Registered number
5450662

Betex Group plc

Report and Accounts

31 December 2010

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Chief executive's statement

2010 was not the year I expected it to be. As indicated in my statement at the time, I strongly believed we had every reason to be optimistic and the appointments of Strand Hanson and Alexander David Securities signalled the Board's intention to return the Company to AIM. However, despite our best efforts it was not to be and the £360,604 which had to be written off was further salt rubbed in shareholders' wounds.

Sadly we live in litigious times and I am therefore not able to speak freely or frankly of spineless Nomads or an Exchange whom collectively seem to have lost sight of the investors and businesses that give them life. In my opinion though, something needs to change. The costs associated with a potential listing are becoming indefensible, the roles and responsibilities of advisers are conveniently blurred to facilitate fence-sitting and buck-passing, and it is all too easy to walk away from a transaction at the final hour with the client left holding nothing but fee invoices.

The first six months of the year were not entirely wasted even though an onerous due-diligence process distracted senior management and took up considerable time. Disappointingly our co-management licence in Hebei expired in April and although we explored the possibility of renewing it this was ultimately unsuccessful. By virtue of our scratchcard contract which runs until 2013, the Province itself remains an important one for the Company and we have a regular and open dialogue with the Sports Lottery Management Centre to discuss new projects and potential partnerships there.

Although the scratchcard sales in Hebei increased in 2010 to RMB 17,717,969 (from RMB 11,736,812 in 2009), the operational costs and marketing spend were considerably higher – primarily reflecting a need to compete effectively with Welfare Lottery scratchcard promotions and higher sales agent commissions - and overall this had a negative impact on our net earnings which totalled RMB 8,191,621 (down from RMB 11,736,812 in 2009). In our other primary Province, Guizhou, there was a requirement to upgrade technology and replace old terminals. After protracted negotiations we agreed a re-investment out of our share of sales revenue and a contract extension until the end of 2014. These hurdles, although successfully overcome, nevertheless nearly doubled our administrative expenses in China and resulted in a substantial bottom line loss for the year.

I was delighted to sign our first Welfare Lottery contract in January 2010, and the roll-out of lottery point-of-sale kiosks in Nanjing duly commenced last year. However, as the 'imminent' launch of the high frequency lottery game there kept being put back, we limited the number of kiosks to ten, all sited within prime Suguo supermarket locations. Finally, some fifteen months behind schedule, the high frequency game started on June 18th 2011, and the daily sale figures have shown dramatic increases. It is too early to tell if these levels will be maintained, but if they are then we will have a very exciting and profitable retail model on which to build.

2010 also saw the Company enter two new Provinces with 'Jing Cai' Sports Lottery retail outlets in Tianjin and Jiangxi. This is essentially a positional strategy and supplements our small retail estate in Guangzhou (our three shops there are now also licenced to sell Jing Cai). Consequently we have only opened single outlets in each area, but we have the licence to open more if and when the new Jing Cai product proves to be successful. Again, it is a clear indication that Betex can expand in China, but in a sensible and controlled manner.

As described in my statement last year, the lottery market in China has matured and so the needs and requirements of the LMCs have changed, focussing more on new technology and new product development. In order to participate in this, we were delighted to acquire out of administration a suite of lottery software and online games which we believe, in time, we will be able to leverage to good effect in the PRC, subject as always to deregulation and/or authorisation. More importantly, with the acquisition came new and talented people with the technical skills and knowledge to help take us forward. This team is based in Calgary, Canada and operates under the brand Cloverhitch. In addition to developing new products tailored to the Chinese market, this new in-house capability allows us to also broaden our horizons and pitch for technology contracts elsewhere. Again, this overhead has contributed to the losses in 2010 but we feel it is a short-term cost which will reap considerable benefits in the future.

2010 saw a number of other positive developments to the business. Whilst we remain committed to the lottery sector, we recognise that the deregulation necessary to drive change and with it commercial opportunity, is slow and protracted – in short, it is outside of our control. We can not afford to sit and wait. Consequently, we have been exploring other ways in which we can leverage our knowledge, experience and relationships in China. For example, in the last quarter of the year, having become aware of imminent changes to the property tax regime in mainland China, we launched an overseas property marketing agency under a new brand, 5CP (Five Continents Property), to promote international property investment opportunities to the Chinese. To date we have tested the market and have proof of concept confirmed by a number of completed transactions (i.e. sales of UK properties to Chinese buyers) on which we have earned commission. We are now in the process of accelerating this from a start-up concept to a viable stand-alone commercial business.

5CP is an example of the type of diversification I am keen to consider – low cost entry point; minimal risk; and leveraging local knowledge to commercial benefit. I am genuinely excited by this new opportunity and a number of spin-off ideas that will be added to this simple proposition and are due to launch in early September.

In light of the fact the Group's overall activities have broadened we are considering a name change, retaining the Betex brand for our lottery business in China. As an interim step and to reflect our re-positioning away from pure-play lottery technology provider, we now describe the Group as "the holding company for a growing portfolio of exciting brands which operate across a number of sectors. With a primary focus on mainland China, the company invests in emerging technologies and new ideas in growth markets. Our success in taking start-up businesses to established brands is based upon strong management, operational control, and having the right people, in the right place, at the right time."

With this has come some short-term cost, but also a renewed optimism and strong belief that the true value of our foothold in one of the most exciting markets in the World will at some stage be realised to everyone's benefit. I am of course aware of the continuing frustration amongst shareholders – that my bullish proclamations about great potential, great people and a bright future do not equate to a tangible value or transparent share price – but it seems the legacy of 2007 is not an easy one to shake off. Whilst I continue to explore other exits, I remain unable to give a definitive timeline as to either a transaction or a change in the current corporate position. Although I am away in China for up to ten days a month and therefore may be slow to respond, I welcome any and all shareholders to email me if they have particular questions, concerns, or a pressing requirement to sell their shares, and I will do my best to help.

