



Interim Report
for the six months ended
30 June 2002

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Chairman's statement

The first six months of 2002 have seen some important initiatives to consolidate our position as one of the UK's leading online betting and sports content businesses. Underlying businesses performed well.

The betting division completed the integration of ukbetting.com and totalbet.com onto a single technology platform. The acquisition in July 2002 of SCG Enterprises Limited, previously the sports.com betting division, added a further 24,000 customers to the 84,000 already held.

The redesign of Sportal and the re-launch of bettingzone.co.uk have helped to increase traffic and advertising revenues. The takeover of TEAMtalk Media Group plc, completed in early July 2002, has also added audio and telephony services that will be of benefit to our content division as we generate new revenue streams.

Sportinglife.com and teamtalk.com now attract over 3.9 million unique users and have established ukbetting's sports content division as the largest independent provider of on-line sports in the UK. The strategy of attracting content users to our betting sites is working well.

The integration of these operations will be completed by the end of 2002.

The growth in both sports content and betting revenues continues to prove the success of our business model and enables us to have confidence in the Group's future prospects. The performance in the first half of the year was in line with management expectations, and we believe the momentum will continue strongly in the second half and beyond.

Sir David Sieff

Non-Executive Chairman

12 September 2002

Chief Executive Officer's review

Financial overview

Group turnover in the period was £17.5 million including ukbetting's share of turnover derived from totalbet, which amounted to £3.88 million, generating gross profits of £724,000. Gross margins for the Group moved ahead successfully to 5.31 per cent. (five months to 31 December 2001: 1.71 per cent.).

EBITDA losses in the six months were £1.6 million (five months to 31 December 2001: £1.6 million). Total operating losses were reduced to £2.06 million from a loss in the five months to 31 December 2001 of £2.64 million. Losses per share amounted to 7.04p (basic and diluted) (five months to 31 December 2001: 18.25p); 5.96p (before goodwill amortisation) (five months to 31 December 2001: 16.07p).

In May 2002 an agreement was reached with Capital One to terminate the Sportscard business, which was seen as non-core to our sports content and betting businesses. The £1.075 million loss on termination of this operation includes a write-off of goodwill.

Operational overview

Our business model of attracting wagering customers through our sports content sites continues to prove successful and the strategic acquisitions made during the period have provided us with a strong base for the future. With 3.9 million unique visitors to our sports sites and a betting customer base in excess of 100,000 in August 2002, both businesses are growing well.

The betting division gained 24,000 customers with the acquisition of SCG Enterprises Limited and this fits with our strategy of increasing the non-horseracing betting ratio of our business. This business, currently under the url of sports.co.uk, will be integrated into ukbetting.com in September 2002. The move to a single technology platform has been completed making it easier to manage liabilities and markets, particularly important now that we have complete control of the totalbet.com book. It will also allow us to introduce additional services such as multi currency, casino operations and a call centre. The acquisition of TEAMtalk provided us with an enlarged potential customer base and we continue to attract on average, 120 new betting customers a day.

In addition TEAMtalk has a portfolio of audio and telephony services that will be strategically important as we develop content revenue

Chief Executive Officer's review

continued

streams over the coming year. Integration of this business with Sportinglife is progressing well and they now operate from one location in Leeds.

Betting division

The betting division has seen growth in all aspects of its business.

Customer numbers have increased to 84,105, up from 61,518 customers at 31 December 2001. Growth during 2002 continues at, on average, 120 new customers a day.

Betting turnover was up 148 per cent. to £16.91 million for the six months to 30 June 2002 from £6.81 million for the five months to 31 December 2001. This includes our 50 per cent. share of totalbet.com revenue under our arrangement with the Tote up to 26 May 2002, and all the revenue from totalbet.com after that date. Under the new arrangement totalbet.com retains its access to pool bets on horseracing.

Gross margin before taxes was 6 per cent., similar to the five months to 31 December 2001. The margin after taxes improved to 4 per cent., up from 1 per cent. in the five month period ending December 2001. We have benefited from the change in the General Betting Duty of 6.75 per cent. on turnover being replaced by a 15 per cent. tax on gross margins in October 2001 and horseracing levies changing from a duty on horseracing turnover to a 10 per cent. tax on gross margins effective from 1 May 2002.

ukbetting.com has been integrated onto the Openbet software used by totalbet.com, which improves management of betting operations and will allow the introduction of a range of new services and features.

Content division

The content division is progressing well. In addition to the existing healthy advertising and sponsorship revenue, we will receive additional revenue from the TEAMtalk acquisition, namely SMS, content syndications and telephony.

Advertising revenues for the six month period ending 30 June 2002 have increased significantly to £402,000 from £75,000 for the five months to 31 December 2001.

Chief Executive Officer's review

continued

Total page impressions averaged 63 million a month in the period, peaking at a record 100 million during the World Cup. At 30 June 2002, there were 1.5 million unique users on the site, up 20 per cent. on numbers at 31 December 2001. Over the six months the unique users averaged 1.27 million a month up 40 per cent. from 907,000 for the last six months of 2001.

