

Betex 百泰斯

**Betex Group plc
Report and Accounts
31 December 2007**

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Chief Executive's Statement

There is no point in trying to disguise the fact that 2007 was Betex's *annus horribilis*, culminating in a delisting from AIM and a considerable loss of face value to shareholders, investors and indeed all other company stakeholders. However, as 2008 draws to a close after the months of extraordinary chaos in the global financial markets, I am pleased to be able to report that Betex has come through a very difficult chapter in its short history, is financially and operationally strong, and we can look confidently to the future.

In April 2008 the legal investigation which precipitated the suspension on AIM was concluded and, although the arrested individuals were found guilty of 'illegal gambling', the Company was not implicated in any illegal activity or wrong-doing in China. For some time there was a concern that the effect of this case may still have a residual impact on our business, relationships and growth prospects. However, after a concerted PR campaign, the Betex brand remains respected and welcome in China, and our network of key relationships is now stronger than at any time in the past. A tennis tournament we organised in Beijing recently, attended by over twenty high-ranking officials from various Government departments including the Finance Bureau and Security Bureau, is evidence of this, as is the very positive TV and press coverage the event generated.

The internal reviews of operations and corporate governance that were carried out in 2007 have led to a tighter and well-managed business today. Our team in China is considerably smaller than at its peak, but conversely far more efficient and productive. Jack Sun was appointed as our Head of China Operations in January this year and he has been instrumental in the success of our restructuring plan and introducing new control and reporting protocols. In the face of some difficult times, I have been delighted with the response from our Beijing staff generally. They have remained committed to the Company and have embraced the new work ethos with enthusiasm. The team in China is now a key asset.

Our core business and revenue drivers in China remain the co-management licences in Guizhou and Hebei. Performance in the early part of the year was in line with expectations, although the terrible earthquake in May adversely affected sports lottery turnover generally as focus switched to the welfare sector. This resulted in a slight overall decline in our revenues in the first half of 2008 (£913,988 against £983,951 in 2007), but this is not considered to be indicative of a permanent trend.

The Hebei scratchcard licence was successfully renegotiated in 2008 and the contract term was reduced to seven years in return for a final investment payment of RMB 25m (c£1.7m) being waived. The project itself re-launched in late April and to the end of June contributed revenues of £542,324. We are very pleased with the initial results and are working closely with the Hebei Lottery Management Centre ('LMC') on new products and marketing initiatives to ensure future growth.

Elsewhere there has been considerable restructuring and stream-lining. Following the Government's decision at the end of 2007 to ban Internet lottery sales, our intention to increase turnover in our retail estate in Guangzhou by promoting and selling lottery products through an online membership club was abruptly ended. With no clear path to profitability in the short to medium term, we closed 80% of the shops immediately. We still believe that a retail strategy is viable subject to revised regulations, and we remain positioned to take advantage of this when circumstances change. The two flagship shops that we retain give us an important physical presence and foothold in the retail sector, as well as affording the opportunity to showcase what we can do to other provincial LMCs and potential JV partners.

Looking to the future, Betex will continue to pursue a focus strategy, concentrating in the short-term on the sports lottery market in mainland China, both by extracting greater value from our existing investments as well as seeking new licence opportunities both nationally, provincially, and in the parallel welfare lottery sector. We have been involved in a number of exciting new business negotiations over the last six months and remain very optimistic of growing the business over the next year.

Recognising our limitations as a stand-alone operator, we are also actively pursuing joint venture partners seeking an entry into the China market, as well as mergers or acquisition where appropriate. We have been in discussions with a number of third parties and expect to make announcements in early 2009.

The keys to successful implementation and growth will be our reputation – increasing confidence in our brand with all stakeholders both in the UK and China; our knowledge base – we must continue to understand our target market and foster stronger relationships there than our competition; our people – we must recruit effectively to add real asset value to our China operations. We are financially stable, cash generative, and well positioned to deliver on all fronts.

Last but by no means least, an apology and promise to the shareholders. Having spoken with a number of you, from private individuals to institutions, I am acutely aware of how frustrated you have been since we delisted from AIM, and it is a clear priority of the Board to enable you to trade your holdings and see a transparent value to them at the earliest opportunity. Hopefully I have explained the reasons behind the lack of communication on the corporate website and how I am limited by the sensitive nature of our position in China, and I am grateful for the patience and support you have extended to me. With the difficult times behind us I will ensure news flow is more regular in 2009. I continue to welcome your interest in the business and I will always be happy to respond to you personally if contacted.

There remains much to be done, but there is also much to be excited about. Difficult markets often give rise to great opportunities and I am very bullish about Betex's prospects for the coming year.

Jeremy Longley
Chief Executive Officer

Comprehensive Business Review

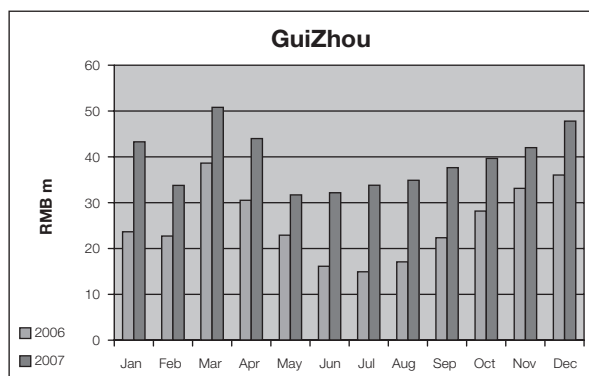
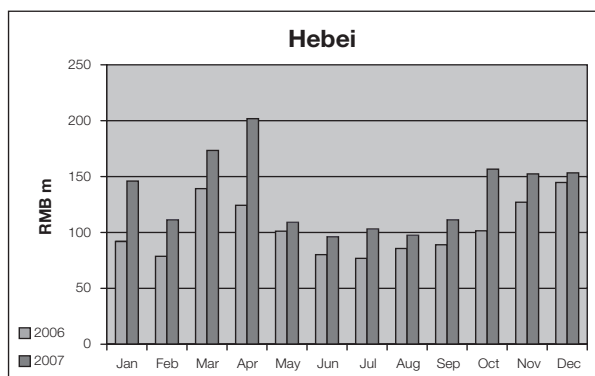
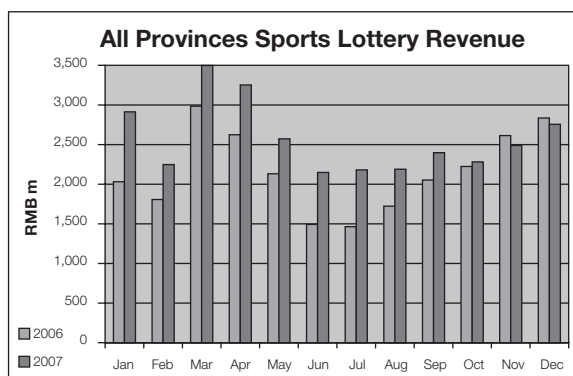
Chinese Lottery

Provincial Agreements

As in previous years the annual spend on lottery products in China continued to increase, with spending on the Sports Lottery in 2007 growing from US\$3.2 billion to US\$4.1 billion. This growth is partly a result of the growth in the Chinese economy but mostly driven by new products being introduced by the Chinese Government, and with several additional products currently being trialed, this pattern looks set to continue.

The Group's first agreement was with GuiZhou province and the annual spend on the Sports Lottery in that province has continued to grow from RMB 160 million in 2005, RMB 310 million in 2006 to RMB 472 million in 2007 an increase of 54%. Consequently revenues earned by the group during 2007 grew to £644,724 (RMB 9,467,777) from £413,446 (RMB 6,294,255) in 2006.

Hebei is a larger more prosperous province and with the introduction of new high frequency games ("Happy Poker") sales grew from RMB 1.24 Billion in 2006 to RMB 1.61 Billion in 2007 an increase of 30%. Our revenues here for 2007 were £1,413,000 (RMB 20,749,911) against £1,153,179 (RMB 16,934,430) in 2006.



In November 2006 the Group acquired an interest in the New Scratch Card and Instant Lottery to be launched in 2007 in Hebei province. This commenced in February 2007 and was initially very successful but the problems resulting from the arrest of senior staff in April 2007 had a negative impact on the marketing of these products and sales were suspended in July 2007. The Group's revenue from the brief sales period was £272,387 (RMB 4 million). The project was relaunched in April 2008 with Olympic themed scratch cards and is now trading in line with original forecasts.

Retail in China

In 2006 the Group pursued a strategy of growth through retail sales of lottery products in a number of provinces. Following the changes in senior management in May 2007 a comprehensive review of these operations was carried out which revealed that they were unlikely to meet the original objectives set for this side of the Group's Chinese business. As a consequence a number of closures were made in these operations.

The first area in which the Group operated in the retail lottery market was in GuangZhou the capital city of GuangDong province. This location was chosen as it is one of only 3 cities across China where single match football lottery products can be sold. During 2007 six shops operating in the city were expanded to nine shops and whilst the sales increase reported in 2006 generally held it did not reach the expected levels. Part of this was due to the fact that it was discovered the Group did not have an exclusive franchise on the sale of single match football lottery products, as had been represented to the Group's previous management when the initial investment decision was made, and competition drew away a large percentage of the predicted sales.

The availability of in-house management expertise also restricted the growth of these retail operations, and the Group considered partnership opportunities with organisations that could provide these additional skills and resources to support a continued roll-out. In order to facilitate any potential partnership, in September 2007, the Group agreed to acquire its Chinese joint venture partner's minority interest.

As part of the retail sales strategy it was planned to open a number of outlets in Chong Qing and an agreement was reached with that city's Welfare Lottery Management Centre to sell the high frequency Shi Shi Kai product over the internet. Three premises were obtained in Chong Qing but following the events in April 2007 (see below) they were never opened and were ultimately disposed of later in the year.

As previously reported in April 2007 a number of senior staff in Beijing and a number of lottery software agents were arrested by Chinese police authorities from the province of Jilin investigating alleged involvement in the crimes of 'gambling' and 'illegal operations'. The allegations centred on the operation of the lottery software product acquired in 2006 and misuse of its cash processing systems by rogue agents. As there was a question over the legality of the Lottery software product this division was immediately closed down.

The matter came to trial in March 2008 and the individuals concerned were found guilty of illegal gambling and each sentenced to one year's prison and a fine. Whilst the subsidiary company concerned was not directly implicated in the matter, the case did not clarify the legality of the Lottery software product and the Board decided not to reinstate the division.

As part of the police investigation detailed above a number of the Group's computer servers were confiscated. These included those used in the Chong Qing Shi Shi Kai project, which was suspended as a consequence. In October 2007 the Chinese Government banned all sales of Lottery tickets over the internet and agreement was reached with the Lottery Management Centre to cancel the project.

In summer 2006 the Group acquired an interest in mobile retailing of Sports Lottery products via the acquisition of Beijing Copia Tele-link Technology Limited, which held two provincial mobile contracts. Approvals were obtained for one of the provincial contracts from the telephone regulating authorities but following a change in the legislation approval could not be obtained for the second contract. Technical problems delayed the introduction of the service and pricing issues with the mobile phone operator caused further problems, before finally the ruling on Internet lottery sales (which included mobile lottery sales) meant that this business had to be suspended. The Group is in discussion with a number of parties in anticipation of the internet and mobile lottery sales ban being lifted and the technology developed will then be able to be put to use.

As a result of the changes detailed below in respect of the Group's UK operations all the Group's operations are currently based in China.

UK Operations

Asian Handicap Betting

The Asian Handicap business continued to be financially volatile in terms of short-term performance and remained the area of the business that generated the most risk, but was only delivering a small contribution to gross profit of approximately £100,000. The betting platform was closed on 2 April and the proprietary desk closed in May 2007.

The closure of the division resulted in the redundancy of 15 UK based staff at a one-off cost in redundancy payments of £132,000, with a consequent saving in salaries of £520,000 and projected bonuses of £280,000 together with further annual direct cost savings of £475,000.

UK Retail Operations

As previously reported the overall volume of business in the three licensed betting offices was below expectation at £1,648,206 generating a Gross Profit of £265,190 and a Net Loss of £395,629.

Following the change in senior management the Board decided to concentrate on the Chinese Operations and in June 2007 accepted an offer to acquire the subsidiary company. However when the negotiations broke down and a subsequent offer did not proceed, as the buyer could not guarantee the working capital to support the ongoing operations, the subsidiary company ceased to trade on 29 January 2008 and was put into creditors voluntary liquidation on 19 February 2008.

Financial Review

Continuing Operations

In 2006 as an AIM listed company the Group was required to (and committed itself to) produce accounts for 2007 prepared in accordance with the International Financial Reporting Standards (IFRS) and Financial Reporting Interpretations (IFRIC or SIC) issued by the International Accounting Standards Board (IASB), as adopted for use by the European Union (EU). Although the Group is no longer listed on AIM the Board decided to honour its commitment and this is therefore the first year in which the Group has prepared its consolidated financial statements under IFRS and the comparatives have been restated from UK GAAP to comply with IFRS.

The Group's continuing operations are principally based in China with an administrative office in the UK for the Executive Directors.

The Group's reported turnover has increased to £2.33 million from £1.60 million as a result of the growth in sales of the Sports Lottery in China described above, generating a gross profit of £2.21 million compared with a gross profit of £1.52 million in 2006.

The administrative expenses of the business, excluding exceptional items, decreased from £3.91 million in 2006 to £3.24 million in 2007. The growing infrastructure in China has meant that their expenses have risen offset by the reduction in UK costs following the closure of the Asian Handicap Betting division.

Employee related expenses reduced from £1,660,135 to £1,304,797. During 2007 staff numbers continued to increase in China leading to a higher wage cost but this was offset by a reduction in main Board directors' salaries and fees following the changes in Senior management in May 2007, and the waiver of non-executive fees from October 2007. Also resulting from the change in management the cost of travel, subsistence and entertaining fell from £278,055 to £206,802. In accordance with IFRS 2 there is a charge of £152,588 for the fair value of share options granted to Directors and staff, this is a substantial reduction from the charge of £478,075 in 2006 and reflects both the fall in the value of the Company's share price and the expiry of a large number of the options following the staff reduction in the UK.

The cost of settlements with former directors who resigned in May 2007 is considered to be an exceptional cost due to the circumstances that gave rise to the resignations.

Accommodation expenses have risen from £339,445 to £532,282 as a result of a full year's occupation of the new offices in the UK and the new retail units opened in China.