Lastly, the Board of Directors has received many enquiries from shareholders who are interested in selling their shareholding in Betex Group plc. Given there is little prospect of the Company being quoted in the near future, a matched bargain facility with JP Jenkins was created to provide shareholders the ability to trade their shares. However, very little activity was seen in this facility, and given the cost involved in its provision the Board took the decision that it should be discontinued.

However, the Board of Directors has decided to ask shareholders whether they wish to sell their shares in Betex. This is not a binding offer to buy any shares that Shareholders wish to sell; it is simply an enquiry to ascertain the level of interest there is in selling shares in Betex Group. The Board will collate responses and will use its reasonable endeavours to find purchasers for shares owned by shareholders who wish to sell.
If you are interested in selling your shares in Betex, could you please email (Jeremy Longley, Chief Executive at Jeremy.longley@betex.com or Graham Webster, Director and Company Secretary at graham.webster@betex.com).

I would like to end by welcoming those who joined the Group in the year – be they in Canada, China or the UK. I have enjoyed their company and contribution - and thanking Jack Sun and the team in China for all their efforts in 2010. I would also like to thank my fellow directors who have helped immeasurably throughout a difficult year.

Jeremy Longley
Chief Executive Officer

Comprehensive Business Review

Sports Lottery – Provincial Agreements

Guizhou

In June 2005, the Group entered into the Guizhou Sports Lottery Agreement with the Guizhou Lottery Management Centre. In return for investment by the Group in IT infrastructure, training and marketing of the Sports Lottery in Guizhou, the Group receives a minimum of 2 per cent. of the turnover generated. The Guizhou Sports Lottery Agreement was successfully extended during 2010 and currently has an expiry date of December 2014.

Our gross earnings from the province amounted to £966,392 (2009: £1,205,985).

Hebei

Hebei is the province that surrounds Beijing and is larger, more industrialised and relatively prosperous. Our gross earnings from the province amounted to £2,182,799 (2009: £2,641,171).

Our co-management contract expired in April 2010, having generated gross earnings of RMB5,116,694. Total sales of Scratch cards and Instant Lotteries were RMB 506 million (2009: RMB 334.3 million) and our earnings were £783,063 (2009: £1,097,906).

Sports Lottery – Retail Agreements

In the latter part of 2009, the Chinese authorities introduced a new Sports Lottery product called Jing Cai, a single-match football and basketball product that can be sold in appropriately licensed Sports Lottery stores.
The Group has signed the following agreements with two new provincial Lottery Management Centres:

- In March 2010, with the Jiangxi Sports Lottery Management Centre, giving Betex the right/option to open up to 30 Jing Cai outlets within two years.
- In April 2010, with the Tianjin Sports Lottery Management Centre, giving Betex the right/option to open up to 20 Jing Cai outlets within one year.

The Company has opened a flagship outlet in each of these provinces and will exercise its rights to open further outlets should this become commercially viable.

The Group also manages three retail Sports Lottery stores in Guangzhou, under licence from the Guangdong Sports Lottery Management Centre. The licence terms have been recently upgraded to include Jing Cai.

Nanjing Welfare Lottery Agreement

On 25 January 2010 the Group entered into an exclusive five year contract with the Nanjing Welfare Lottery Management Centre to launch and operate a new retail lottery concept across Nanjing, the capital of Jiangsu Province.

The new agreement allows the Group to promote and sell all Welfare Lottery products from kiosk-style point of sale outlets in high footfall locations including supermarkets. Products include traditional computerised lottery games, scratchcards and high-frequency draws. The Group has operated 10 Betex and Welfare Lottery co-branded kiosks since March 2010 and has the option of extending to 150 units subject to the success of the high frequency lottery launch (delayed to 18 June 2011).

Betex has also signed distribution agreements with a number of premier retail brand outlets in Nanjing, which will allow the Company to site kiosks within selected high-footfall stores throughout the licence period.

New Technology

During the year, the Company acquired the intellectual property rights to a suite of software and lottery games together with key development staff relating to these products. The technology team comprises six full time employees and is based in Calgary, Canada. It operates under the brand names Cloverhitch (www.cloverhitch.ca) and Betex Technologies (www.betex.ca). In addition to developing bespoke lottery products for mainland China, it is the intention to leverage their skills and these products in other jurisdictions. Furthermore, Cloverhitch supports the Group's IT requirements and manages new product development as and when required.

In 2010 the Group entered in to a joint venture agreement with WIN Systems, a developer of VLT software and hardware. Under the joint venture arrangement, the Company and WIN Systems will seek to develop VLT-related products and services for the Lottery Management Centres across China. WIN Systems currently develops VLT infrastructure software and hardware which it supplies to a number of lottery operators in Mexico and Italy.

Financial Review

Continuing Operations

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 decreased to £3.4 million from £3.83 million (mainly as a result of the termination of the Hebei co-management contract in April), generating a gross profit of £3.17 million compared with a gross profit of £3.58 million.

The administrative expenses of the business, net of exceptional items, increased to £3.8 million from £1.7 million in 2009. The increase is partly attributable to the additional costs with the marketing of scratchcards in the Hebei Province (£0.9 million) and the write off of withholding tax not considered recovereable of approximatley £0.3 million. Negotiations are ongoing in Hebei in respect of marketing and overheads going forward. It is not clear at this stage whether the marketing levels of 2010 will be necessary to maintain sales in the future. There were also additional administrative costs this year in respect of Guizhou Province with additional costs of £0.2 million incurred in respect of the maintenance and adminstration of the lottery contract. The current year administration costs also include £0.36 million of overhead and costs in respect of the new technology team in Calgary, Canada.