In the first quarter of 2002, we saw the successful re-launch of sportal.com and the launch of bettingzone.co.uk which has become an increasingly popular betting portal attracting a significant increase in advertisers to the site.

In May 2002 the Group made an offer of approximately £13.7 million for TEAMtalk Media Group plc, which was recommended by its Board. The acquisition, made up of cash and shares, went unconditional on 12 July 2002.

This takeover brought unique customers to the sports content division as well as the leading football internet site in the UK. Combined unique users reached 3.9 million in August 2002. In addition access to TEAMtalk's audio and telephony services will have a positive impact on our content revenue streams going forward.

As part of our divestment of non-core assets, on 31 July 2002 ukbetting announced the disposal of TEAMtalk Media Group plc's indirect 80 per cent. shareholding in Radio Tara Limited for a nominal consideration to Radio Telefis Éireann, which owns the remaining 20 per cent. shareholding. The disposal of this shareholding stemmed a significant cash drain on the TEAMtalk business.

Partnership agreements

Since the beginning of the year, Sportinglife has agreed a number of deals to supply their sports content to well known ISPs such as AOL, BT Openworld and Yahoo. In the telecommunications area, ukbetting.com is the betting partner with Orange and a number of SMS services have been launched including the provision of sports audio clips to Carphone Warehouse customers. This is in addition to TEAMtalk's own SMS and premium line services on racing and football. In digital television, Sportinglife currently provides sports channels to Telewest, NTL and Cable & Wireless.

Chief Executive Officer's review

continued

Outlook

Our strategy of driving growth in betting customers through our sports content businesses continues to benefit the operating performance of ukbetting plc. Through acquisitions, we are achieving critical mass in both segments of our business, which in turn are attracting major strategic partners.

We expect to see continued progress in all areas of our business in the next six months. Meanwhile, we continue to view the current market environment as one that provides opportunities for acquisitions in the medium term although management's focus in the short term will be on extracting synergies from our more recent acquisitions.

Eric Semel

Chief Executive Officer

12 September 2002

Summarised consolidated profit and loss account

for the 6 months ended 30 June 2002

		6 months to 30 June 2002 £'000	5 months to 31 December 2001 £'000
Turnover: Group and share of joint venture		17,506	7,149
Less share of joint venture's turnover		<u>(3,875)</u>	<u>(1,992)</u>
Group turnover	2	13,631	5,157
Cost of sales		<u>(12,907)</u>	<u>(5,069)</u>
Gross profit		724	88
Administrative expenses		(2,902)	(2,780)
EBITDA*		(1,608)	(1,591)
Goodwill amortisation and depreciation		(570)	(331)
Exceptional costs		—	(770)
Group operating loss		(2,178)	(2,692)
Share of operating profit of joint venture		<u>114</u>	<u>56</u>
Total operating loss		(2,064)	(2,636)
Loss on termination of an operation	3	(1,075)	—
Net interest receivable		<u>13</u>	<u>39</u>
Loss on ordinary activities before taxation		(3,126)	(2,597)
Taxation		<u>—</u>	<u>—</u>
Retained loss for the period		<u><u>(3,126)</u></u>	<u><u>(2,597)</u></u>
Loss per share			
— Basic and diluted	4	(7.04)p	(18.25)p
— Before goodwill amortisation	4	(5.96)p	(16.07)p

* Earnings before interest, tax, depreciation, amortisation and exceptional costs.

Summarised consolidated balance sheet

at 30 June 2002

	at 30 June 2002 £'000	at 31 December 2001 £'000
Fixed assets		
Intangible assets	6,230	7,903
Tangible assets	671	295
Investments	3,966	2
	<u>10,867</u>	<u>8,200</u>
Current assets		
Debtors	1,877	1,474
Cash at bank and in hand	1,250	3,761
	<u>3,127</u>	<u>5,235</u>
Creditors: amounts falling due within one year		
Short term loan	(4,000)	—
Other creditors	(2,566)	(2,611)
	<u>(3,439)</u>	<u>2,624</u>
Net current assets		
	<u>7,428</u>	<u>10,824</u>
Total assets less current liabilities		
Creditors: amounts falling due after more than one year	(798)	(772)
Provisions for liabilities and charges		
Joint venture		
Share of gross assets	—	267
Share of gross liabilities	—	(588)
Other provisions	(24)	(24)
	<u>6,606</u>	<u>9,707</u>
Net assets		
	<u>6,606</u>	<u>9,707</u>
Capital and reserves		
Called up share capital	445	443
Share premium account	5,526	5,501
Shares to be issued	1,000	1,039
Other reserve	5,358	5,321
Profit and loss account	(5,723)	(2,597)
	<u>6,606</u>	<u>9,707</u>
Equity shareholders' funds		
	<u>6,606</u>	<u>9,707</u>