The bad debt provision made this year is considered to be an exceptional item as it relates to debts due from a group of companies controlled by the former chairman Dr Johnny Hon. These debts relate principally to unpaid costs arising from the occupation by those companies of premises leased by Betex. The Board had tried to recover the monies due but the principal debtor GGE (UK) Limited (formerly Global Group (Europe) plc) was on 30 September 2008 ordered by the Court to be wound up. The provision of financing to Dr Hon's companies appears to be in breach of Section 330 of the Companies Act 1985 and/or equivalent provisions of the Companies Act 2006 and as such Dr Hon is required to indemnify the Group against any loss arising from the transactions (which would include the unpaid element of the debts). Betex has commenced action to recover the net amounts due.

Following the closure of the Asian Handicap Betting division the Group benefited from the lower exposure to currency movements and the loss on currency transactions fell from £259,998 to £27,729.

Legal and professional costs fell from £1,136,989 to £1,026,419. These costs still reflect the costs of maintaining an AIM listing until October 2007, lower costs in some types of expenditure were offset by additional legal costs incurred in dealing with a number of problems that arose after the suspension of the AIM listing in April 2007. It is anticipated that these costs will decrease significantly in 2008.

Depreciation and amortisation before exceptional items increased from £1,294,164 to £1,713,295 reflecting the first year of amortisation of the cost of the Hebei Scratch Card project. The exceptional costs reflect the write down of the asset cost of loss making shops in China and the net losses incurred on costs relating to the Company's London offices which were disposed of in early 2008.

The Group's EBITDA loss decreased from £3,151,938 to £1,855,452. The loss before taxation was £4,527,256 compared to £5,469,538 in 2006. The Group incurred a deferred tax charge in China principally as a result of consolidating accounts prepared under IFRS by the Chinese subsidiaries as opposed to accounts submitted to the tax authorities in China which are based on cash accounting rules. The loss after taxation therefore amounted to £4,634,005 or 3.28 pence per share, compared to £5,450,603 or 4.58 pence per share in 2006.

Discontinued Operations

These comprise the results of the UK Asian Handicap Betting division, the UK Retail operation, the investment in the Euro VIP Club at the Grand Waldo Casino, Macau, the Lottery software division and Chong Qing Shi Shi Kai project; together with the legal costs incurred in respect of the arrests in China.

The Group appointed lawyers in China to protect its interests following the arrests in China in April 2007 and the uncertainty surrounding the legality of its software product. There was also some uncertainty as to the actual involvement in the matter of the Group's general manager in Beijing, who was one of the staff arrested, and these lawyers were also asked to act for him. The costs incurred by the Group in relation to this matter in 2007 were £226,446, and some further costs will be incurred in 2008 bringing the matter to a conclusion.

Turnover of the Asian Handicap Betting Division until closure was £1,080,303 and gross profit was £95,971 of which £90,538 was generated by the proprietary trading desk. This compares to a turnover of £9,428,012 in 2006 and a gross profit of £831,972 of which £642,226 was generated by the proprietary trading desk. The net loss for the division was £988,619 against £786,888 in 2006.

Turnover of the UK retail division was £1,648,207 an increase of 3.6% over 2006 (£1,590,475). Margins were maintained during the year and gross profit was £262,312 against £253,032 for 2006 also a 3.6% increase. The net loss for the division was £395,629 down from £482,341 in 2006.

In 2006 full provision was made against the cost of the Group's investment in Euro VIP Club at the Grand Waldo Casino, Macau following the decision to sell this investment. Ultimately the investment realised £136,618 after costs and part of the provision made was released to show this as a profit in 2007.

Turnover of the Chinese discontinued operations was £3,754,927 of which £18,318 was generated by the Chong Qing Shi Shi Kai project, 2006 turnover of £8,178,562 was all from the Lottery Software product. Gross profit generated was £17,211 against £183,240 for 2006 and the net loss to closure was £999,604 compared to £116,951 for 2006.

Cash position

During the year the Group had cash outflow from operating activities of £1,150,066 (2006: £7,158,185). As at 31 December 2007 the Group had £1,982,854 (2006: £4,547,153) of cash and liquid resources on its balance sheet. Net Debt amounted to £1,767,496 (2006: £2,482,666).

The Group has no capital investment commitments (2006: £0.75 million), and in 2008 the Directors renegotiated the terms of the Group's investment in the Hebei Scratch Card project removing a liability to pay a final instalment of £1,725,804 (RMB 25 million) in return for a slightly shorter contract term (7 years from 10 years). The Group also raised £865,000 by the issue of new shares during 2008, and following this the Directors have a reasonable expectation that the company will have adequate resources to continue operations for the foreseeable future. For this reason they have adopted the going concern basis in preparing the accounts.

Key Performance Indicators

China Operations

The China operations in larger part are reliant for their success on factors that are outside of the Group's direct control. The contracts that the businesses have signed with the Lottery Management Centres derive their revenue from the level of overall sales within those provinces. The drivers for sales in these provinces are the number of sales outlets, the number of new and existing products available to the public, and the increase in the amount of disposable income of the local population. In the absence of being able to influence and directly monitor these indicators, the Company relies upon the monthly sales figures for each province.

With regard to the Chinese retail operations the gross profit margins are fixed by legislation for retailers of lottery tickets. The business is therefore looking to volume as the Key Performance Indicator. Whilst this is ultimately measured in terms of ticket sales, the operation monitors customer numbers and footfall. In 2007 the number of shops open increased but in 2008 many of these were closed down as they were not profitable nor had any possibility of breaking even in the short or medium term. Any data published would therefore be misleading as an indicator of performance in this area.

Trading Outlook

UK Operations

As reported above all the UK trading operations were closed down either during 2007 or the first few weeks of 2008. In April 2008 the Company's London offices were disposed of and the Executive Directors moved to serviced offices in London.

Measures have been implemented to keep the central administrative costs to a minimum and a contract is being put into place to allow for monthly running costs to be recovered from the Chinese operations.

China Operations

In 2008 the natural disasters in China meant that the Government focused the Lottery marketing on the Welfare Lottery rather than the Sports Lottery. Thus for the first three quarters of the year the cumulative sales of Sports Lottery products for all provinces compared to 2007 has been very similar. However the last few months have reversed this trend showing a 4% rise on 2007 and every indication is that this trend will continue into 2009.

Hebei province sales have performed slightly worse than the national average on the traditional lottery products but this has been offset by sales of the high frequency products which have meant a small increase overall from 2007.

GuiZhou province under its new Lottery Management Centre Director has increased the number of sales points and consequently achieved an increase in sales of 16.4% for the first nine months of the year and in line with the national figures the trend for the last few months has been an increase on the rest of the year.

The scratch cards and instant lottery was relaunched in Hebei in April 2008 with Olympic themed products and sales up to the actual games exceeded expectations. New products have now been introduced to replace those and sales appear to be holding steady.

In GuangZhou shop sales were flat and following the Chinese Government's surprise move to ban online sales of lottery tickets, the decision was taken in Spring 2008 to close the majority of the shops leaving just the largest two open. This has cut the loss of that division by three quarters. It was decided to keep these shops open as a basis for future operations and expansion pending a number of anticipated changes in the lottery system in 2009/2010 and to give the Group an operational base to showcase when necessary to both central and provincial Lottery Management Centre officials. The administrative cost of this operation has also been cut back and senior local management replaced with management from Beijing.

The introduction of a new Country Manager in Beijing in February 2008 together with more frequent and longer trips by the Executive Directors has meant that the Group has tightened its internal management and operational controls, strengthened its brand presence in its core market, and consolidated its position as the premier Western Company in the China Lottery Sector.

As a result the Group is currently in negotiation with the Central Sports Lottery Management Department on a number of new national projects, whilst also talking with a number of individual provinces regarding future opportunities.

In conclusion, the existing business is trading in line with, or slightly ahead of expectations and together with our new country manager and operations team based in Beijing provide a strong foundation for expansion and growth in 2009.

Principal Risks and Uncertainties

The Group operates in a dynamic business environment. In addition to the day to day commercial risks faced by most enterprises, the Group faces particular risks by virtue of its operations within a regulated environment, and the geographical location of its operations.

Regulatory and Legislative Risks

In China the regulatory and legislative regime with regard to Lottery sales, payouts and gaming rules can change, sometimes at short notice, as evidenced by the sudden ban on online lottery ticket sales at the end of 2007. Such changes could have an adverse effect on the results and operations of the Group, and additional costs may need to be incurred to comply with any new laws and regulations. In order to manage these risks as far as is possible, the Board endeavours to establish and maintain relationships with the Ministry of Finance and the National Sports Lottery Bureau, as well as a number of other Government departments.

In order to operate in China, the Group is subject to the legislative jurisdiction of the People's Republic of China. Chinese laws and regulations are constantly changing, and it is not unknown for these laws to be changed retrospectively. The Chinese government has greatly reduced its control over the economy by introducing new regulations allowing market mechanisms to operate more freely. However, the new regulations require fresh interpretation and application which may not be as consistent and transparent as those of Western nations. Further, there is a risk that the current liberalisation and reform may change adversely. To manage this risk the Group employs local legal firms to monitor and advise on actual and prospective changes to the legislative environment.

Currency Exchange Risk

The Group generates its sales in China in Renminbi, whilst its funding is generated and investments are made in Pounds Sterling. The Renminbi is loosely pegged with the US Dollar, and the Group is therefore exposed to the movement in exchange rates for US Dollars and Renminbi to Sterling. The Group has been unable to identify hedging mechanisms directly against the Renminbi, and as there are no guarantees that the peg between the US Dollar and the Renminbi will be maintained, the Group has decided against hedging against the US Dollar.

Management of Risks

Each of the executive directors works daily in the business and are fundamental in the identification, assessment, and mitigation of risks affecting the Group. In addition, the Board meets on a regular basis where risks are assessed and, where appropriate, action is taken to mitigate the key risks that are identified.

Board of Directors

Jeremy Longley (42) **Chief Executive Officer**

Jeremy Longley, graduated from London University in 1989 and quickly established himself as a successful publishing and new media entrepreneur, forming and running businesses with partners such as BSkyB and Carlton TV. He has been actively involved in the betting and gaming sector for over ten years, acting as a consultant to a number of global brands including Ladbrokes plc and Gala Coral Ltd. He originally joined Betex in 2005 as head of the UK operations until November 2006, and rejoined the Group in May 2007 as Chief Operating Officer.

Simon Spector (56) **Chief Financial Officer**

Qualified as a Chartered Accountant in 1974. His career includes time as a partner in a large accountancy practice based in the City of London and Home Counties. He had his own consultancy and accountancy practice for 20 years specialising in computerised accounting systems and working with growing companies, acting as finance director for a number of them. Simon has been with Betex Group plc since 2005 and was instrumental in its successful move to OFEX, becoming Chief Financial Officer in May 2007.

John Blower (67)+ **Senior Non-Executive**

John Blower has founded and provided start-up capital and management to a number of private and listed companies including Warmplan Limited, which was sold to Seaflame plc; Chamberlain Properties which was sold to Taylor Woodrow, Wakeworth Finance Ltd. (of which he is chairman), and Waste Management Inc., a NASDAQ listed company which specialises in the disposal of waste products.

In 1998, John helped secure start-up capital for Sportingbet plc and put together a board of directors who took the company to OFEX. John resigned as a director of Sportingbet plc in March 2004.

David Cowham (68)+ **Non-Executive Director**

David Cowham brings over 34 years of experience in the finance industry to the Board. He served as chief executive officer of First National Bank plc from 1988 to 1994 and more recently was a director and chairman of Loans.co.uk plc from 1995 to 2001.

David was also a seed capital investor in Sportingbet plc in 2001.

Alexander von Franckenstein (42)+ **Non-Executive Director**

Alexander von Franckenstein, brings a wealth of investment banking experience to the Betex Board. He is currently Chief Executive Officer of BZ Berater Zentrum AG in Zurich, Switzerland, having previously been Deputy Managing Director of Sal. Oppenheim jr. & Cie KGaA and held Senior Management positions at Bank Julius Baer AG, where he was a member of the Executive Board, and Hypo-Vereinsbank. Alexander studied PPE at Oxford University (St Catherine's College), graduating in 1988 and undertook further studies at Universite de Paris I Sorbonne-Pantheon.

+ Member of Audit and Remuneration Committees

Dr Johnny Hon (36) **Founder & Executive Chairman**

Resigned 27 May 2008 Appointed as Honorary President

Stephen Davidson (53) **Non-Executive Director**

Resigned 20 February 2008

Corporate Governance Statement

Compliance

The Company recognises the importance of the principles of good corporate governance and the Board is pleased to report its commitment to high standards. As an AIM listed company during most of 2007 and as a private company thereafter, Betex is not required to follow the provisions of the 2006 FRC Combined Code (the "Code") as set out in the Financial Services Authority Listing Rules. Nonetheless, the Company voluntarily complies with the principles referred to in Section 1 of the Code.

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the Code are applied by the Group.

The Board Constitution and Procedures

The Company is controlled through the Board of Directors which in 2007 comprised three Executive and four Non-Executive Directors. Three of the non-executives hold shares or warrants in the Company that may prevent them from being considered as independent under the criteria set out in the Combined Code. However, the Board considers these directors to be independent in character and judgement and they are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

The Chairman is primarily responsible for the running of the Board, he ensures that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive's responsibilities focus on coordinating the Company's business and implementing Group strategy.

The Board meets approximately nine times each year, however it will meet when necessary if circumstances dictate. The Board is responsible for overall Group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of these budgets and their capital expenditure programmes.

In addition, the Directors have access to the advice and services of the Company Secretary and all Directors are able to take independent professional advice in the furtherance of their duties if necessary. The Directors receive training and advice on their responsibilities as necessary. All Directors will, in accordance with the Code, submit themselves for re-election at least once every three years.

Board Committees

The Board delegates clearly defined powers to its Audit and Remuneration Committees. The minutes of each Committee are circulated to and reviewed by the Board.

Audit Committee

The Audit Committee was chaired by Philip Goodmaker and following his resignation by Stephen Davidson (who had recent and relevant financial experience for this role), and its other members are John Blower and Alexander von Franckenstein. The Committee's Secretary was Simon Spector, the Company Secretary until he was appointed as Chief Financial Officer.

The Audit Committee meets at least once a year and normally invites a representative of both the auditors and the Executive Directors, the latter usually being the Chief Financial Officer. The terms of reference of the Committee include monitoring the auditors' performance, independence and objectivity, and reviewing accounting policies and financial reporting procedures.

The ultimate responsibility for review and approving the annual accounts and interim Statements remains with the Board.

Remuneration Committee

The Remuneration Committee is chaired by John Blower and its other members are David Cowham and Alexander von Franckenstein. The Committee's Secretary was Simon Spector, the Company Secretary until his appointment as Chief Financial Officer.