Employee related expenses increased from £1,162,589 to £1,357,426. During 2010 staff numbers increased slightly due to the employment of staff in Calgary, Canada.

Accommodation expenses have remainied stable at £186,863 compared to £187,081 in 2009. It is anticipated that this cost will rise slightly in 2011 as the Group expands its operations in China.

Legal and professional costs (excluding costs associated with the aborted IPO) decreased from £197,104 to £156,381. Overall it is anticipated that legal and professional costs will be broadly similar in 2011.

Depreciation and amortisation before exceptional items decreased from £1,572,168 to £1,365,238. The decrease in amortisation reflecting the completion of the original contract in Hebei. This charge will decrease further in 2011.

The Group's positive EBITDA in 2009 of £1,302,425 decreased to a loss of (£1,225,520) in 2010. The loss before taxation was £2,583,844 compared to £265,927 in 2009. This is largely attributable to costs described above relating to administrative expenses and those associated with an abortive IPO.

Cash Position

As at 31 December 2010 the Group had £2,738,342 (2009: £1,350,578) of cash and liquid resources on its balance sheet. Net Debt amounted to £Nil (2009: £Nil).

The Group has no capital investment commitments (2009: £Nil), and 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.

Cancellation of Share Premium Account

On 30 June 2010 the Company restructured its reserves by way of a cancellation of the Company's share premium account (£23,185,864) under Chapter 10 of Part 17 of the Companies Act 2006 so that:

- the accumulated deficit on the Company's profit and loss account was eliminated;
- to the extent that the amount of the cancellation exceeded the accumulated deficit on the Company's profit and loss account, and subject to any undertaking required by the High Court of Justice (the "Court") for the protection of the Company's creditors, distributable reserves were created; and
- at a suitable point in the future and subject to the recommendation of the Company's directors, the Company might declare dividends or seek to buy back shares in the Company.

The Group keeps up to date in respect of the work of the Accounting Standards Board and gives careful consideration to early application of the ASB's Financial Reporting Standards.

Key Performance Indicators

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.

Financial Indicators by Project

		GuiZhou	Hebei	Scratch Cards
Annual Return on Investment	2010	57.68%	12.79%	42.08%
	2009	*60.24%*	*39.73%*	*27.87%*
Overall Return on Investment to 31 December 2010		**38.46%**	**64.79%**	**3.06%**

Both the Annual Return and Overall Return percentages are based on the income received net of Chinese Sales Tax.

Non Financial Indicators by Project

		GuiZhou	Hebei	Scratch Cards
Ranking by Sales	2010	18	15	12
	2009	*21*	*10*	*16*

This is the provinces' ranking in the table of Sports Lottery sales and Sports Lottery Scratch Card and Instant Sales by all 31 provinces.

Number of Sales Terminals	2010	2,682	4,974	3,200
	2009	2,100	5,283	3,200

Trading Outlook

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

The Chinese lottery market continues to grow at over 20% per annum. In addition to the overall growth of the lottery market in China, the interim lottery regulations published in September 2010 have begun to clarify the legal position in respect of online and mobile lottery sales operations and these could conceivably give further impetus to the sector. However, although we are exploring these new licence opportunities, we anticpate this being a protracted and ongoing process during 2011.

In the first quarter of 2010 Hebei performed in line with the national average when one includes products specific to that province. The Hebei co-management contract reached the end of its licence period in April 2010 and was not renewed.

The Group continues to maintain tight internal management and operational controls. The Group Chief Financial Officer is permanently resident in China and his work, together with frequent trips by the Executive Directors, assist this process. PR sporting events were again held during 2010 for senior Government officials to continue strengthening our brand presence in the core market, and consolidated the Group's position as the premier Western Company in the China Lottery Sector.

We are in continuing negotiations with a number of new provinces regarding future Sports Lottery projects both on individual products and on provincial wide contracts. Our links established with the Central Sports Lottery Management Department means we are now considered to be one of the preferred western partners for future projects. However, change and deregulation continues to be implemented in a conservative manner by the Chinese authorities, thereby limiting the opportunity to expand aggressively or quickly.

The first half of 2011 has seen the Group embark on a diversification strategy leveraging its knowledge and experience within China. The Group is optimistic that 5CP, its property marketing brand, can be transformed from a start-up concept to a viable stand-alone commercial business over the course of the year.

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 all key Government departments, including the Ministry of Finance and both the National Sports Lottery Bureau and National Welfare Lottery Bureau.

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. However, at present it is anticipated that the peg between the US Dollar and the Renminbi will be maintained.

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 (46)
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.

Kaiyi (Jack) Sun (37)
Chief Financial Officer

Jack has over eight years of international finance experience and is a member of the Association of Chartered Certified Accountants (ACCA). He graduated with a business accounting degree from Oxford Brookes University and an MSc in international business from Birkbeck College, University of London. He is proficient in UK GAAP and experienced in rationalising international accounting operations and implementing modern performance measures across entire business operations. Previous positions include China Country Manager, Corporate Financial Director and Group Financial Accountant of OILSpace Inc.

Jack joined Betex Group in 2008 as China Country Manager and is based in our Beijing office.

Graham Webster (43)
Corporate Development Director

Graham Webster qualified as a Solicitor in 1995 with the international law firm Ashursts before moving in to corporate finance in 1998. He spent over 12 years working in corporate finance, predominantly advising companies trading on AIM. Graham joined Betex in April 2010, was appointed Company secretary on 6 May 2010 and was made a director on 1 September 2010.