Summarised consolidated cash flow statement

for the 6 months ended 30 June 2002

		6 months to 30 June 2002 £'000	5 months to 31 December 2001 £'000
	Note		
Net cash outflow from operating activities	7	(2,437)	(2,190)
Returns on investments and servicing of finance		43	64
Taxation		—	—
Capital expenditure and financial investment		(3,964)	(162)
Acquisitions and disposals		(150)	1,306
Net cash outflow before financing		(6,508)	(982)
Financing		3,997	4,743
(Decrease)/increase in cash for the period		<u>(2,511)</u>	<u>3,761</u>

Reconciliation of net cash flow to movement in net funds

	6 months to 30 June 2002 £'000	5 months to 31 December 2001 £'000
(Decrease)/increase in cash for the period	(2,511)	3,761
(Increase)/decrease in debt	(3,997)	1,000
Change in net funds resulting from cash flows	(6,508)	4,761
Loans and finance lease liabilities arising on acquisitions	—	(1,013)
Movement in net funds for the period	(6,508)	3,748
Net funds brought forward	3,748	—
Net (debt)/funds at end of period	<u>(2,760)</u>	<u>3,748</u>

Consolidated reconciliation of shareholders' funds

for the 6 months ended 30 June 2002

	<i>6 months to 30 June 2002 £'000</i>	<i>5 months to 31 December 2001 £'000</i>
Retained loss for the period	(3,126)	(2,597)
New shares issued	25	11,265
Shares to be issued	—	1,039
Net (reduction in)/addition to shareholders' funds	<u>(3,101)</u>	<u>9,707</u>
Opening shareholders' funds	9,707	—
Closing shareholders' funds	<u><u>6,606</u></u>	<u><u>9,707</u></u>

Notes to the interim statements

1. Basis of preparation of interim financial information

The financial information contained in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The unaudited consolidated financial information for the six months ended 30 June 2002 has been prepared on a basis consistent with the accounts for the period ended 31 December 2001. The comparative figures for the financial period ended 31 December 2001 are not the Group's statutory accounts for that period. Those accounts have been reported on by the Group's then auditor and delivered to the Registrar of Companies. The report of that auditor was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2. Segmental analysis

Geographical turnover has not been disclosed by origin, which arises wholly in the UK. 95 per cent. of turnover is derived from clients resident in the UK, the balance derived from Europe and Asia.

	<i>6 months to 30 June 2002</i>	<i>5 months to 31 December 2001</i>
	£000	£000
<i>Turnover</i>		
On-line betting	13,071	5,015
Advertising revenue	402	75
Credit card marketing	158	67
Group Turnover	<u>13,631</u>	<u>5,157</u>
	<i>6 months to 30 June 2002</i>	<i>5 months to 31 December 2001</i>
	£000	£000
<i>Operating loss</i>		
On-line betting	(424)	(515)
Advertising revenue	(839)	(857)
Credit card marketing	(341)	(722)
Common costs	(574)	(598)
Group operating loss	<u>(2,178)</u>	<u>(2,692)</u>

Notes to the interim statements

continued

- 3. Loss on termination of an operation** In May 2002 the Group decided to terminate its Sportscard business and subsequently sold Sportscard's customer database for £270,000. All of the goodwill which arose on the acquisition of the Sportscard business (£1,195,000) has been written off, together with other termination costs totalling £150,000.
- 4. Loss per share** The basic and diluted loss per share is based on losses attributable to shareholders of £3,126,000 (2001: £2,597,000) and weighted average number of shares of 44,431,841 (2001: 14,230,256). Loss per share before goodwill amortisation has been calculated on loss before goodwill amortisation of £479,000; (2001: £310,000) attributable to shareholders of £2,647,000 (2001: £2,287,000). Diluted loss per share is the same as basic loss per share as the exercise of share options and warrants would reduce the loss per share and are therefore not dilutive.
- 5. Joint venture — totalbet.com** Totalbet.com was established as a joint venture arrangement between Sporting Life UK Ltd and Tote Credit Ltd in January 1999. The joint venture arrangement became part of the Group when Sporting Life UK Ltd was acquired on 12 October 2001. The joint venture arrangement was ended on 26 May 2002.
- 6. Taxation** The Group has no tax charge due to the losses in the period and has tax losses brought forward of approximately £3.5 million.

7. Reconciliation of Group operating loss to operating cash flows	<i>6 months to</i>	<i>5 months to</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
<i>Turnover</i>		
Group loss	(2,178)	(2,692)
Depreciation	91	21
Amortisation	479	310
Increase in debtors	(106)	(318)
(Decrease)/increase in creditors	(723)	465
Increase in provisions	—	24
Net cash outflow from operating activities	<u>(2,437)</u>	<u>(2,190)</u>

ukbetting plc
14 Waterloo Place
London
SW1Y 4AR

www.ukbetting.com