The Remuneration Committee meets when necessary during the year and considers the terms of employment and overall remuneration for the Executive Directors and key members of senior management. In particular, the Committee makes decisions regarding grants under share plans, salaries and incentive compensation.

The remuneration of Non-Executive Directors is determined by the Board. It is a policy of the Remuneration Committee that no individual participates in discussions or decisions concerning their own remuneration.

Directors' Attendances

	Board	Audit	Remuneration
Director - attended (possible)			
Dr J S Hon	14 (22)		
J J Longley	18 (18)		
S F Spector	13 (13)		
J W Blower	16 (22)	1 (1)	3 (3)
D F Cowham	17 (22)		3 (3)
N-A von Franckenstein	17 (18)		2 (2)
S J Davidson	21 (22)	1 (1)	
P Goodmaker	3 (4)		1 (1)
P A Greenhill	4 (4)		
S P Barker	4 (4)		

Communications with investors

The Group places a great deal of importance on communication with its institutional and private shareholders and responds quickly to all queries received. There is regular dialogue with institutional and major private shareholders.

All shareholders have at least 21 days' notice of the Annual General Meeting at which Directors are introduced and available for questions. The executive directors endeavour to meet the Company's larger institutional and private shareholders at the time of the Company's results announcements.

Internal Control

The key features of the Group's internal controls are set out below:

Management structure

The Group's control systems are the responsibility of the Board and executive managers at all levels. Following the changes in Board structure in 2007 it reviewed and satisfied itself the Group now has a clear organisation structure with clearly defined and understood responsibilities and lines of accountability. The Board has established an ongoing process for identifying; evaluating and managing the significant risks faced by the Group, and has undertaken to review this process on a regular basis.

Information systems and financial reporting

The Board oversees a system of internal financial controls whose objective is to safeguard Group assets, ensure proper accounting records are maintained, and that the financial information generated is reliable. Internal financial control monitoring procedures undertaken by the Board include:

- a review of monthly financial reports including monitoring of key performance indicators, ensuring reports are prepared on a timely basis;
- the preparation of formal budgets for all business units, culminating in a Group annual budget reviewed and approved by the Board. Results for the Group are reported against these budgets;
- reports are prepared for the Board by the executive directors and senior employees on the operation of the business units for which they are responsible;
- defined guidance for approval of capital items and investments made by the Group.

Risk management and internal control

Risks to the business are considered on an ongoing basis by the Board. Identified risks are prioritised and agreed programmes of minimisation or elimination are monitored as is the ongoing risk profile.

In particular, the executive members of the Board are involved daily in all aspects of the business and they hold regular management meetings at which performance against plan is reviewed, risks are identified and ameliorated, and business prospects are evaluated and prioritised.

The Board has considered it inappropriate to establish an internal audit function given the size of the Group. This decision will be kept under review as the operations of the Group develop.

Audit Committee and Auditors

The Audit Committee meets periodically to consider the adequacy of the Group's control and reporting functions, accounting policies and compliance with applicable accounting standards, and for considering the appointment and fees of external auditors. The Group's auditors are generally invited to attend these meetings. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference, taking outside legal or other professional advice as it deems necessary. The Audit Committee consists entirely of non-executive directors.

The award of any non-audit work to the auditors is subject to clearance by the Audit Committee. In accordance with ethical standards the auditors have confirmed their independence in writing.

Corporate Social Responsibility

Overview

Since its formation the Company has always sought to exhibit responsible and ethical practices. In its start up period the Company was conscious of concern over the reputation of internet bookmaking with many operators being domiciled abroad, and consequently sought to reassure customers and suppliers alike by basing itself within the UK regulation system. As the Company has grown its business and widened operations to focus on business in China it has increasingly confirmed its position as a dependable operator in the marketplace. The Company's objective is to operate in the regulated entertainment environment in which responsible adults have the confidence of knowing that their use of the Company's services is legal and regulated.

Customers

As a service business the core of the Company's approach to social responsibility lies in its approach to its customers. All employees are committed to winning and retaining the trust of their customers. To achieve this means far more than merely collecting documentary evidence to satisfy regulation. It is about understanding their individual requirements, appreciating and addressing their concerns, without impacting on their enjoyment of the Company's services.

The Company's main involvement is in China, with customers playing the Chinese State lottery. The Company is committed to working with the Chinese authorities to promote responsible game play. As a traditional retail business, the ability to understand and profile customers is limited. However, staff are encouraged to report unusual or suspected abnormal gameplay.

Employees

The Board is of the belief that the Company's success is dependant on the quality and commitment of its workforce. The Company's employee management priorities are based on recruiting and retaining the best available people and on encouraging working practices that improve productivity, develop talent and give job satisfaction. Further, the Board recognises the need for communication with employees at every level.

Copies of the Annual Report and Accounts are available to all employees. The Company is committed to developing ongoing communication with its employees. This is achieved through a variety of channels to ensure that everyone is informed of the Group's progress and recognises the key roles that they, as employees, play in the Company's success. Further, the Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, age, sex, marital status, nationality, race or religion.

Trade and Charitable Organisations

The Company recognises the obligation upon the gaming industry to demonstrate its commitment to self-regulation and the Company is supportive of the role that the industry's trade associations can play in this regard. The Company's management remains committed to promoting the value of a regulated approach to the industry, not least as a mechanism for protecting the vulnerable elements of society from unscrupulous operators. The Company also supports organisations which encourage greater education of the social impact of gambling and help to users who may be affected by gambling dependency. In the UK it supports the activities of Gamcare.

Remuneration Report

The Remuneration Report sets out the Company's remuneration policy and its application to directors.

Remuneration Policy

The Company's policy is designed to attract, retain and motivate individuals to ensure the success of the Company. Remuneration packages are designed to reward the Executive Directors fairly for their contributions whilst remaining within the range of benefits offered by similar companies in the sector.

The Remuneration Committee seeks to structure total benefits packages, including base salaries, which align the interests of shareholders and senior executives with particular importance weighted upon the performance-related elements of such total remuneration. Directors' remuneration will be the subject of regular review in accordance with this policy.

Terms of Reference

The terms of reference of the Remuneration Committee include:

- To determine the remuneration and benefits, including incentive arrangements, of the Executive Directors, the directors of divisional companies and other employees of similar status.
- To set targets for performance-related elements of remuneration packages.
- To review recommendations from the Board on the overall remuneration and benefits policy of the Group, with the power and authority to amend it if appropriate.
- To have regard to the provisions of the Combined Code and associated guidance in its decision-making.

Service Contracts

The Company's policy on the duration of directors' contracts is that for both Executive and Non-Executive Directors notice periods will be no more than 6 months served by the Company or the Director.

Bonuses

The Company operates a bonus incentive scheme which applies, at differing rates, to the employment terms of the Executive Directors and members of senior management. Payments under this scheme are a combination of payments linked to the annual performance of the business and some payments made on a discretionary basis on the recommendation of the Remuneration Committee.

The Remuneration Committee will review the packages and vary individual elements when appropriate from year to year.

Share Option Schemes

The Company operates a share option scheme, namely the Betex Group Unapproved Share Option Scheme (the "Unapproved Scheme").

The Directors' emoluments, benefits and shareholdings during the year ended 31 December 2007 were as follows:

1. Directors' Emoluments

	Note	Salary/ Fees £000	Bonus £000	Benefits £000	Settlement £000	Total emoluments 2007 £000	Pension Contribution 2007 £000	Total emoluments 2006 £000	Pension Contribution 2006 £000
Executive Directors									
Dr J S Hon	1	111	—	3	—	114	—	103	—
J J Longley	2	87	—	1	—	88	—	—	—
S F Spector	3	44	—	1	—	45	2	—	—
P A Greenhill	4	56	—	2	239	297	4	156	8
S P Barker	4	41	—	1	174	216	2	113	5
Non-executive Directors									
J W Blower	5	19	—	—	—	19	—	31	—
D F Cowham	5	18	—	—	—	18	—	20	—
S J Davidson	5	15	—	—	—	15	—	13	—
N-A von Franckenstein	6	—	—	—	—	—	—	—	—
P Goodmaker	4	7	—	—	10	17	—	20	—
TOTALS		398	—	8	423	829	8	456	13

- Aggregate emoluments for Dr Johnny Hon, as highest paid Director, amounted to £114,182 (2006: Peter Greenhill £156,189) excluding pension contributions.
- Jeremy Longley was appointed as a Director on 11 May 2007.
- Simon Spector was appointed as a Director on 27 September 2007.
- Peter Greenhill, Stuart Barker and Philip Goodmaker resigned as Directors on 11 May 2007.
- John Blower, David Cowham and Stephen Davidson waived their fees from October 2007 when the Company was delisted from AIM.
- Alexander Von Franckenstein was appointed as a Director on 11 May 2007 and has waived his fees for 2007.

2. Interests of Directors in share options and shares in the Company

	No. of Options issued during 2005	No. of Options issued during 2006	No. of Options issued during 2007	Date of Grant	Exercise Price	Earliest exercise date	Expiry of exercise period
Options							
Executive Directors							
Dr J S Hon	Nil	1,750,000	Nil	31/03/2006	60p	31/03/2007	30/03/2017
J J Longley			4,000,000	27/12/2007	5p	27/12/2008	27/12/2018
S F Spector	500,000			01/12/2005	34.5p	01/12/2006	30/11/2015
		Nil		N/A	N/A	N/A	N/A
			3,000,000	27/12/2007	5p	27/12/2008	27/12/2018
Non-executive Directors							
J W Blower	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D F Cowham	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S J Davidson	N/A	50,000	Nil	05/05/2006	79p	05/05/2007	04/05/2017
N-A von Franckenstein	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- All share options as at 31 December 2007 have been granted under the Betex Group plc Unapproved Share Option Scheme 2005 (as amended).
- No options were exercised during the period. The Company's shares were delisted from AIM in October 2007. In 2008 new ordinary shares have been issued at an average price of 2.92p.
- Options granted to P Greenhill and S Barker lapsed on 11 November 2007 in accordance with the rules of the scheme.
- S F Spector received options in 2005 as a senior executive of the Company.

2. Interests of Directors in share options and shares in the Company *(continued)*

	Notes	31 December 2007	31 December 2006
Shares			
Executive Directors			
Dr J S Hon		24,782,189	24,782,189
J J Longley		–	N/A
S F Spector		–	N/A
Non-executive Directors			
J W Blower	1	937,972	937,972
D F Cowham	2	5,415,119	5,415,119
S J Davidson		10,000	10,000
N-A von Franckenstein	3	500,000	N/A

1. Included in John Blower's Shares are 25,000 in the name of his wife.
2. Included in David Cowham's shares are 313,400 in the name of his wife.
3. Shares held on date of appointment.

Directors' Report

The directors present their report and accounts for the year ended 31 December 2007.

Incorporation

The Company is incorporated as a Public Limited Company in England and Wales, register number 5450662 and its registered office is located at 48 Charlotte Street, London W1T 2NS.

Principal activities and review of the business

The Company is a holding company of a group whose principal activities during the year were the co-management of Provincial State Sports lotteries and retail sales and other lottery related activities in the People's Republic of China. The operation of interactive licensed betting operations over the internet and telephone and licensed betting shops ceased in the year.

The Company is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2007 and of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group ("business review"). The information that fulfils the requirements of the business review can be found within the Comprehensive Business Review on pages 4 to 9.

Results and dividends

The loss for the year, after taxation and minority interests, attributable to the equity holders of the parent company amounted to £6,455,562 (2006: £9,085,520). The directors do not recommend payment of an ordinary dividend for the year.

Events since the balance sheet date

Following the breakdown of the negotiations to sell our subsidiary Capital Sports (Retail) Limited it ceased to trade on 29 January 2008 and was put into Creditors voluntary liquidation on 19 February 2008.

The Company has subsequently raised £865,000 by share placings to provide funding for the continuing operations of the Group.

Dr J S Hon resigned as Chairman and Director of the Group in May 2008 but remains involved with the Group assuming the title of Honorary President and continues to represent the Group in the People's Republic of China. S J Davidson resigned as a director in February 2008.

Full and further details are given in Note 31 to the Accounts.

Directors

The directors who served during the year were as follows:

	Date of appointment	Date of resignation
Dr J S Hon - Executive Chairman		28 May 2008
J J Longley - CEO	11 May 2007	
S F Spector - CFO	27 September 2007	
J W Blower - Non Executive		
D F Cowham - Non Executive		
N-A von Franckenstein - Non Executive	11 May 2007	
S J Davidson - Non Executive		20 February 2008
P Goodmaker - Non Executive		11 May 2007
P A Greenhill		11 May 2007
S P Barker		11 May 2007

In accordance with the Articles of Association J W Blower and D F Cowham retire by rotation at the 2008 Annual General Meeting and, being eligible, offer themselves for re-election.

Details of the directors' service agreements are given in the Remuneration Report set out on pages 15 to 17. The directors benefited from qualifying third party indemnity provisions in place during the year and which remain in place at the date of this report.

Disclosure of information to auditors

So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the Group’s auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Substantial shareholdings at 30 November 2008 (excluding directors)

	Number of Ordinary Shares of 1p	% of issued Ordinary Shares of 1p
Lynchwood Nominees Limited	15,716,400	9.48%
Vidacos Nominees Limited	13,066,600	7.88%
N Wray	11,420,624	6.89%
Credit Suisse Securities (Europe) Limited	9,500,000	5.73%
HSBC Global Custody Nominee (UK) Limited	7,200,000	4.34%

Payment of Suppliers

It is the policy of the Group that each company within the Group should agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payments are normally made in accordance with terms and conditions. At 31 December 2007 the Company had trade creditors representing 94 days (2006: 28 days) of purchases. Group trade creditors represented 57 days (2006: 31 days) of purchases.

Employee Policy

The Group operates a policy of non-discrimination in respect of ethnicity and disabled persons and encourages the personal and professional development of all persons working for the Group.

Financial instruments

Treasury activities take place under procedures and policies monitored by the Board. They are designed to minimise the financial risks faced by the Group which primarily arise from interest rate, currency, credit and liquidity risks and information is given in Note 35 to the accounts. It is not the policy of the Group to trade in or enter into speculative transactions.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of PKF (UK) LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the board and signed on their behalf on 5 December 2008.

S F Spector
Company Secretary

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with International Financial Reporting Standards as adopted by the European Union. The accounts are required to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Shareholders of Betex Group plc

We have audited the Group and parent company accounts ("the financial statements") of Betex Group plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated statement of recognised income and expenses, and the related notes. These accounts have been prepared under the accounting policies set out therein.