John Blower (70)+
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 (71)+
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 to1994 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 (45)+
Non-Executive Director

Alexander von Franckenstein, brings a wealth of 17 years Corporate and Investment Banking experience to the Betex board, with appointments in London, Paris, Frankfurt and Zurich. He held various senior management positions with HypoVereinsbank, Swiss Bank Julius Bär AG and Bank Sal. Oppenheim jun. & Cie., lately as partner and CEO of BZ Berater Zentrum AG, an independent Swiss Asset Manager in Zürich. Alexander is currently involved and managing various venture capital and private equity projects. He started his studies in Oxford (PPE), followed by international economy and affairs in Paris. He is a fellow of Institut Superieur Europeen de Management, where he completed his postgraduate Diploma and MBA.

+ Member of Audit and Remuneration Committees

Corporate Goverance 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 a non-listed company Betex is not required to follow the provisions of the 2008 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 2010 comprised three Executive and three Non-Executive Directors. All of the non-executives hold shares 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 is chaired by David Cowham (who has relevant financial experience for this role), and its other members are John Blower and Alexander von Franckenstein who also acts as the Committee's Secretary.

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 (who also acts as the committee's secretary) and Alexander von Franckenstein.

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

Director - attended (possible)	Board	Audit	Remuneration
J J Longley	9 (9)		
S F Spector	2 (2)		
K Sun	6 (9)		
J W Blower	5 (9)	1 (1)	1 (1)
D F Cowham	5 (9)	1 (1)	1 (1)
N-A von Franckenstein	7 (9)	1 (1)	1 (1)
G J Webster	2 (2)		

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 2008 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 dependent 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.

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 2010 were as follows:

1. Directors' Emoluments

	Note	Salary/ Fees £000	Benefits £000	Total emoluments 2010 £000	Pension Contribution 2010 £000	Total emoluments 2009 £000	Pension Contribution 2009 £000
Executive Directors							
J J Longley	1	170	3	173	-	163	-
S F Spector	2	45	3	48	5	141	7
K Sun		108	1	109	-	104	-
G J Webster	3	40	-	40	-	-	-
Non-executive Directors							
J W Blower		20	-	20	-	20	-
D F Cowham		20	-	20	-	20	-
N-A von Franckenstein		20	-	20	-	20	-
TOTALS		**423**	**7**	**430**	**5**	**508**	**7**

1 Aggregate emoluments for J J Longley, as highest paid Director, amounted to £172,880 (2009:£162,786) excluding pension contributions.

2 S F Spector resigned as director on 20 May 2010.

3 G F Webster was appointed as director on 1 September 2010

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

Options

	Date of Grant	No. of Options issued up to 1 January 2010	No. of Options issued during 2010	Exercise Price	Earliest exercise date	Expiry of exercise period
Executive Directors						
J J Longley	27/12/2007	4,000,000		5p	27/12/2008	27/12/2018
	18/12/2008	1,000,000		2.5p	18/12/2009	18/12/2019
	21/02/2010		1,000,000	2.5p	21/02/2011	21/02/2021
K Sun	23/07/2008	1,500,000		5p	23/07/2009	23/07/2019
	18/12/2008	250,000		2.5p	18/12/2009	18/12/2019
	29/01/2009	500,000		2.5p	29/01/2010	29/01/2020
	31/12/2009	1,500,000		5p	31/12/2010	31/12/2020
Non-executive Directors						
J W Blower	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 von Franckenstein	N/A	N/A	N/A	N/A	N/A	N/A

1 All share options as at 31 December 2010 have been granted under the Betex Group plc Unapproved Share Option Scheme 2005 (as amended).

2 No options were exercised during the period.

3 K Sun received options in 2008 as a senior executive of the Company

Shares

	Notes	31 December 2010	31 December 2009
Executive Directors			
J J Longley		200,000	200,000
Non-executive Directors			
J W Blower	1	2,837,672	2,837,672
D F Cowham	2	7,571,619	7,571,619
N-A von Franckenstein		4,630,126	4,630,126

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.

Directors' Report

The directors present their report and accounts for the year ended 31 December 2010.

Incorporation
The Company is incorporated as a Public Limited Company in England and Wales, registered number 5450662 and its registered office is located at 44 Charlotte Street, London W1T 2NR.

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 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 2010 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 8.

Financial instrument risk
Information about the use of financial instruments by the company and its subsidiaries is given in note 30 to the accounts.

Dividends
The directors do not recommend the payment of a dividend. (2009: Nil per share).

Events since the balance sheet date
On 25 January 2011 the Group's Chinese operation signed an exclusive 5-year contract with Nanjing Welfare Lottery Management Centre to launch and operate a new retail lottery concept across Nanjing, the capital of Jiangsu Province.

Directors
The following persons served as directors during the year:

	Date resigned	Date of appointment
J J Longley - CEO		
S F Spector - CFO	20 May 2010	
K Sun - COO		
G J Webster		01 September 2010
J W Blower - Non Executive		
D F Cowham - Non Executive		
N-A von Franckenstein - Non Executive		

Details of the directors' service agreements, interests in the share capital of the company and share options are given in the Remuneration Report set out on pages 15 to 16. 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.

Political and charitable donations
During the period the group did not make charitable donations in excess of £2,000.

Substantial Shareholdings at 30 June 2011
(Excluding directors)

	Number of Ordinary Shares of 1p	% of issued Ordinary Shares of 1p
Clariden Leu Zurich	15,725,126	9.34%
Monte Dei Paschi	12,971,000	7.70%
N Wray & Family	11,423,124	6.78%
J Drummond	11,243,360	6.68%
Ethna Capital Partners	11,000,000	6.53%
Credit Suisse Securities (Europe) Limited	9,500,000	5.64%

After consultation with the Takeover Panel, the directors of the Company can confirm that the Takeover Code currently does not apply to the Company as the place of central management and control of the Company is currently outside the United Kingdom, the Channel Islands and the Isle of Man. Accordingly, the protections afforded by the Takeover Code are no longer available to holders of shares in the Company.

