as they may consider necessary or desirable, provided that such amendments and additions to the warrants do not conflict in any material respect with the summary set out above.

Form of proxy

For use by ordinary shareholders at the 2004 **annual general meeting** of ukbetting plc.

I/We (name in BLOCK CAPITALS).....

of (address).....

being (a) member(s) of ukbetting plc hereby appoint the Chairman of the meeting or (see note 1)

as my/our proxy to act for me/us on my/our behalf at the annual general meeting of the Company to be held on Wednesday, 9 June 2004 at 11.00 am and at any adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares in the issued share capital of the Company registered in my/our name(s) (see note 2).

Number of resolution as set out in the notice of meeting

ORDINARY RESOLUTIONS	For	Against	Abstain
1. To receive the report and accounts			
2. To elect Trevor Beaumont			
3. To re-elect Peter Dubens			
4. To re-elect Alex Berger			
5. To re-appoint KPMG Audit Plc			
6. Authority to allot shares			
SPECIAL RESOLUTIONS			
7. Subject to 6 above, authority to allot shares pursuant to section 95(1) of the Act			
8. Authority to buy back shares			
9. To adopt the 2004 Approved and Unapproved Share Option Plans			
10. To approve grant of warrants			

Signatureon2004.
(see note 3)

Shareholders are entitled to appoint one or more proxies (who need not be an ordinary shareholder of the Company) to attend, speak and vote in place of that ordinary shareholder at the annual general meeting.

Notes:

1. An ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting "the Chairman of the meeting". The person whose name appears first on the form of proxy and has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow. Any alteration, deletion or correction made in the form of proxy must be initialled by the signatory/ies.
2. An ordinary shareholder's instructions to the proxy must be indicated in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as the proxy deems fit in respect of all the votes exercisable by the ordinary shareholder or by his proxy. The proxy will act at his discretion in relation to any other business arising at the meeting (including any resolution to amend a resolution or to adjourn the meeting).
3. This form of proxy must be signed by the appointor or his attorney duly authorised in writing. If the appointor is a corporation this form of proxy should be signed on its behalf by an attorney or duly authorised officer or executed as a deed. In the case of joint holders the signature of any one of them will suffice, but the names of all joint holders should be stated.
4. The completion and lodging of this form will not preclude the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such ordinary shareholder wish to do so.
5. Forms of proxy with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of the power of authority must be received by the Company's registrars, at the address overleaf, not less than 48 hours before the time fixed for the meeting.



SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. GI 2155

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