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 auditors' 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' responsibilities for preparing the annual report and financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information in the Directors' Report includes that specific information presented in the Comprehensive Business Review that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions with the Company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, the Chief Executive's Statement, the Comprehensive Business Review, the Corporate Governance Statement and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and Company'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 accounts 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.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PKF (UK) LLP
London
Registered auditors
5 December 2008

Consolidated Income Statement for the year ended 31 December 2007

	Notes	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Continuing Operations			
Revenue	2	2,334,933	1,603,961
Cost of sales		(124,488)	(79,275)
Gross profit		2,210,445	1,524,686
Administrative expenses		(4,267,993)	(4,718,822)
- including exceptional items	3	(1,023,682)	(808,377)
Other operating income		202,096	42,198
EBITDA		(1,855,452)	(3,151,938)
Amortisation & Depreciation		(2,690,937)	(2,052,880)
- including exceptional items	3	(977,642)	(758,716)
Operating loss	3	(4,546,389)	(5,204,818)
Interest receivable		123,287	342,863
Interest payable	7	(104,154)	(607,583)
Loss on continuing activities before taxation		(4,527,256)	(5,469,538)
Tax on loss on continuing activities	8	(106,749)	18,935
Loss after tax continuing activities		(4,634,005)	(5,450,603)
Discontinued Operations			
Loss from discontinued activities	9	(2,004,664)	(3,865,413)
Loss for the year		(6,638,669)	(9,316,016)
Attributable to:			
Equity holders of the parent	25	(6,455,562)	(9,085,520)
Minority interest		(183,107)	(230,496)
Loss per share attributable to equity holders of parent			
From continuing operations			
- Basic		(3.28)p	(4.21)p
- fully diluted		(3.28)p	(4.21)p
From discontinued operations			
- Basic		(1.47)p	(3.12)p
- fully diluted		(1.47)p	(3.12)p
From continuing and discontinued operations			
- Basic		(4.75)p	(7.33)p
- fully diluted		(4.75)p	(7.33)p

Consolidated Statement of Recognised Income and Expenses for the year ended 31 December 2007

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Loss for the year	(6,638,669)	(9,316,016)
Net exchange differences on the retranslation of net investments	293,141	(432,750)
Total recognised income and expenses related to the year	(6,345,528)	(9,748,766)
Attributable to:		
Equity holders of the parent	(6,162,421)	(9,518,270)
Minority interest	(183,107)	(230,496)

Consolidated Balance Sheet as at 31 December 2007

	Notes	£	2007 £	£	2006 £
Assets					
Non-current assets					
Property, plant and equipment	11		270,148		945,972
Intangible assets	12		6,675,159		8,420,216
Investments	13		–		24,314
Deferred taxation	20		–		74,430
			<u>6,945,307</u>		<u>9,464,932</u>
Current assets					
Inventories	14	2,803		3,486	
Trade and other receivables	15	2,476,842		3,149,632	
Cash at bank and in hand	17	1,982,854		4,547,153	
			<u>4,462,499</u>		<u>7,700,271</u>
Total Assets			<u>11,407,806</u>		<u>17,165,203</u>
Liabilities					
Current liabilities					
	17		(5,182,300)		(3,944,094)
Non-current liabilities					
Loans			–	(1,043,535)	
Deferred taxation	20	(33,642)		–	
			<u>(33,642)</u>		<u>(1,043,535)</u>
Total Liabilities			<u>(5,215,942)</u>		<u>(4,987,629)</u>
Net assets			<u>6,191,864</u>		<u>12,177,574</u>
Equity					
Capital and reserves attributable to equity holders of the company					
Ordinary shares	21		1,360,411		1,350,411
Share premium	23		22,580,403		22,420,403
Other reserve	24		559,681		559,681
Accumulated deficit	25		(18,466,759)		(12,456,926)
			<u>6,033,736</u>		<u>11,873,569</u>
Equity shareholders' funds	27				
Minority interest	26		158,128		304,005
Total Equity			<u>6,191,864</u>		<u>12,177,574</u>

J J Longley
Director

The accounts were approved and authorised for issue by the Board and were signed on its behalf on 5 December 2008.

Balance Sheet as at 31 December 2007

	Notes	£	2007 £	£	2006 £
Assets					
Non-current assets					
Property, plant and equipment	11		132,099		399,932
Intangible assets	12		709,822		977,360
Investment in subsidiaries	13		6,790,661		6,903,661
Other receivables	16		723,012		1,256,804
			<u>8,355,594</u>		<u>9,537,757</u>
Current assets					
Trade and other receivables	15	477,861		2,061,380	
Cash at bank and in hand	17	1,605,886		3,362,832	
			<u>2,083,747</u>		<u>5,424,212</u>
Total assets			<u>10,439,341</u>		<u>14,961,969</u>
Liabilities					
Current liabilities					
	17		(1,023,716)		(293,064)
Non-current liabilities					
	18		–		(1,043,535)
			<u>(1,023,716)</u>		<u>(1,336,599)</u>
Total liabilities			<u>9,415,625</u>		<u>13,625,370</u>
Equity					
Capital and reserves attributable to equity holders of the company					
Ordinary shares	21		1,360,411		1,350,411
Share premium	23		22,580,403		22,420,403
Accumulated deficit	25		(14,525,189)		(10,145,444)
Equity shareholders' funds	27		<u>9,415,625</u>		<u>13,625,370</u>

J J Longley
Director

The accounts were approved and authorised for issue by the Board and were signed on its behalf on 5 December 2008.

Consolidated Cash Flow Statement for the year ended 31 December 2007

	Notes	2007 £	2006 £
CASH FLOW STATEMENT			
Net cash used in operating activities	28	(1,230,108)	(7,135,787)
Net cash used in investing activities	28	(42,649)	(6,630,769)
Net cash (used in)/generated from financing activities	28	(552,439)	14,826,149
Net (decrease)/increase in cash and cash equivalents in the year		(1,825,196)	1,059,593
Cash and cash equivalents at 1 January		2,269,818	1,210,225
Cash and cash equivalents at 31 December		444,622	2,269,818

Company Cash Flow Statement for the year ended 31 December 2007

	Notes	2007 £	2006 £
CASH FLOW STATEMENT			
Net cash used in operating activities	28	(1,355,888)	(3,345,150)
Net cash generated from/(used in) investing activities	28	735,360	(8,552,510)
Net cash (used in)/generated from financing activities	28	(397,315)	12,983,155
Net (decrease)/increase in cash and cash equivalents in the year		(1,017,843)	1,085,495
Cash and cash equivalents at 1 January		1,085,495	–
Cash and cash equivalents at 31 December		67,632	1,085,495

Notes to the Accounts for the year ended 31 December 2007

1 Accounting policies

Basis of preparation

The consolidated accounts of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and Financial Reporting Interpretations (IFRIC or SIC) issued by the International Accounting Standards Board (IASB), as adopted for use by the European Union (EU) effective at 31 December 2007. The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the IASB that have not been adopted will have a material impact on the accounts.

This is the first year in which the Group has prepared its consolidated financial statements under IFRS and the comparatives have been restated from UK GAAP to comply with IFRS. An explanation of the transition from UK GAAP to IFRS and the reconciliations from the previously published UK GAAP financial statements to IFRS are summarised in note 36.

The Group has applied the following optional exemptions granted by IFRS 1 First-time Adoption of International Financial Reporting Standards from full retrospective application of IFRS accounting policies:

- Business combinations: The Group has elected not to apply IFRS 3 Business Combinations retrospectively to past business combinations that occurred before the date of transition to IFRSs.

The Group's IFRS accounting policies, set out below, have been consistently applied to all the periods presented. The information has been prepared under the historical cost basis or fair value basis where the fair value of relevant assets and liabilities has been applied. The accounting policies have been applied consistently by Group entities.

Corporate restructuring

As part of its preparation for listing on Ofex the Group carried out a corporate restructuring by the introduction of a new holding company, Betex Group plc, incorporated on 12 May 2005. On 13 May 2005 Betex Group plc acquired the issued share capital of Betex Management Limited, the former holding company, by the issue of shares to shareholders on the basis of 100 Ordinary shares of 1p for every 1 Betex Management Limited Ordinary share of £1. Prior to 13 May 2005, Betex Group plc had not commenced trading or made any profits or losses. The directors considered that restructuring represented a change in the identity of the holding company rather than an acquisition and has been accounted for using merger accounting principles (see below).

Basis of consolidation

These consolidated accounts include the accounts of the Company and all of its subsidiary undertakings drawn up to the same period end as the Group.

The results of subsidiaries acquired or disposed of are consolidated for the periods from the date on which control passed to the Group or up to the effective date of disposal as appropriate, except where merger accounting is used (see above and below). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Income Statement.

Merger accounting

In the Group Accounts, merged subsidiary undertakings are treated as if they had always been a member of the Group. Thus the comparative Consolidated retained losses balance reflects the substance of the corporate restructuring (see above) incorporating the trading of Betex Management Limited and its subsidiaries from 1 January 2005 rather than just the date of the merger with Betex Group plc.

The shares issued by the Company as consideration are shown as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to other reserves.

Where merger accounting or merger relief is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1 Accounting policies (continued)

Going concern

The Group is at an early stage of development and has incurred trading losses. The Board has recognised the need for additional funding to enable the business to continue as a going concern. Since the year end they have taken further action to reduce the losses being incurred and the Group has received an investment of equity of £865,000 and £175,000 of Secured Convertible Loan Notes 2008 from a group of existing shareholders to fund the on going operations of the business. The Board has prepared financial forecasts to 31 December 2009 and considers it is reasonable to assume that following this investment the Group has adequate working capital for this period.

After due consideration of the facts, assumptions and proposed actions, the Board believe that it is appropriate to prepare the accounts on the going concern basis, and these accounts do not include any adjustments that would result if the Group was unable to continue as a going concern.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Acquisitions and goodwill

Goodwill on the acquisition of subsidiary undertakings arises when the fair value of purchase consideration exceeds the fair value of identifiable fixed assets, other assets and liabilities acquired. It is capitalised and is not amortised, but the Directors carry out an impairment review after the completion of the first year of trading following acquisition and annually thereafter or if events or changes in circumstances indicate that the carrying value may not be recoverable. Any resulting reduction in value is charged through the income statement.

Revenue recognition, turnover, gross win and gross profit

United Kingdom – discontinued operations

Turnover represents the amounts staked in respect of bets placed by customers on events which occurred during the period.

Cost of sales represents payouts to customers net of the results of hedging bets, together with Betting Duty payable and commissions payable to agents.

Gross win or loss represents turnover less customer payouts net of the results of hedging bets. Gross profit or loss represents the gross win or loss after deducting Betting Duty, non-recoverable Sales Tax and commissions payable.

The net results of proprietary bets placed by the Group are shown as other trading income or costs.

China

Turnover represents direct sales of services to customers, and fees receivable from the government lottery authorities in China either based on gross lottery revenues in the province or on retail lottery sales in the provinces in which the Group has operations.

Cost of sales represents payouts to customers, together with non-recoverable sales tax and commission payable to agents.

The Group does not operate in any other countries.

Other Intangible assets

These principally represent investments made in provincial government Lottery Management Centres in the People's Republic of China, where the Group has management contracts with that Lottery Management Centre, together with their costs of acquisition.

These investments are being amortised over the life of the relevant contracts. The Directors carry out an impairment review after the completion of the first year of trading following investment and at least annually thereafter or if events or changes in circumstances indicate that the carrying value may not be recoverable. Any resulting reduction in value is charged through the income statement.

1 Accounting policies (continued)

Computer Software

In accordance with SIC 32 where in the opinion of the directors, the Group's expenditure in relation to development or acquisition of computer software results in future economic benefits, these costs are capitalised and amortised over the shorter of three years or the average period of future benefit. If there is insufficient or no evidence of future benefit the costs of developing the design and content are charged to the income statement as incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Short leasehold land and buildings	over period of lease
Plant and machinery:	
Fixtures, fittings and equipment	1 – 3 years straight line
Motor Vehicles	3 – 4 years straight line
Computer equipment	3 years straight line

Impairment

At each reporting date, management assess whether there is any indication of impairment of assets.

If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell or its value in use. The carrying amount is reduced to the recoverable amount and an impairment loss is recognised in the income statement. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amounts are recognised in the income statement.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the Standard it has been applied to all grants of equity instruments.

The Group issues equity-settled share-based payments to certain employees. These are measured at fair-value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair-value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair-value is measured by use of the Black-Scholes-Merton model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of no transferability, exercise restrictions, and behavioural considerations.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Deferred taxation

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the periods when the liability is settled or the asset is realised, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Foreign currencies

Functional and presentation currency

Items included in the accounts of each of the group's entities are measured using the currency of the country in which the entity operates ('the functional currency'). The consolidated accounts are presented in 'Pound Sterling' ("£"), which is the company's functional and presentation currency.

1 Accounting policies *(continued)*

Transactions and balances

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Group companies

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets translated into Sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets or initial costs and results of foreign subsidiary undertakings and from translating the income statement at an average rate are treated as a separate component of equity.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the income statement over the period 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.

Pensions

The Group operates a stakeholder pension scheme for its staff. At present the Group does not make contributions to this scheme. Defined pension contributions for senior executives are paid into their individual schemes and are charged to the income statement as incurred.

Financial Instruments

The Group's financial instruments comprise borrowings, some cash and cash equivalents and items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to manage the finance of the Group's operations.

Financial assets and financial liabilities are recognised in the group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables:

Trade receivables do not carry any interest and are stated at their nominal value less appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents:

Cash and cash equivalents include cash in hand and deposits held at call with bank.

Borrowings:

Interest bearing bank and other loans are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Income Statement and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

Trade payables:

Trade payables do not carry any interest and are stated at their nominal value.

Equity instruments:

Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

2 Segmental and geographical information:

The Group's primary reporting format is by business segment. Currently it only has one business segment which operates in one geographical location.