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 2010 the Company had trade creditors representing 45 days (2009: 27 days) of purchases. Group trade creditors represented 49 days (2009:37 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 30 to the accounts. It is not the policy of the Group to trade in or enter into speculative transactions.

Auditors
Each of the persons who is a director at the date of approval of these accounts confirms that:
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Wingrave Yeats Partnership LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the board on 15 August 2011 and signed on its behalf.

G Webster
Director and Secretary

Statement of Directors' Responsibilities

The directors are responsible for preparing the 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 (IFRSs) as adopted by the European Union. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report
to the shareholders of Betex Group plc

We have audited the financial statements of Betex Group plc for the year ended 31 December 2010 which comprise the consolidated income statement, the group and company balance sheets, the group and company statement of cash flows, the consolidated statement of other comprehensive income, the group and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on the accounts

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Martin Jones (Senior Statutory Auditor)
for and on behalf of Wingrave Yeats Partnership LLP
Accountants and Statutory Auditors
London

15 August 2011

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	Notes	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Continuing Operations			
Revenue	2	3,404,423	3,827,151
Cost of sales		(231,495)	(243,753)
Gross profit		3,172,928	3,583,398
Administrative expenses		(4,453,393)	(2,280,973)
- including exceptional items	3	(656,153)	(584,143)
Other operating income		54,945	-
EBITDA		**(1,225,520)**	**1,302,425**
Amortisation & depreciation	3	(1,365,238)	(1,572,168)
Operating loss	3	**(2,590,758)**	**(269,743)**
Investment income		6,914	4,168
Finance costs	7	-	(352)
Loss on continuing activities before taxation		**(2,583,844)**	**(265,927)**
Tax on loss on continuing activities	8	(26,030)	(310,423)
Loss on continuing activities after taxation		**(2,609,874)**	**(576,350)**
Discontinued Operations			
Profit from discontinued activities	9	-	188,873
Loss for the year		**(2,609,874)**	**(387,477)**
Attributable to:			
Equity holders of the company	23	(2,609,874)	(446,278)
Minority interest	24	-	58,801
Loss per share attributable to equity holders of company	10		
From continuing operations			
- Basic		(1.55) p	(0.38) p
- fully diluted		(1.55) p	(0.38) p
From discontinued operations			
- Basic		- p	0.11 p
- fully diluted		- p	0.11
From continuing and discontinued operations			
- Basic		(1.55) p	(0.27) p
- fully diluted		(1.55) p	(0.27) p

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Loss for the year	(2,609,874)	(387,477)
Net exchange differences on the retranslation of net investments	540,578	(776,804)
Total comprehensive income for the year	(2,069,296)	(1,164,281)
Attributable to:		
Equity holders of the parent	(2,069,296)	(1,223,082)
Minority interest	-	58,801

Consolidated statement of financial position
as at 31 December 2010

Company number :05450662

	Notes		2010		2009
		£	£	£	£
Assets					
Non-current assets					
Intangible assets	11		3,469,599		2,932,845
Property, plant and equipment	12		138,948		56,095
Investments	13		-		-
Other receivables	15		135,704		126,859
			3,744,251		3,115,799
Current assets					
Trade and other receivables	14	1,905,517		3,725,292	
Cash and cash equivalents		2,738,342		1,350,578	
			4,643,859		5,075,870
Total assets			8,388,110		8,191,669
Liabilities					
Current liabilities	16		(2,801,283)		(604,609)
Non-current liabilities					
Deferred taxation	18		(504,854)		(449,030)
Total liabilities			(3,306,137)		(1,053,639)
Net assets			5,081,973		7,138,030
Equity					
Capital and reserves attributable to equity holders of the company					
Ordinary shares	19		1,684,052		1,684,052
Share premium	21		-		23,185,864
Other reserve	22		559,681		559,681
Accumulated profits/(deficit)	23		2,838,240		(18,291,567)
Equity shareholders' funds			5,081,973		7,138,030
Minority interest	24		-		-
Total equity			5,081,973		7,138,030

J J Longley
Director
The accounts were approved and authorised for issue by the Board and were signed on its behalf on 15 August 2011.

Statement of financial position
as at 31 December 2010

Company number **:05450662**

	Notes		2010 £		2009 £
Non-current assets					
Intangible assets	11		233,451		313,239
Property, plant and equipment	12		3,081		3,269
Investments	13		3,531,776		3,532,079
Other receivables	15		1,093,704		1,363,678
			4,862,012		5,212,265
Current assets					
Trade and other receivables	14	20,941		39,682	
Cash and cash equivalents		73,154		193,543	
			94,095		233,225
Total assets			4,956,107		5,445,490
Liabilities					
Current liabilities	16		(438,363)		(112,664)
Total liabilities			(438,363)		(112,664)
Net assets			4,517,744		5,332,826
Equity					
Capital and reserves attributable to equity holders of the company					
Ordinary shares	19		1,684,052		1,684,052
Share premium	21		-		23,185,864
Accumulated profit/(deficit)	23		2,833,692		(19,537,090)
Total equity			4,517,744		5,332,826

J J Longley
Director
The accounts were approved and authorised for issue by the Board and were signed on its behalf on 15 August 2011.