Continuing Operations

2007 Results	Turnover £	Gross win/(loss) £	Gross profit/(loss) £	Loss before tax £
Lottery (China)				
Lottery fees	2,247,630	2,247,630	2,131,312	
Other lottery income	87,303	83,436	79,133	
	2,334,933	2,331,066	2,210,445	(1,643,931)
Common Costs (UK)				
	2,334,933	2,331,066	2,210,445	(2,883,325)
				(4,527,256)

Assets and Liabilities

	Assets £	Liabilities £
Lottery (China)	9,064,980	(4,470,949)
Common Costs (UK)	2,254,629	(570,602)
	11,319,609	(5,041,551)
Discontinued operations (See Note 9)	88,197	(174,391)
	11,407,806	(5,215,942)

2006 Results	Turnover £	Gross win/(loss) £	Gross profit/(loss) £	Loss before tax £
Lottery (China)				
Lottery fees	1,581,797	1,581,797	1,505,952	
Other lottery income	22,164	18,734	18,734	
	1,603,961	1,600,531	1,524,686	(2,711,427)
Common Costs (UK)				
	1,603,961	1,600,531	1,524,686	(2,758,111)
				(5,469,538)

Assets and Liabilities

	Assets £	Liabilities £
Lottery (China)	10,448,729	(3,285,352)
Common Costs (UK)	6,424,777	(1,410,224)
	16,873,506	(4,695,576)
Discontinued operations (See Note 9)	291,697	(292,053)
	17,165,203	(4,987,629)

The Group's continuing operations are based in the People's Republic of China with the head office administration in the United Kingdom. It does not operate in any other countries or sectors.

Lottery fees are earned from investments with Sports Lottery Management Centres of provincial governments in the People's Republic of China. Other lottery income represents retail lottery sales commission also in the People's Republic of China.

An analysis of Capital Expenditure by country has been given in Notes 11 and 12.

See Note 9 below for segmental analysis of Discontinued operations

3 Group operating loss

		Continuing Operations		Discontinued Operations	
	Note	2007 £	2006 £	2007 £	2006 £
This is stated after charging:					
Exceptional items					
– write off/provision for non-recovery of deposits		–	–	98,929	713,950
– legal costs re arrests in China		–	–	226,446	–
– Directors' leaving settlement	5	423,254	–	–	–
– Provision for non recovery of related party debt	34	600,428	–	–	–
– consultancy and lobbying fees not resulting in new business		–	808,377	272,232	–
		1,023,682	808,377	597,607	713,950
Operating lease rentals					
– land buildings		348,211	246,323	135,636	78,618
Realised net exchange gains and losses					
Share based transaction costs	22	27,729	259,998	–	–
Auditors' remuneration for audit services	4	152,588	478,075	–	–
Auditors' remuneration for other services	4	126,783	143,497	–	–
		43,731	17,495	–	–
<i>Depreciation, amortisation and impairment</i>					
Exceptional items					
– Impairment of goodwill	12	547,438	272,387	286,644	920,201
– Impairment of investment	13	24,414	–	–	–
– Impairment of leasehold property, plant and machinery	11	161,631	–	–	–
– Impairment of intangible fixed assets	12	211,048	486,329	–	–
– loss on disposal of leasehold property, plant and machinery		–	–	225,764	356,448
		944,531	758,716	512,408	1,276,649
Amortisation of other intangible assets					
Depreciation of property, plant and equipment	12	1,590,139	1,083,388	–	–
Depreciation of assets held under finance leases and hire purchase contracts	11	194,595	136,139	211,207	158,279
Loss on disposal of property, plant and equipment	11	–	1,890	–	–
		4,492	11,493	–	–

4 Auditors' remuneration

	2007 £	2006 £
Continuing Operations		
Fees receivable by the auditors and their associates in respect of:		
Audit of Group financial statements	76,783	82,011
Audit of subsidiaries pursuant to legislation	50,000	61,486
Other assurance work	–	3,000
Transaction services	25,000	–
Taxation services	18,731	14,495
	170,514	160,992

5 Directors' emoluments

	2007 £	2006 £
Emoluments	407,949	456,365
Company contributions to money purchase pension schemes	8,699	13,000
Leaving settlements	423,254	–
	839,902	469,365
Highest paid director:		
Emoluments	114,182	156,189
Company contributions to money purchase pension schemes	–	7,500
	114,182	163,689
Number of directors in company pension schemes:		
Money purchase schemes	3	2

6 Staff costs

Group

	Continuing Operations		Discontinued Operations	
	2007 £	2006 £	2007 £	2006 £
Wages and salaries	734,968	684,253	498,274	1,031,791
Social security costs	44,522	53,970	46,782	80,901
Other pension costs	12,866	17,583	–	–
	792,356	755,806	545,056	1,112,692

Average number of employees during the year

	Number	Number	Number	Number
UK				
Administration	6	9	5	5
Betting operations	–	–	22	27
China				
Administration	38	37	6	3
Technical	11	7	4	4
Lottery operations	68	48	10	7
	123	101	47	46

6 Staff costs (continued)

Company

	Continuing Operations	
	£	£
Continuing Operations		
Wages and salaries	340,292	422,850
Social security costs	22,360	53,970
Other pension costs	12,866	17,583
	375,518	494,403
Average number of employees during the year	Number	Number
UK		
Administration	3	4

7 Interest payable

	Continuing Operations		Discontinued Operations	
	2007 £	2006 £	2007 £	2006 £
Bank loans and overdrafts	68,553	64,969	–	85
Interest on 5% Convertible Unsecured Loan Notes 2006	–	50,959	–	–
Interest on 5% Convertible Unsecured Loan Notes 2008	31,807	47,746	–	–
Amortised issue costs of 5% Convertible Unsecured Loan Notes 2006	–	443,515	–	–
Interest on 7.5% Secured Convertible Loan Notes 2008	685	–	–	–
Other loans	3,109	394	–	2,629
Finance charges payable under finance leases and hire purchase contracts	–	–	426	1,882
	104,154	607,583	426	4,596

8 Taxation

Analysis of charge/(credit) in period

	2007 £	2006 £
Deferred tax:		
Origination and reversal of timing differences	106,749	(18,935)
Tax on loss on ordinary activities	106,749	(18,935)

Factors affecting tax charge/(credit) for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2007 £	2006 £
Loss on continuing activities before tax	(4,527,256)	(5,469,538)
Loss on discontinued activities before tax	(2,004,664)	(3,865,413)
	(6,531,920)	(9,334,951)
Net rate of corporation tax in the UK and China	30.71%	30.45%
	£	£
Loss on ordinary activities multiplied by the standard rate of corporation tax	(2,005,968)	(2,842,493)
Effects of:		
Expenses not deductible for tax purposes	236,984	1,724,749
Income not assessable for tax purposes	(44,718)	(668,681)
Capital allowances for period in excess of depreciation	389,152	68,977
Timing Differences	–	31,233
Utilisation of tax losses for which no deferred tax asset recognised	(13,445)	(55,848)
Loss carried forward for which no deferred tax assets recognised	1,544,744	1,723,128
Current tax charge for period	106,749	(18,935)

Factors that may affect future tax charges/(credits)

No asset has been recognised in respect of the tax losses available to carry forward of approximately £4.5 million (2006: £9.4 million), as it is not currently considered more likely than not that the potential deferred tax asset arising in the year of approximately £1.4 million (2006: £2.2 million) will be recoverable in the foreseeable future.

9 Discontinued operations

	2007 £	2006 £
Revenue	6,483,437	19,197,049
Cost of sales	(6,198,481)	(18,569,445)
Other trading income	90,539	640,638
Gross profit	375,495	1,268,242
Administrative expenses	(1,728,071)	(3,060,574)
– including exceptional items (See Note 3 above)	(597,607)	(713,950)
Other operating income	2,878	1,773
EBITDA	(1,349,698)	(1,790,559)
Amortisation, Depreciation and loss on sales	(723,615)	(1,434,928)
– including exceptional items (See Note 3 above)	(512,408)	(1,276,649)
Operating loss	(2,073,313)	(3,225,487)
Income from Investments	–	20,720
Interest receivable	433	417
Amounts written off investments	68,642	(656,469)
Interest payable	(426)	(4,596)
Loss on discontinued activities before taxation	(2,004,664)	(3,865,415)
Tax on loss on discontinued activities	–	–
Loss after tax on discontinued activities	(2,004,664)	(3,865,415)

Segmental information:

2007 Results	Turnover £	Gross win/ (loss) £	Gross profit/ (loss) £	Loss before tax £
Lottery (China)				
Other lottery income	3,754,927	1,149,326	17,211	
	3,754,927	1,149,326	17,211	(1,630,550)
Betting (UK)				
Customer stakes	2,728,510	317,391	267,745	
Other trading income			90,539	
	2,728,510	317,391	358,284	(374,114)
	6,483,437	1,466,717	375,495	(2,004,664)

Assets and Liabilities

	Assets £	Liabilities £
Lottery (China)	46,767	–
Betting (UK)	41,430	(174,391)
	88,197	(174,391)

9 Discontinued operations (continued)

2006 Results	Turnover £	Gross win/ (loss) £	Gross profit/ (loss) £	Loss before tax £
Lottery (China)				
Other lottery income	8,178,562	2,965,187	183,239	
	8,178,562	2,965,187	183,239	(2,806,576)
Betting (UK)				
Customer stakes	11,018,487	520,510	444,366	
Other trading income			640,638	
	11,018,487	520,510	1,085,004	(1,058,837)
	19,197,049	3,485,697	1,268,243	(3,865,413)

Assets and Liabilities

	Assets £	Liabilities £
Lottery (China)	(33,311)	–
Betting (UK)	325,008	(292,053)
	291,697	(292,053)

Closure of Beijing Lottery Technology Company Limited

On 13 April 2007, following the arrest of staff in China, the lottery software consultancy product operations of Beijing Lottery Technology Company Limited (BLTD) were shut down. The judgement from the Criminal cases was in respect of the individuals concerned and did not clarify the exact legal position of the Lottery Software product. Until there is a clear government ruling on this type of product there remain doubts over its legality and the Board have therefore decided not to continue this part of that company's operations. As well as the lottery software consultancy product BLTD operated the Chongqing Shi Shi Kai contract and a number of Lottery retail sales outlets directly and through agents across China. A review carried out of these operations indicated that they were unlikely to be profitable in either the short or medium term and the Board decided to therefore close them down. BLTD will be put into liquidation in the next few months.

Closure of UK Internet Betting Operation and closure of Proprietary Trading

The Board reviewed the operation of the Group's Internet Betting operation in light of the new Gaming Commission requirements and developments in the operation of Internet Gaming generally and decided to close this operation on 15 May 2007. Six staff were made redundant.

Following the events noted above and the uncertainty over the Group's financial position generated by this, the Board decided to close the UK Proprietary Trading operation and the remaining staff of Betex Limited, the subsidiary concerned, were made redundant.

Closure and liquidation of Capital Sports (Retail) Limited

On 1 June 2007, the Board accepted an offer to acquire the entire share capital of its subsidiary Capital Sports (Retail) Limited. However these negotiations broke down and in December 2007 the decision was taken to close the company's operations. A last minute prospective buyer failed to satisfy the Board as to its ability to meet the running costs of the business and the company ceased to trade on 29 January 2008 and was put into liquidation on 19 February 2008.

10 Loss per share

	2007 £	2006 £
Continuing operations		
Based on the retained loss for the period of	(4,450,898)	(5,220,107)
Discontinued operations		
Based on the retained loss for the period of	(2,004,664)	(3,865,413)
Continuing and discontinued operations		
Based on the retained loss for the year of	(6,455,562)	(9,085,520)
Weighted average number of shares:		
	Number	Number
For basic loss per share	135,865,615	124,066,419
Share warrants and Options	23,992,547	24,528,297
For diluted loss per share	159,858,162	148,594,716

The loss per share is stated on the face of the Consolidated Income Statement.

The diluted loss per share has been presented as the same as the basic loss per share as the effect of the Share Warrants and Options is anti-dilutive for the year.

11 Property, plant and equipment

Group 2007

	Short leasehold land and buildings £	Computer software and web site development £	Plant and equipment £	Total £
Cost				
At 1 January 2007	428,482	243,904	661,308	1,333,694
Translation differences	10,167	1,085	9,320	20,572
Additions	8,367	2,000	108,403	118,770
Disposals	(87,751)	(193,784)	(192,085)	(473,620)
At 31 December 2007	359,265	53,205	586,946	999,416
Depreciation and impairment				
At 1 January 2007	38,472	100,731	248,519	387,722
Translation differences	491	1,085	1,678	3,254
Charge for the year	128,487	20,520	267,363	416,370
Impairment	79,428	576	81,627	161,631
On disposals	(23,830)	(85,140)	(130,739)	(239,709)
At 31 December 2007	223,048	37,772	468,448	729,268
Net book value				
At 31 December 2007	136,217	15,433	118,498	270,148

As part of the adoption of IFRS and in accordance with IAS 39 and SIC-32 costs in relation to the corporate website have been charged to expenses as at 1 January 2006, in addition the costs relating to operating systems of the Group's computers have been reclassified as plant and equipment where the related computer hardware is held.

Capital Expenditure, shown above as additions, in China were £112,692 and in the UK was £6,078.

11 Property, plant and equipment (continued)

Group

2006

	Short leasehold land and buildings £	Computer software and web site development £	Plant and equipment £	Total £
Cost				
At 1 January 2006	–	281,683	487,788	769,471
Acquisitions	–	–	3,129	3,129
Additions	428,482	348,621	249,526	1,026,629
Disposals	–	(386,400)	(79,134)	(465,534)
At 31 December 2006	428,482	243,904	661,309	1,333,695
Depreciation and impairment				
At 1 January 2006	–	23,908	112,583	136,491
Acquisitions	–	–	204	204
Charge for the year	38,472	60,181	177,228	275,881
Impairment	–	18,159	–	18,159
On disposals	–	(1,517)	(41,495)	(43,012)
At 31 December 2006	38,472	100,731	248,520	387,723
Net book value				
At 31 December 2006	390,010	143,173	412,789	945,972

Capital Expenditure, shown above as additions, in China was £294,132 and in the UK was £732,497.

Company

2007

	Short leasehold land and buildings £	Computer software and web site development £	Plant and equipment £	Total £
Cost				
At 1 January 2007	244,619	112,974	122,150	479,743
Additions	100	–	1,343	1,443
Disposals	–	(86,029)	(8,155)	(94,184)
At 31 December 2007	244,719	26,945	115,338	387,002
Depreciation				
At 1 January 2007	29,587	1,497	48,727	79,811
Charge for the year	113,528	10,479	54,677	178,684
On disposals	–	–	(3,592)	(3,592)
At 31 December 2007	143,115	11,976	99,812	254,903
Net book value				
At 31 December 2007	101,604	14,969	15,526	132,099

11 Property, plant and equipment (continued)

Company

2006

	Short leasehold land and buildings £	Computer software and web site development £	Plant and equipment £	Total £
Cost				
At 1 January 2006		197,002	101,531	298,533
Additions	244,619	293,272	41,160	579,051
Disposals		(377,300)	(20,541)	(397,841)
At 31 December 2006	244,619	112,974	122,150	479,743
Depreciation				
At 1 January 2006	–	–	8,810	8,810
Charge for the year	29,587	1,497	49,029	80,113
On disposals	–	–	(9,112)	(9,112)
At 31 December 2006	29,587	1,497	48,727	79,811
Net book value				
At 31 December 2006	215,032	111,477	73,423	399,932

12 Intangible fixed assets

Group

2007

	Goodwill £	Other £	Total £
Cost			
At 1 January 2007	1,503,261	10,298,922	11,802,183
Currency translation adjustment	15,213	273,809	289,022
Additions/(rebates)	543,824	(41,420)	502,404
At 31 December 2007	2,062,298	10,531,311	12,593,609
Accumulated amortisation and impairment loss			
At 1 January 2007	1,201,380	2,180,587	3,381,967
Currency translation adjustment	26,836	(158,733)	(131,897)
Amortisation provided during the year	–	1,590,139	1,590,139
Impairment	834,082	244,159	1,078,241
At 31 December 2007	2,062,298	3,856,152	5,918,450
Net book value			
At 31 December 2007	–	6,675,159	6,675,159

Goodwill

The additions in the year represents the goodwill arising on the acquisition of the minority holding in Guangdong Le Ke Casual Lottery Bars Co. Limited.

Following impairment tests undertaken by the Directors amounts have been written off to ensure that Goodwill is not stated in excess of its recoverable amount.

12 Intangible fixed assets (continued)

Other

As part of the adoption of IFRS and in accordance with IAS 38 the various contracts and investments with Chinese provincial government sports lottery management centres have been reclassified as intangible assets.

The Group has investments with Chinese provincial government Sports Lottery management centres the costs of which are amortised over the life of the relevant contracts. These contracts are held by the Group's Chinese subsidiaries and are denominated in Chinese Renminbi; receipts under the terms of the contracts are also in this currency. There are restrictions on the remittance of profits in overseas currencies from the People's Republic of China, however, the directors are of the opinion that any profits generated there will be able to be fully remitted to the United Kingdom. The details of the investments are as follows:

	Amortised Cost at 31 December 2007 £	% of Lottery Sales Receivable %	Remaining Contract Life Months
GuiZhou	786,959	2.00	21*
Hebei	1,489,819	1.30	28
Hebei - Instant lottery and Scratch Cards	4,398,381	4.00	105**
Ningxia - Mobile phone lottery	-	5.95	#
Hunan - Mobile phone lottery	-	5.95	#
	6,675,159		

*The GuiZhou contract guarantees a total return of 300% on the Group's investment by September 2009. If this is not achieved then the contract is automatically extended until this return has been achieved.

**The Instant lottery and Scratch Cards were launched in February 2007 and the contract costs will be amortised over its remaining life from that date.

#Following changes in the regulations effecting mobile phone and internet service providers in The People's Republic of China, the Group may not be able to proceed with the Mobile Lottery licences it acquired during 2006 and the value of these assets have been written down to £nil. The directors believe that the technology developed for these contract may have a future use, but cannot at present place a value on this.

2006

	Goodwill £	Other £	Total £
Cost			
At 1 January 2006	1,226,114	5,024,461	6,250,575
Currency translation adjustment	-	(379,243)	(379,243)
Additions	277,147	5,653,704	5,930,851
At 31 December 2006	1,503,261	10,298,922	11,802,183
Accumulated amortisation and impairment loss			
At 1 January 2006	19,519	557,673	577,192
Currency translation adjustment	(10,727)	53,197	42,470
Amortisation provided during the year	-	1,083,388	1,083,388
Impairment	1,192,588	486,329	1,678,917
At 31 December 2006	1,201,380	2,180,587	3,381,967
Net book value			
At 31 December 2006	301,881	8,118,335	8,420,216

12 Intangible fixed assets (continued)

Company

	Other 2007 £	Other 2006 £
Cost		
At 1 January	1,334,574	829,460
Additions	–	505,114
At 31 December	1,334,574	1,334,574
Accumulated amortisation and impairment loss		
At 1 January	357,214	90,385
Amortisation provided during the year	234,426	233,518
Impairment	33,112	33,311
At 31 December	624,752	357,214
Net book value		
At 31 December	709,822	977,360

These investments represent costs incurred in respect of investment in contracts with Chinese provincial government Sports Lottery Management Centres. See above.

13 Investments

Group

	2007 Other Investments £	2006 Other Investments £
Cost		
At 1 January	688,523	–
Currency translation adjustment	1,773	688,523
Disposal	(656,470)	–
At 31 December	33,826	688,523
Amortisation and impairment		
At 1 January	664,209	–
Currency translation adjustment	1,673	–
Impairment	24,414	–
Provision	–	664,209
Disposal	(656,470)	–
At 31 December	33,826	664,209
Net book value		
At 31 December	–	24,314

The Other investments disposal represented a 6.06% holding in the Euro VIP Club at the Grand Waldo Casino, Macau, which was sold in October 2007 and realised £136,618. Full provision had been made against the cost of this investment in 2006 and the loss incurred has been set against this provision.

The balance of the Other investments represent a 49% shareholding in Tianjin Copia Tele-Link Technology Co. Ltd. ("Tianjin"). This latter shareholding was acquired as part of a larger acquisition by one of the Group's Chinese subsidiaries. The majority shareholder of Tianjin is a competitor of the Group in China. The behaviour of this shareholder who is also the legal representative of that company and the limited power granted to minority shareholders under Chinese company legislation means that the Group does not have significant influence over the management of this company. We believe that this company has ceased to trade having incurred losses but we have not been able to obtain any accounts for 2007 and the 2006 accounts have not yet been filed with the Free Trade Zone Branch of the Tianjin Municipal Provincial Administration for Industry and Commerce ("AIC"). Full provision has therefore been made against the cost of the investment in this company.

13 Investments (continued)

Company

	2007 Investments in subsidiary undertakings £	2006 Investments in subsidiary undertakings £
Cost		
At 1 January	7,870,277	2,338,505
Additions	86,000	5,531,772
At 31 December	7,956,277	7,870,277
Provisions		
At 1 January	966,616	–
Provision charged	199,000	966,616
At 1 January	1,165,616	966,616
Net book value		
At 31 December	6,790,661	6,903,661

Additions represent additional capital paid into two of the Group's Chinese Wholly Owned Foreign Enterprise Companies to provide further funding for those companies operations.

The Company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Ordinary Shares % Held	Activity
Subsidiary undertaking			
Betex Management Limited	England and Wales	100%	Management services Capital
Capital Sports (Retail) Limited	England and Wales	100%	In Liquidation February 2008
Beijing Global Sports Management Co. Ltd.	People's Republic of China	100%	Lottery management
Beijing Betex Business Management Co. Ltd.	People's Republic of China	100%	Management services
Betex (Guangzhou) Management & Consultancy Co Ltd	People's Republic of China	100%	Lottery retail management
Ramsgill Limited	British Virgin Islands	100%	Management services
Subsidiaries held by Betex Management Ltd.			
Betex Limited	England and Wales	100%	Ceased to trade May 2007
Betex (VIP) Limited	England and Wales	100%	Ceased to trade 2007
Subsidiaries held by Beijing Global Sports Management Co. Ltd.			
GuiZhou Global Sports Technology Co Ltd	People's Republic of China	80%	Lottery management
Beijing Global Marketing & Planning Co. Ltd	People's Republic of China	100%	Lottery management
Beijing Copia Tele-Link Technology Co. Ltd.	People's Republic of China	80%	Mobile lottery sales
Subsidiaries held by Beijing Global Marketing & Planning Co. Ltd			
Beijing Lottery Technology Development Co. Ltd.	People's Republic of China	100%	Ceased to trade May 2007
Subsidiaries held by Beijing Lottery Technology Development Co. Ltd.			
Beijing JiXinYa Technology Development Co. Ltd.	People's Republic of China	80%	Lottery marketing
Subsidiaries held by Betex (Guangzhou) Management & Consultancy Co Ltd			
Guangdong Le Ke Casual Lottery Bars Co. Ltd.	People's Republic of China	100%	Retail lottery sales
Investment held by Beijing Copia Tele-Link Technology Co Ltd (see above)			
Tianjin Copia Tele-Link Technology Co. Ltd.	People's Republic of China	49%	Mobile lottery sales

In each case the percentage voting rights are equivalent to the percentage of Ordinary Shares held shown above.

On 17 December 2007 the Group's shareholding in Guangdong Le Ke Casual Lottery Bars Co. Ltd. was transferred from Beijing Global Sports Management Co. Ltd. to Betex (Guangzhou) Management & Consultancy Co. Ltd. On the same date the Group agreed to acquire the 40% minority holding in that company for RMB8,000,000 (£552,257) payable in four instalments.

14 Inventories

	2007 £	2006 £
Finished goods and goods for resale	2,803	3,486

The difference between the purchase price of inventories and their replacement cost is not material.

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £3,900 (2006: £3,400).

15 Current trade and other receivables

	2007 £	2006 £
Group		
Trade receivables	1,366,471	477,271
Other receivables	744,408	828,903
Receivables from related parties (see Note 34 below)	203,687	1,519,760
Prepayments and accrued income	162,276	323,698
	2,476,842	3,149,632

	2007 £	2006 £
Company		
Other receivables	184,552	346,584
Receivables from related parties (see Note 34 below)	203,687	1,519,760
Prepayments and accrued income	89,622	195,036
	477,861	2,061,380

16 Non-current other receivables

	2007 £	2006 £
Company		
Receivables from group undertakings (see Note 34 below)	723,012	1,256,804
	723,012	1,256,804

17 Current liabilities

	2007 £	2006 £
Group		
Bank loans and overdrafts	1,275,714	1,439,131
5% Convertible Unsecured Loan Notes 2008	315,658	–
7.5% Convertible Secured Loan Notes 2008	176,124	–
Trade payables	620,408	247,711
Social security and other taxes	466,035	188,264
Other payables	2,066,734	1,736,702
Accruals and deferred income	261,627	332,286
	5,182,300	3,944,094

The bank loan of £1,275,714 (RMB 18,480,000) (2006: £1,439,131 [RMB22,000,000]) is secured against a deposit account of £1,538,232 (2006: £1,577,335) held by the Company.

Other creditors includes £1,725,804 (RMB 25,000,000) (2006: £1,635,376 [RMB 25,000,000]) deferred purchase consideration in respect of a Chinese subsidiary's investment with a provincial government's Sports Lottery Management Centre. (See Note 31 below.)

Interest accrued on the Loan Notes is payable either on their redemption or included with the principal on conversion.

17 Current liabilities (continued)

	2007 £	2006 £
Company		
5% Convertible Unsecured Loan Notes 2008	315,658	–
7.5% Convertible Secured Loan Notes 2008	176,124	–
Trade payables	433,008	98,703
Social security and other taxes	1,833	5,759
Other payables	11,500	–
Accruals and deferred income	85,593	188,602
	1,023,716	293,064

18 Non-Current liabilities

	2007 £	2006 £
Group		
5% Convertible Unsecured Loan Notes 2008	–	1,043,535
Deferred taxation (see Note 20 below)	33,642	–
	33,642	1,043,535

Interest accrued on the Loan Notes is payable either on their redemption or included with the principal on conversion.

In 2006 all the Loan Notes were held by related parties (see Note 34 below).

	2007 £	2006 £
Company		
5% Convertible Unsecured Loan Notes 2008	–	1,043,535

19 Borrowing

	2007 £	2006 £
Group		
Analysis of maturity of debt:		
Within one year or on demand	1,767,496	1,439,131
Between one and two years	–	1,043,535
	1,767,496	2,482,666
Company		
Analysis of maturity of debt:		
Within one year or on demand	491,782	–
Between one and two years	–	1,043,535
	491,782	1,043,535

20 Deferred taxation

	2007 £	2006 £
Group		
Deferred capital allowances	940,707	543,857
Other timing differences	5,203,180	4,180,152
Tax losses carried forward	13,842,379	9,510,901
Currency translation adjustment	(4,948)	–
Total gross timing differences	19,981,318	14,234,910
Potential deferred tax asset @ 30.17% (2006 - 30.06%)	6,028,514	4,278,363
Provision		
Deferred capital allowances	522,458	161,397
Other timing differences	(1,357,015)	(511,079)
Tax losses carried forward	737,561	575,227
Currency translation adjustment	(4,948)	–
Total reversable timing differences	(101,944)	225,545
Deferred tax provision @ 33%	(33,642)	74,430

The provision represents net timing differences expected to reverse in the foreseeable future in subsidiaries in China.

21 Share capital

	2007 £	2006 £
Authorised:		
Ordinary shares of 1p each	3,000,000	3,000,000
	2007 No	2006 No
Allotted, called up and fully paid:		
Ordinary shares of 1p each	136,041,206	135,041,206
	2007 £	2006 £
	1,360,411	1,350,411

Movement in share capital

Issue Date	No. of shares	Subscription price	Value £
15 March 2007	1,000,000	17p	170,000

The shares were issued for cash as the result of subscriptions under rights from warrants held.

Warrants issued

Warrants have been issued giving rights to subscribe for ordinary shares of the Company. Those outstanding are as follows:

Issue Date	No. of shares	Subscription price	Expiry Date
3 June 2005	526,781	22p	20 May 2008
17 June 2005	10,435,619	22p	20 May 2008
21 June 2005	2,950,858	17p	20 May 2008
3 October 2005	230,833	32.5p	20 May 2008
3 March 2006	1,333,301	34p	3 March 2009
	15,477,392		

5,531,201 Warrants with a subscription price of 22p are held by Executive directors. 3,424,077 Warrants with a subscription price of 22p are held by non-executive directors.

22 Options issued and Share-based payments

The Company has a share option scheme known as 'The Betex Group plc Unapproved Share Option Scheme' for executive directors and employees of the Company and its subsidiaries. The Company may place limitations on the exercise of the options and specify an Option period. Options may be forfeited when an employee leaves the Group either before the options vest or under defined circumstances.

Details of the share options outstanding during the year are as follows:

	2007		2006	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding				
At 1 January	8,975,000	51.58	3,000,000	34.50
Granted during the year	7,150,000	5.70	6,100,000	60.15
Forfeited during the year	(347,798)	(52.46)	(125,000)	(60.00)
Lapsed during the year	(6,081,449)	(48.01)	–	–
At 31 December	9,695,753	16.24	8,975,000	51.58
Exercisable				
At 31 December	2,495,753	55.08	3,000,000	34.50

Options outstanding at 1 January and 31 December 2007 include 9,250,000 options to executive directors at an average exercise price of 17p and 50,000 to a non-executive director at an exercise price of 79p.

On 2 January 2007 the Company allotted 150,000 options to staff at an exercise price of 38.5p subject to a time elapsed option period. The estimated fair value of the options granted on that date is £1,828.