Consolidated statement of changes in equity
for the year ended 31 December 2010

	2010 £	2009 £
Balance at 1 January	7,138,030	8,299,972
Loss for the financial year	(2,609,874)	(446,278)
Net exchange differences on the retranslation of net investments	540,578	(776,804)
Share based transaction charges	13,239	61,140
Balance at 31 December	5,081,973	7,138,030

Company statement of changes in equity
for the year ended 31 December 2010

	2010 £	2009 £
Balance at 1 January	5,332,826	8,959,554
Loss for the financial year	(828,321)	(3,687,868)
Share based transaction charges	13,239	61,140
Balance at 31 December	4,517,744	5,332,826

Consolidated statement of cash flows
for the year ended 31 December 2010

	Notes	2010 £	2009 £
CASH FLOW STATEMENT			
Net cash generated from operating activities	25	3,161,864	587,906
Net cash used in investing activities	25	(1,791,602)	(368,013)
Net increase in cash and cash equivalents in the year		1,370,262	219,893
Cash and cash equivalents at 1 January		1,350,578	1,130,685
Cash and cash equivalents at 31 December		2,720,840	1,350,578

Company statement of cash flows
for the year ended 31 December 2010

	Notes	2010 £	2009 £
CASH FLOW STATEMENT			
Net cash (used in)/generated from operating activities	25	(62,621)	22,676
Net cash (used in)/generated from investing activities	25	(57,768)	26,794
Net (decrease)/increase in cash and cash equivalents in the year		(120,389)	49,470
Cash and cash equivalents at 1 January		193,543	144,073
Cash and cash equivalents at 31 December		73,154	193,543

Notes to the consolidated financial statements
for the year ended 31 December 2010

1 Accounting policies

Basis of preparation

The consolidated financial statements of Betex Group plc (the "Company") and its sibsidiaries (together 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 2010 and the Companies Act 2006 applicable to companies reporting under IFRS. 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 interpretaions which have been issued by the IASB that have not been adopted will have a material impact on the accounts.

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.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings drawn up to the same year 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). Where necessary, adjustments are made to the accounts of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Income Statement.

Merger accounting

In the Group financial statements, 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 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.

Going concern

The Group has incurred trading losses. The Board has prepared financial forecasts to 31 December 2012 and considers it is reasonable to assume that 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 financial statements on the going concern basis, and they do not include any adjustments that would result if the Group was unable to continue as a going concern.

Accounting policies (continued)

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 and gross profit
People's Republic of 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.

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 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.

Impairment is measured by comparing the amortised cost to the fair value of the Investments and,if the latter is lower than the amortised cost, a provision is made. Fair value is determined by discounted cash flow analysis. Calculations have been based on the interest rate of bonds issued by the Chinese government at the commencement date ot the contract concerned tor a period equivalent to the life of that contract, using an estimate of income generated by the contract with little or no sales growth and net of Chinese business (sales) tax.

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

Accounting policies (continued)

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.

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.

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 financial statements of each of the Group's entities are measured using the currency of the country in which the entiy operates ('the functional currency'). The consolidated financil statements are presented in 'Pound Sterling' ("£"), which is the Company's functional and presentation currency.

Transactions and balances

In preparing the accounts of the individual companies, transactions in currencies other than the entity's functional currency (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 Pound 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 seperate 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 in the United Kingdom. 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.

Accounting policies (continued)

Financial Instruments
The Group's financial instruments comprise borrowings, some cash and cash equivalents, derivative financial instruments (forward exchange contracts) 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
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:**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. The Group's primary reporting format is by business segment. Currently it only has one business segment which operates in one geographical location. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed.

Continuing Operations

2010

Results	**Turnover**	**Gross profit**	**Profit/(Loss) before tax**
	£	**£**	**£**
Lottery (China)			
Lottery fees	3,401,730	3,170,235	
Other lottery income	2,693	2,693	
	3,404,423	3,172,928	(1,036,582)
Common Costs (UK)			(1,547,262)
	3,404,423	3,172,928	(2,583,844)

Assets and Liabilities	**Assets**	**Liabilities**	**Net Assets**
	£	**£**	**£**
Lottery (China)	8,247,487	(4,025,529) *	4,221,958
Common Costs (UK)	1,387,496 *	(527,481)	860,015
	9,634,983	(4,553,010)	5,081,973

* UK assets and China liabilities include inter-company loans totalling £905,175 between Betex Group plc and its Chinese subsidiaries.

2009

Results	**Turnover**	**Gross profit/(loss)**	**Profit/(Loss) before tax**
	£	**£**	**£**
Lottery/China			
Lottery fees	3,790,534	3,551,808	
Other lottery income	36,617	31,590	
	3,827,151	3,583,398	317,570
Common Costs (UK)			(583,497)
	3,827,151	3,583,398	(265,927)

Assets and Liabilities	**Assets**	**Liabilities**	**Net Assets**
	£	**£**	**£**
Lottery (China)	7,980,796	(2,983,297) *	4,997,499
Common Costs (UK)	2,281,756 *	(141,225)	2,140,531
	10,262,552	(3,124,522)	7,138,030

* UK assets and China liabilities include inter-company loans totalling £2,089,222 between Betex Group plc and its Chinese subsidiaries.

The Group's continuing operations are based in the People's Republic of China with the head office administration in the United Kingdom.
The Group 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**

	Note	**Continuing Operations 2010**	**2009**
This is stated after charging:		**£**	**£**
Exceptional items			
- Settlement with Joint venture partner in China on purchase of their minority interest		-	667,667
- Foreign currency hedge losses		117,068	-
- (Release) of provision for non recovery of related party debt	**29**	-	(211,012)
- Legal and other costs in relation to aborted AIM listing		360,604	-
- Legal costs in relation to contract negotiations		178,481	-
- Legal costs of recovery of related party debt		-	127,488
		656,153	584,143
Operating lease rentals - land buildings		185,049	185,107
Realised net exchange gains and losses		81,279	(36,420)
Share based transaction costs	**20**	13,239	61,140
Auditors' remuneration for audit services	**4**	76,279	73,914
Auditors' remuneration for other services	**4**	2,000	(6,500)
Depreciation, amortisation and impairment			
Amortisation of other intangible assets	**11**	1,309,763	1,516,397
Impairment of goodwill	**11**	19,458	-
Depreciation of property, plant and equipment	**12**	36,017	52,444
Loss on disposal of property, plant and equipment		-	3,327
		1,365,238	1,572,168