On 27 December 2007 the Company allotted 7,000,000 options to executive directors at an exercise price of 5p subject to a time elapsed option period. The estimated fair value of the options granted on that date is £89,875.

The inputs into the Black-Scholes-Merton model are as follows:

	2007
Weighted average share price	5p
Weighted average exercise price	5.7p
Expected volatility	50%
Expected life	2 years
Risk Free Rate	6.02%

Expected volatility was based on management's best estimate of volatility of the Group's share price due to the limited availability of historic data and marketability prior to entry to AIM in March 2006 and subsequent to the delisting from AIM in October 2007. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

23 Share premium

	2007 £	2006 £
Group		
At 1 January	22,420,403	4,304,680
Shares issued	160,000	19,402,853
Expenses of issue	–	(1,287,130)
At 31 December	22,580,403	22,420,403
Company		
At 1 January	22,420,403	4,304,680
Shares issued	160,000	19,402,853
Expenses of issue	–	(1,287,130)
At 31 December	22,580,403	22,420,403

24 Other Reserve

	2007 £	2006 £
Group		
At 1 January and		
At 31 December	559,681	559,681
Arising from acquisition of Betex Management Limited in 2005.		

25 Accumulated deficit

	2007 £	2006 £
Group		
At 1 January	(12,456,926)	(3,416,731)
Loss for financial year	(6,455,562)	(9,085,520)
Share based payments	152,588	478,075
Net exchange differences on the retranslation of net investments	293,141	(432,750)
At 31 December	(18,466,759)	(12,456,926)
Company		
At 1 January	(10,145,445)	(2,421,340)
Loss for financial year	(4,532,332)	(8,202,179)
Share based payments	152,588	478,075
At 31 December	(14,525,189)	(10,145,444)

26 Minority interest

	2007 £	2006 £
Group		
At 1 January	304,005	(10,524)
Share of losses in Chinese subsidiaries	(157,613)	(177,204)
Share of net exchange differences on the retranslation of net assets	23,703	940
Share of fair value of contracts	(3,938)	85,220
Shares held in Chinese subsidiaries	–	405,573
Net interests purchased by group	(8,029)	–
At 31 December	158,128	304,005

27 Reconciliation of movement in equity shareholders' funds

	2007 £	2006 £
Group		
At 1 January	11,873,569	2,152,529
Loss for financial year	(6,455,562)	(9,085,520)
Net exchange differences on the retranslation of net investments	293,141	(432,750)
Shares issued	170,000	18,761,235
Share based transaction charges	152,588	478,075
At 31 December	6,033,736	11,873,569
	2007 £	2006 £
Company		
At 1 January	13,625,370	2,588,240
Loss for financial year	(4,532,333)	(8,202,179)
Shares issued	170,000	18,761,234
Share based transaction charges	152,588	478,075
At 31 December	9,415,625	13,625,370

28 Gross cash flows

	2007 £	2006 £
Group		
Operating activities		
Continuing operations		
Operating loss	(4,546,389)	(5,204,818)
Depreciation and impairment charges	360,718	166,837
Amortisation and impairment of intangible fixed assets	547,438	272,387
Amortisation and impairment of investments	1,782,781	1,578,269
Share-based transaction costs	152,588	478,075
Currency translation adjustments	259,515	10,059
Discontinued operations	(1,443,349)	(2,699,191)
Operating loss	(2,073,313)	(3,225,487)
Depreciation and impairment charges	211,207	158,279
Amortisation and impairment of intangible fixed assets	286,644	920,201
Impairment of investment	68,642	–
Loss on disposal of fixed assets	225,764	356,448
	(1,281,056)	(1,790,559)

28 Gross cash flows (continued)

	2007 £	2006 £
Group		
Movements in Working Capital		
Decrease/(increase) in inventories	683	(3,486)
Decrease/(increase) in receivables	672,790	(279,834)
Increase/(decrease) in payables	909,841	(2,184,980)
	1,583,314	(2,468,300)
Net Cash used in trading activities	(1,141,091)	(6,958,050)
Interest paid	(88,591)	(176,797)
Interest element of finance lease rental payments	(426)	(940)
Net Cash used in operating activities	(1,230,108)	(7,135,787)
Investing activities		
Dividends received	–	20,720
Interest received	123,720	343,280
Purchases of intangible investments	(287,952)	(5,235,646)
Proceeds from intangible investments	41,419	1,000
Purchases of property, plant and equipment	(118,770)	(1,246,423)
Proceeds on disposal of property, plant and equipment	3,655	59,511
Acquisition of subsidiaries shares	(543,824)	(797,764)
	(781,752)	(6,855,322)
Management of liquid resources		
Movement in longer term deposits	39,103	(1,577,335)
Movement in 7 Day deposit account balance	700,000	1,801,888
Net Cash used in investing activities	(42,649)	(6,630,769)
Financing Activities		
Repayment of Loan Notes (see below re 2006)	(905,733)	–
Proceed of issue of Loan Notes	175,000	1,727,901
Finance costs on issue of 5% Convertible Loan Notes 2006	–	(443,515)
Proceeds of Issue of share capital (net of issue costs and loans converted)	170,000	13,137,900
Issue of shares in subsidiaries to minority	8,294	406,498
Capital element of finance lease rental payments	–	(2,635)
Net Cash used in financing activities	(552,439)	14,826,149

28 Gross cash flows (continued)

	2007 £	2006 £
Company		
Operating activities		
Continuing operations		
Operating loss	(3,315,550)	(2,696,306)
Depreciation and impairment charges	161,321	80,113
Amortisation and impairment of intangible fixed assets	267,738	266,830
Amortisation and impairment of investments	199,000	(133,849)
Share-based transaction costs	152,588	478,075
Currency translation adjustments	39,101	–
	(2,495,802)	(2,005,137)
Discontinued operations		
Operating loss	(1,303,408)	(4,964,742)
Depreciation and impairment charges	17,364	–
Loss on disposal of fixed assets	89,797	344,322
	(1,196,247)	(4,620,420)
Movements in Working Capital		
Decrease in receivables	2,117,330	2,364,750
Increase in payables	238,870	966,616
	2,356,200	3,331,366
Net Cash used in trading activities		
Interest paid	(1,335,849)	(3,294,191)
	(20,039)	(50,959)
Net Cash used in operating activities		
	(1,355,888)	(3,345,150)
Investing activities		
Interest received	122,008	296,356
Purchases of intangible investments	–	(505,114)
Purchases of property, plant and equipment	(1,443)	(579,052)
Proceeds on disposal of property, plant and equipment	795	44,407
Acquisition of subsidiaries shares	(86,000)	(5,531,772)
	35,360	(6,275,175)
Management of liquid resources		
Movement in longer term deposits	–	(1,577,335)
Movement in 7 Day deposit account balance	700,000	(700,000)
Net Cash used in investing activities		
	735,360	(8,552,510)
Financing Activities		
Repayment of Loan Notes (see above re 2006)	(742,315)	–
Proceed of issue of Loan Notes	175,000	323,976
Finance costs on issue of 5% Convertible Loan Notes 2006	–	(443,515)
Proceeds of Issue of share capital (net of issue costs and loans converted)	170,000	13,102,694
Net Cash used in financing activities		
	(397,315)	12,983,155

29 Analysis of changes in net debt

	At 1 Jan 2007 £	Cash flows £	Non-cash changes £	At 31 Dec 2007 £
Group				
Cash at bank and in hand	2,269,818	(1,825,196)	–	444,622
7 Day bank deposits	700,000	(700,000)	–	–
Longer term bank deposits	1,577,335	–	(39,103)	1,538,232
	4,547,153	(2,525,196)	(39,103)	1,982,854
Debt due within 1 year	(1,439,131)	(11,582)	(316,783)	(1,767,496)
Debt due after 1 year	(1,043,535)	742,315	301,220	–
	(2,482,666)	730,733	(15,563)	(1,767,496)
Total	2,064,487	(1,794,463)	(54,664)	215,358
	At 1 Jan 2007 £	Cash flows £	Non-cash changes £	At 31 Dec 2007 £
Company				
Cash at bank and in hand	1,085,495	(1,017,843)	–	67,652
7 Day bank deposits	700,000	(700,000)	–	–
Longer term bank deposits	1,577,335	–	(39,101)	1,538,234
	3,362,830	(1,717,843)	(39,101)	1,605,886
Debt due within 1 year	–	(175,000)	(316,783)	(491,783)
Debt due after 1 year	(1,043,535)	742,315	301,220	–
	(1,043,535)	567,315	(15,563)	(491,783)
Total	2,319,295	1,150,528	(54,664)	1,114,103

30 Major non-cash transactions

	2007 £	2006 £
Group		
Conversion of 5% Convertible Unsecured Loan Notes 2006	–	5,623,334
Issue of 5% Convertible Unsecured Loan Note 2008 to repay	–	(288,770)
Director's current account	(15,563)	(47,746)
Interest accrued on convertible Unsecured Loan Notes	(39,101)	–
Currency translation adjustment	(54,664)	5,286,818
	2007 £	2006 £
Company		
Conversion of 5% Convertible Unsecured Loan Notes 2006	–	5,623,334
Issue of 5% Convertible Unsecured Loan Note 2008 to repay	–	(288,770)
Director's current account	(15,563)	(47,746)
Interest accrued on convertible Unsecured Loan Notes	(39,101)	–
Currency translation adjustment	(54,664)	5,286,818

31 Post balance sheet events

Arrest of Staff in China and suspension of Lottery Software trading

As previously reported three staff and a number of Beijing Lottery Technology Company Limited's agents were arrested in April 2007. The cases came to trial in February/March 2008 and the individuals were found guilty of illegal gambling and each sentenced to one year's jail and a fine. Taking into account time in custody they were all released in April 2008.

Whilst the trial transcripts and judgment do not specifically condemn the operation of that company's lottery software product they do still raise questions over its legality and the Board therefore confirmed their previous decision on the closure of that business.

Resignation of Directors

Stephen Davidson resigned as a non-executive director on 20 February 2008 and Dr Johnny Hon resigned as Chairman and Director on 28 May 2008 but remains involved with the Group assuming the title of Honorary President and continues to represent the Group in China.

Liquidation of Capital Sports (Retail) Limited

Following the breakdown of the negotiations to sell our subsidiary Capital Sports (Retail) Limited it ceased to trade on 29 January 2008 and was put into Creditors voluntary liquidation on 19 February 2008.

Early repayment of 5% Convertible Unsecured Loan Note 2008.

Following a legal dispute with the holder of the remaining £288,770 5% Convertible Unsecured Loan Note 2008 the Board agreed to its early repayment with accrued interest by instalments commencing July 2008.

Issue of New shares

In order to provide funding for the Group's continuing operations the Board issued 5,000,000 Ordinary shares of 1p each at 5p per share on 4 January 2008 and a further 24,600,000 Ordinary shares of 1p each at 2.5p per share on 30 June 2008.

Disposal of Leasehold Premises

In March/April 2008 the Company disposed of its Leasehold premises in London. In May 2008 all but two of the Group's lottery shops in Guangzhou were closed.

Winding Up of GGE (UK) Ltd (Formerly Global Group (Europe) plc)

On 30 September 2008 GGE (UK) Ltd a related party debtor was wound up by the court. See Note 34 below for further details.

Renegotiation of Hebei Scratchcard contract

In October 2008 the Group completed the renegotiation of the terms of the Hebei Scratchcard agreement with that provinces' Lottery Management Centre. This has resulted in a reduction of the term of the contract from 10 years to 7 years and in return the deferred purchase consideration of £1,725,804 (RMB 25,000,000) (2006: £1,635,376 [RMB 25,000,000]) has been waived. See Note 17 above.

32 Capital commitments

	2007 £	2006 £
Amounts contracted for but not provided in the accounts	—	16,003

33 Other financial commitments

At the year end the annual commitments under non-cancellable operating leases were as set out below:

	Land and buildings		Other	
	2007 £	2006 £	2007 £	2006 £
Group				
Operating leases which expire:				
within one year	29,718	30,668	–	–
between two and five years	205,608	467,027	–	–
	235,326	497,695	–	–
Company				
Operating leases which expire:				
between one and five years	159,692	159,692	–	–

34 Related parties

	J Hon £	Global Group £
Expenses re-imbursed	(85,776)	–
Services supplied to	–	207,155
Services charged by	–	(162,765)
Outstanding balances at 31 December 2007	1,753	714,300
Provision against non-recovery	–	(600,428)
Net outstanding balances at 31 December 2007	1,753	113,872
Outstanding balances at 31 December 2006	–	1,509,760
Maximum balance during year	(295,870)	1,586,080

J Hon

Dr J S Hon disposed of his holding of 5% Convertible Unsecured Loan Notes 2008 in March 2007. As stated below unpaid debts due from Global Group companies appear to be in breach of Section 330 of the Companies Act 1985 and/or equivalent provisions of the Companies Act 2006 and as such Dr J S Hon, as the controlling party of the Global Group Companies, is required to indemnify the Group against any loss arising from the transactions (which includes the unpaid element of the debts). The Company has commenced action to recover the net amounts due.

Global Group

These are transactions with companies in which Dr J S Hon is or has been a director and has either a controlling or substantial interest through The Hon Group Holdings Ltd (BVI).

During the year the Group requested repayment of their balances held by Global Bank Limited. Global Bank Limited informed the company that it was no longer part of the Global Group and that it held an indemnity from GGE (UK) Limited (formerly Global Group (Europe) plc) against the repayment. As part settlement of this indemnity GGE (UK) Limited negotiated the early repayment of the 5% Convertible Unsecured Loan Note 2008 it held.

Services provided by Global Group include rent £32,347 on retail premises occupied by a subsidiary, £87,358 on the provision of staff principally in China, £30,000 on provision of statistical football data, £3,060 on provision of equipment, £10,000 on corporate PR.

Services supplied to Global Group include rent, rates and service charges £185,703 on premises occupied by Global Group, £3,927 final payment on fitting out these premises, £2,305 on provision of equipment, £11,575 on a political consultant used on Dr Hon's personal affairs and £3,645 on other administrative services.

34 Related parties (continued)

Global Group (continued)

Invoices for the services described above and in 2006 remained unpaid at 31 December 2007 and together with the loan made by the Group to Global Group shown above appear to be in breach of Section 330 of the Companies Act 1985 and/or equivalent provisions of the Companies Act 2006. On 30 September 2008, GGE (UK) Limited was ordered by the Court to be wound up and under the provisions of the Companies Acts Dr J S Hon is required to indemnify the Group for the losses arising from the transactions (which include the unpaid element of the debts) and steps are being taken to obtain settlement of the net amount outstanding.