4 **Auditors' remuneration**

Continuing Operations	**2010** £	**2009** £
Fees receivable by the auditors and their associates in respect of:		
Audit of Group financial statements	23,000	29,500
Audit of subsidiaries pursuant to legislation	53,279	44,414
Taxation services - Current year	2,500	2,500
adjustment in respect of previous year	(500)	(9,000)
	78,779	67,414

5 **Directors' emoluments**

	2010 £	**2009** £
Emoluments	390,326	467,482
Company contributions to money purchase pension schemes	5,203	6,792
	395,529	474,274
Highest paid director:		
Emoluments	172,880	162,786
Company contributions to money purchase pension schemes	-	-
	172,880	162,786

Number of directors in company pension schemes:	**2010 Number**	**2009 Number**
Money purchase schemes	1	1

6 **Staff costs**

Group	**Continuing Operations 2010** £	**Continuing Operations 2009** £	**Discontinued Operations 2010** £	**Discontinued Operations 2009** £
Wages and salaries	628,810	563,236	-	-
Social security costs	82,463	81,062	-	(8,376)
Other pension costs	5,203	6,792	-	-
	716,476	651,090	-	(8,376)
Average number of employees during the year	**Number**	**Number**	**Number**	**Number**
UK				
Administration	2	3	-	-
Betting operations	-	-	-	-
China				
Administration	10	14	-	-
Technical	7	9	-	-
Lottery operations	13	9	-	-
Canada				
Administration	1	-	-	-
Technical	6	-	-	-
	39	35	-	-

Company	**Continuing Operations** £	£
Continuing Operations		
Wages and salaries	293,082	301,708
Social security costs	39,157	39,366
Other pension costs	5,203	6,792
	337,442	347,866
Average number of employees during the year	**Number**	**Number**
UK		
Administration	2	3

7 **Finance costs**

	Continuing Operations 2010 £	**2009** £
Bank loans and overdrafts	-	-
Other loans	-	352
	-	352

8 Taxation

	2010	2009
	£	£
Analysis of charge in period		
Chinese income tax		
Current year	1,651	1,727
Deferred tax:		
Origination and reversal of timing differences	24,379	240,170
Tax charge for year	26,030	241,897
Deferred tax assets no longer recognised	-	-
Effect of reduced tax rate on opening liability	-	68,526
	26,030	310,423

Factors affecting tax charge for period

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

	2010	2009
	£	£
Loss on continuing activities before tax	(2,583,844)	(265,927)
Profit on discontinued activities before tax	-	188,873
	(2,583,844)	(77,054)
Net rate of corporation tax in the UK and China	23.55%	24.55%
	£	£
Loss on ordinary activities multiplied by the standard rate of	(608,495)	(18,935)
Effects of:		
Expenses not deductible for tax purposes	72,236	(2,818)
Capital allowances for period less than/(in excess) of depreciation	(5,478)	1,294
Timing Diferences	(71,228)	(77,830)
Utilisation of tax losses	-	(6,664)
Loss carried forward for which no deferred tax assets recognised	638,995	346,850
	26,030	241,897
Deferred tax assets no longer recognised	-	68,526
Effect of reduced tax rate on opening liability	-	-
Current tax charge for period	26,030	310,423

Factors that may affect future tax charges

No asset has been recognised in respect of the tax losses available to carry forward of approximately £15.8 million (2009: £16.3 million), as it is not currently considered more likely than not that the potential deferred tax asset arising will be recoverable in the foreseeable future .

9	Discontinued Operations	2010	2009
		£	£
	Revenue	-	-
	Cost of sales	-	-
	Gross profit	-	-
	Administrative expenses	-	(260)
	- including exceptional items (See Note 3 above)	-	-
	Other operating income	-	8,377
	EBITDA	-	8,117
	Amortisation, Depreciation and loss on sales	-	180,756
	- including exceptional items (See Note 3 above)	-	181,258
	Operating profit	-	188,873
	Interest receivable	-	-
	Amounts written off investments	-	-
	Interest payable	-	-
	Profit on discontinued activities before taxation	-	188,873
	Tax on profit on discontinued activities	-	-
	Profit after tax on doscontinued activities	-	188,873

9 **Discontinued Operations (continued)**
Segmental information:

2010

Results	**Turnover**	**Gross win/(loss)**	**Gross profit/(loss)**	**Operating Profit/(Loss)**
	£	£	£	£
Lottery (China)				
Other trading income	-	-	-	-
	-	-	-	-

Assets and Liabilities	**Assets**	**Liabilities**
	£	£
Lottery (China)	-	-
	-	-

2009

Results	**Turnover**	**Gross win/(loss)**	**Gross profit/(loss)**	**Operating profit**
	£	£	£	£
Lottery (China)				
Other trading income	-	-	-	188,873
	-	-	-	188,873

Assets and Liabilities	**Assets**	**Liabilities**
	£	£
Lottery (China)	-	-

Closure of Beijing Copia Tele-Link Technology Co. Ltd.
As previously reported this subsidiary was liquidated in 2009. The income shown represents overprovisons made in previous years for costs on closure.

10	Loss per share	2010	2009
		£	£
	Continuing Operations		
	Based on the retained loss for the period of	(2,609,874)	(635,151)
	Discontinued Operations		
	Based on the retained loss for the period of	-	188,873
	Continuing and discontinued operations		
	Based on the retained loss for the year of	(2,609,874)	(446,278)
	Weighted average number of shares:	**Number**	**Number**
	For basic loss per share	168,405,284	168,405,283
	Share warrants and Options	10,230,940	11,688,178
	For diluted loss per share	178,636,224	180,093,461

The loss per share is stated on the face of the consolidated statement of comprehensive income.