	Expenses re-imbursed £
Other Directors	
J J Longley	12,965
S F Spector	7,051
P A Greenhill	14,594
S P Barker	12,294

Details of the Directors', who are also considered to be the Group's key personnel, remuneration are set out in the report of the remuneration committee.

On 27 December 2007 J J Longley was awarded 4,000,000 share options and S F Spector 3,000,000 share options both exercisable at 5p after a time elapsed period subject to continuing employment with the company. Share Options granted to P A Greenhill and S P Barker lapsed in November 2007 following their departure from the company.

Li Haili

Mr Li Haili, who is a minority shareholder in three of the Group's subsidiaries in China, was paid £268,598 (RMB 4,089,114) (2006: £340,434 {RMB 4,999,271}) in consultancy fees.

	2007 £	2006 £
Betex		
Management Charges to UK subsidiaries	114,983	57,467
Funding provided to subsidiary companies	840,055	1,670,657
Provision against non-recovery	2,218,831	4,981,809
Outstanding Balances at 31 December	7,923,651	6,948,491
Provision against non-recovery at 31 December	(7,200,640)	(5,691,687)

The net balances with the Company are shown as Non-current other receivables in the Company's Balance Sheet. Provision has been made against balances due from loss making subsidiaries where that company has a net deficit position.

35 Financial instruments

Treasury activities take place under procedures and policies monitored by the Board. They are designed to minimise the financial risks faced by the Group which primarily arise from interest rate, currency, credit and liquidity risks and information is given below. It is not the policy of the Group to trade in or enter into speculative transactions.

Interest rate risks

The Group has financed its operations primarily through the issue of equity shares and fixed rate unsecured convertible loan notes. Floating rate assets consist of cash at bank and the Group receives interest on cash balances at rates linked to the Group's banker's base rate. The Group's borrowings in the UK are fixed rate convertible loan notes where the interest is accrued and either included in the conversion or payable on redemption; in China the Group has a fixed term, fixed rate bank loan where the interest is accrued and paid on redemption. The Group has no other assets or liabilities that are subject to interest rate fluctuations.

35 Financial instruments (continued)

Liquidity risk

The Group's treasury management policies are designed to ensure the continuity of funding.

It manages its capital requirements by issue of both equity and structured loans and details of issues are given in earlier notes.

Credit risk

The Group has amounts due from Global Group of companies. Whilst every effort is being made to ensure the recoverability of these amounts and the Board believes that they will be received in full from Dr Hon (See Note 34), they cannot guarantee that they will be fully recovered and have provided for the possible shortfall. (See Note 16.) Trade receivables in China are all from provincial government Lottery Management Centres and as such once the amounts concerned have been confirmed by government auditors they are guaranteed.

Foreign currency risk

All normal trading activities with customers in foreign currencies are settled within seven days and consequently the Group does not have any significant foreign currency exposure. Payments for capital transactions in respect of overseas operations are normally paid within a very short time of contracts being agreed and consequently there is little foreign currency exposure. Bank deposits held in foreign currencies are subject to risk and the value of any movement in the currencies are recognised on a monthly basis in the profit and loss account.

Financial assets

Bank deposits and balances

The interest rate profile of the Group's financial assets at 31 December 2007 was:

Currency	Total £	Fixed rate financial assets £	Financial assets on which interest is paid at a variable rate £
Sterling	82,833	–	82,833
US Dollars	1,541,054	1,541,054	–
Chinese Renminbi (RMB)	357,518	–	357,518
Hong Kong Dollars	1,449	–	1,449
Total	1,982,854	1,541,054	441,800

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2007 was:

Currency	Total £	Fixed rate financial liabilities £	Financial liabilities on which no interest is paid £
Sterling	491,782	491,782	–
Chinese Renminbi (RMB)	3,001,518	1,275,714	1,725,804
Total	3,493,300	1,767,496	1,725,804

Currency	Interest rate %	Weighted average period for which rate is fixed Years	Weighted average period until maturity Years
Sterling	5.000	0.75	–
Chinese Renminbi (RMB)	5.022	0.25	0.50

Currency exposures

As at 31 December 2007 the Group had a foreign currency settlement exposure of RMB 25 Million (£1,725,804) in respect of deferred consideration for the investment in the instant lottery and scratch cards with a provincial government Sports Lottery Management Centre in the People's Republic of China.

It also had a foreign currency settlement exposure of RMB 18.5 Million (£1,275,714) in respect of a short term bank loan by one of the Group's Chinese subsidiaries, secured on the Group's US\$ deposit account.

The main currency exposure relates to the effect of re-translation of the Group's net investment in the Chinese operations. A 1% change in the RMB/£ exchange rate would give rise to a change of approximately £43,000 in the Group net assets and no impact on reported earnings.

35 Financial instruments *(continued)*

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2007 was as follows:

	£
Within one year or on demand	3,493,300
Between one and two years	–
	<u>3,493,300</u>

36 Explanation of transition to IFRS

This is the first year that the Company has presented its consolidated accounts under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2006 and the date of transition to IFRSs was therefore 1 January 2006.

The adoption of IFRS had no impact on the Group's consolidated cash flow, so the Group has not presented a reconciliation of cashflow for the year ended 31 December 2006.

The exemptions taken in the first year of adoption of IFRS are detailed in the Note 1 Accounting Policies.

Reconciliation of equity at 1 January 2006

	UK GAAP £	Effect of transition to IFRS £	IFRS £
Assets			
Non-current assets			
Property, plant and equipment	656,556	(16,377)	640,179
Intangible assets	1,206,595	4,635,929	5,842,524
Investments	4,635,929	(4,635,929)	–
	<u>6,499,080</u>	<u>(16,377)</u>	<u>6,482,703</u>
Current assets			
Stocks	–	–	–
Trade and other receivables	2,869,798	–	2,869,798
Cash at bank and in hand	3,712,113	–	3,712,113
	<u>6,581,911</u>	<u>–</u>	<u>6,581,911</u>
Total Assets	<u>13,080,991</u>	<u>(16,377)</u>	<u>13,064,614</u>
Liabilities			
Current liabilities	(9,744,009)	–	(9,744,009)
Non-current liabilities	(1,278,923)	–	(1,278,923)
Total Liabilities	<u>(11,022,932)</u>	<u>–</u>	<u>(11,022,932)</u>
Net assets	<u>2,058,059</u>	<u>(16,377)</u>	<u>2,041,682</u>
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	704,900	–	704,900
Share premium	4,304,680	–	4,304,680
Other reserve	559,681	–	559,681
Accumulated deficit	(3,500,678)	(16,377)	(3,517,055)
Equity shareholders' funds	<u>2,068,583</u>	<u>(16,377)</u>	<u>2,052,206</u>
Minority interest	(10,524)	–	(10,524)
Total Equity	<u>2,058,059</u>	<u>(16,377)</u>	<u>2,041,682</u>

As part of the adoption of IFRS and in accordance with IAS 39 and SIC-32 costs in relation to the corporate website have been charged to expenses as at 1 January 2006.

36 Explanation of transition to IFRS (continued)

Reconciliation of equity at 31 December 2006

	UK GAAP £	Effect of transition to IFRS £	IFRS £
Assets			
Non-current assets			
Property, plant and equipment	1,154,820	(208,848)*	945,972
Intangible assets	563,541	(261,660)**	301,881
		8,118,335#	8,118,335
Investments	7,965,942	(7,941,628)#	24,314
	9,684,303	(293,801)	9,390,502
Current assets			
Inventories	3,486		3,486
Trade and other receivables	3,149,632		3,149,632
Cash at bank and in hand	4,547,153		4,547,153
	7,700,271	–	7,700,271
Total Assets	17,384,574	(293,801)	17,090,773
Liabilities			
Current liabilities			
	(3,944,093)	(1)	(3,944,094)
Non-current liabilities			
	(1,043,535)	74,430##	(969,105)
Total Liabilities	(4,987,628)	74,429	(4,913,199)
Net assets	12,396,946	(219,372)	12,177,574
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	1,350,411		1,350,411
Share premium	22,420,403		22,420,403
Other reserve	559,681		559,681
Accumulated deficit	(12,230,943)	(225,983)	(12,456,926)
Equity shareholders' funds	12,099,552	(225,983)	11,873,569
Minority interest	297,394	6,611+	304,005
Total Equity	12,396,946	(219,372)	12,177,574

* As part of the adoption of IFRS and in accordance with IAS 39 and SIC-32 costs in relation to the corporate website have been charged to expenses as at 1 January 2006, the lower amount from that shown in the reconciliation of equity at 1 January 2006 reflects an additional year's depreciation that had previously been charged on this expenditure.

** As part of the adoption of IFRS and in accordance with IAS 38 the fair value of Goodwill arising on consolidation of a Chinese subsidiary has been re-appraised and an impairment provision of RMB 4,000,000 (£261,864) made.

As part of the adoption of IFRS and in accordance with IAS 38 investments with Chinese provincial government Sports Lottery Management Centres have been reclassified as intangible assets rather than investments.

As part of the re-appraisal of assets and liabilities for the adoption of IFRS a net deferred tax asset in Chinese subsidiaries was identified and has been provided.

+ This represents the minority shareholders share of the adjustments noted above.

BETEX GROUP PLC

("the Company")

(Registered and incorporated in England and Wales with Company number 5450662)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the offices of S J Berwin LLP at 10 Queen Street Place, London EC4R 1BE on 30 December 2008 at 11.00 a.m. for the following purposes:

Ordinary Business

To consider, and if thought fit, pass the following Ordinary Resolutions:

Resolution 1

To receive and adopt the Company's Accounts for the year ended 31 December 2007 together with the last directors' report, the last directors' remuneration report and the auditors' report on those accounts and the auditable part of the remuneration report and comprehensive business review.

Resolution 2

To re-appoint PKF (UK) LLP as auditors of the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company at a remuneration to be determined by the directors.

Resolution 3

To re-elect John Blower as a Director of the Company who retires by rotation.

Resolution 4

To re-elect David Cowham as a Director of the Company who retires by rotation.

Special Business

To consider, and if thought fit, pass the following resolutions, of which Resolutions 5 will be proposed as an ordinary resolution and Resolution 6 will be proposed as a special resolution:

Resolution 5

That, in substitution for all previous like authorities, which are hereby revoked (save to the extent relied upon prior to the passing of this Resolution), pursuant to and in accordance with Section 80 of the Companies Act 1985 the Directors be and hereby generally and unconditionally are authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £552,137.35 (being an amount equivalent to approximately one third of the issued share capital of the Company as at 31 October 2008) and provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on whichever is the earlier of the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or the date 15 months from the date that this Resolution comes in effect, save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Resolution 6

THAT subject to the passing of the previous resolution the board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment.

This authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or the date 15 months from the date that this Resolution 6 comes into effect, save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By Order of the Board

Registered Office:

48 Charlotte Street

London

W1T 2NS

S Spector FCA
Company Secretary

Explanatory Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders on the register of members of the Company as at 11.00 a.m. on 30 December 2008 or, if the meeting is adjourned, on the register of members of the Company 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend or vote at the above general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register after 11.00 a.m. on 30 December 2008 or, if the meeting is adjourned, on the register of members of the Company 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
3. A member of the Company is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to a meeting. A Form of Proxy accompanies this document for your use. To be valid, Forms of Proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the offices of the Company's Registrars, Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Deposit of a Form of Proxy will not prevent a member from attending and voting in person should he so wish.
4. A register of Directors' interests in the share capital and debentures of the Company, together with copies of service agreements under which Directors of the Company are employed, is available for inspection at the Company's registered office during normal business hours and will also be available for inspection at the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Notice of Meeting

for the year ended 31 December 2007

Explanatory notes to resolutions:

Resolution 1: The Directors must lay the financial statements and the respective reports of the Directors and auditors before shareholders at a General Meeting. This resolution is to approve these together with the Director's remuneration report for the year ended 31 December 2007. You can find the report in the annual report and accounts for the year ended 31 December 2007 which will be sent to you shortly.

Resolution 2: At each General Meeting at which accounts are laid before the members, the Company is required to appoint auditors to stand until the next such meeting.

Resolutions 3 and 4: Under the Company's Articles of Association, each Director must stand for re-election every three years. The Directors listed fall under these provisions and, being eligible, seek re-election.

Resolution 5: By Resolution 5, your Directors are seeking authority to allot share capital under section 80 of the Companies Act up to one third of the issued share capital of the Company as at 31 October 2008 (so as to include issues of shares in the capital of the Company since 31 December 2007), being in accordance with the guidelines issued by the Investment Protection Committees of the Association of British Insurers and the National Association of Pension Funds.

Resolution 6: By Resolution 6, your Directors are seeking the power to allot shares in the Company for cash free of pre-emption rights up to the same amount authorised for allotment under Resolution 5. Whilst this amount is in excess of the 5% guideline issued by the Investment Protection Committees of the Association of British Insurers and the National Association of Pension Funds, the Directors believe that at this stage of the Company's development a disapplication of pre-emption rights in respect of all the shares which the directors are authorised to allot is in the best interests of the Company.

Shareholder Information

Registrars

All enquiries relating to shares or shareholdings should be addressed to:

Computershare Investor Services Plc
The Registry
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone 0870 889 3216

www.Betexgroupplc.com and www.betexgroup.plc.uk

The Company's website provides, amongst other things, the latest news and details of the Company's activities and links to the websites of our brands. The investor relations section of www.Betexgroupplc.com contains up-to-date information including the Company's latest results and announcements.

Lost Share Certificate

If your share certificate is lost or stolen, you should immediately contact Computershare Investor Services on 0870 889 3216 who will advise on the process for arranging a replacement.

Duplicate shareholder accounts

If, as a shareholder, you receive more than one copy of a communication from the Company you may have your shares registered in at least two accounts. This happens when the registration details of separate transactions differ slightly. If you wish to consolidate such multiple accounts, please call Computershare Investor Services on 0870 889 3216.

ShareGift

ShareGift, is a charity share donation scheme. It is a free service for shareholders wishing to give shares to charitable causes. It may be useful for those who wish to dispose of a small parcel of shares which would cost more to sell than they are worth. There are no capital gains tax implications (i.e. no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information can be found at www.sharegift.org.

Contact us

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W1T 2NS

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Corporate Directory

Secretary

S Spector FCA

Registered Office

48 Charlotte Street
London
W1T 2NS

Company Number 05450662

Registrars

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PO Box 82, The Pavilions
Bridgwater Road
Bristol BS99 7NH

Auditors

PKF (UK) LLP
Chartered Accountants
Farringdon Place,
20 Farringdon Road
London
EC1M 3AP

Solicitors

SJ Berwin LLP
10 Queen Street Place
London
EC4R 1BE

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