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 Intangible fixed assets

Group

	Goodwill	Other	Total
2010	£	£	£
Cost			
At 1 January 2010	1,160,441	10,245,490	11,405,931
Currency translation adjustment	79,003	628,621	707,624
Additions	-	1,683,330	1,683,330
At 31 December 2010	1,239,444	12,557,441	13,796,885
Accumulated amortisation and impairment loss			
At 1 January 2010	1,141,996	7,331,090	8,473,086
Currency translation adjustment	77,717	447,262	524,979
Impairment/amortisation provided during the year	19,458	1,309,763	1,329,221
At 31 December 2010	1,239,171	9,088,115	10,327,286
Net book value			
At 31 December 2010	273	3,469,326	3,469,599

Goodwill

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.

Other

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 as at 31 December 2010	% of Lottery Sales Receivable	Remaining Contract Life
	£	%	Months
GuiZhou	1,566,038	2.00	48*
Hebei - Instant lottery and Scratch Cards	1,842,029	3.50	33
	3,408,067		

*The GuiZhou contract guaranteed a total return of 300% on the Group's investment by September 2009. If this was not achieved then the contract was to be automatically extended until this return had been achieved. In June 2010 the Group renegotiated the contract extending its life until December 2014 in return for abandoning the guaranteed return.

The group have also acquired a software licence agreement for the provision of maintenance services to an online gaming website. As at 31 December 2010 this had an amortised cost of £61,532. As at the balance sheet date there was a further period of 21 months to run on this contract.

2009	Goodwill £	Other £	Total £
Cost			
At 1 January 2009	1,261,178	12,201,732	13,462,910
Currency translation adjustments	(119,182)	(1,059,854)	(1,179,036)
Additions	18,445	-	18,445
Disposal and rebates	-	(896,388)	(896,388)
At 31 December 2009	1,160,441	10,245,490	11,405,931
Accumulated amortisation and impairment loss			
At 1 January 2009	1,261,178	7,392,485	8,653,663
Currency translation adjustment	(119,182)	(681,404)	(800,586)
Impairment/amortisation provided during the year	-	1,516,397	1,516,397
Amortisation on disposal	-	(896,388)	(896,388)
At 31 December 2009	1,141,996	7,331,090	8,473,086
Net book value			
At 31 December 2009	18,445	2,914,400	2,932,845

Company

	Other 2010 £	Other 2009 £
Cost		
At 1 January	1,229,460	1,229,460
Addition	26,044	-
At 31 December	1,255,504	1,229,460
Accumulated amortisation and impairment loss		
At 1 January	916,221	788,548
Amortisation provided during the year	105,832	127,673
At 31 December	1,022,053	916,221
Net book value		
At 31 December	233,451	313,239

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

12 Property Plant and equipment

Group

2010	Short leasehold land and buildings £	Computer software and web site development £	Plant and equipment £	Total £
Cost				
At 1 January 2010	77,816	54,511	88,819	221,146
Translation differences	5,426	1,895	5,284	12,605
Additions	7,215	811	107,161	115,187
At 31 December 2010	90,457	57,217	201,264	348,938
Depreciation and impairment				
At 1 January 2010	46,526	54,203	64,322	165,051
Translation differences	3,245	1,895	3,782	8,922
Charge for the year	21,146	166	14,705	36,017
At 31 December 2010	70,917	56,264	82,809	209,990
Net book value				
At 31 December 2010	19,540	953	118,455	138,948

Capital Expenditure, shown above as additions, in China was £113,162 and in the UK was £2,025

2009	Short leasehold land and buildings £	Computer software and web site development £	Plant and equipment £	Total £
Cost				
At 1 January 2009	66,658	62,586	155,454	284,698
Translation differences	(6,439)	(2,907)	(9,429)	(18,775)
Additions	17,597	382	26,956	44,935
Disposals	-	(5,550)	(84,162)	(89,712)
At 31 December 2009	77,816	54,511	88,819	221,146
Depreciation and impairment				
At 1 January 2009	29,760	56,598	110,557	196,915
Translation differences	(3,138)	(2,988)	(6,345)	(12,471)
Charge for the year	19,904	6,143	26,397	52,444
On disposals	-	(5,550)	(66,287)	(71,837)
At 31 December 2009	46,526	54,203	64,322	165,051
Net book value				
At 31 December 2009	31,290	308	24,497	56,095

Capital Expenditure, shown above as additions, in China was £36,177 and in the UK was £8,758.

Company

2010	Short leasehold land and buildings £	Computer software and web site development £	Plant and equipment £	Total £
Cost				
At 1 January 2010	-	27,327	13,036	40,363
Additions	-	-	2,025	2,025
At 31 December 2010	-	27,327	15,061	42,388
Depreciation				
At 1 January 2010	-	27,019	10,075	37,094
Charge for the year	-	127	2,086	2,213
At 31 December 2010	-	27,146	12,161	39,307
Net book value				
At 31 December 2010	-	181	2,900	3,081

2009	Short leasehold land and buildings £	Computer software and web site development £	Plant and equipment £	Total £
Cost				
At 1 January 2009	-	26,945	5,671	32,616
Additions		382	8,376	8,758
Disposals	-	-	(1,011)	(1,011)
At 31 December 2009	-	27,327	13,036	40,363
Depreciation				
At 1 January 2009	-	20,957	3,063	24,020
Charge for the year	-	6,062	7,025	13,087
On disposals	-	-	(13)	(13)
At 31 December 2009	-	27,019	10,075	37,094
Net book value				
At 31 December 2009	-	308	2,961	3,269

13 Investments

Group

	2010 Other investments	2009 Other investments
Cost	£	£
At 1 January	-	49,148
Currency translation adjustment	-	(4,747)
Disposal	-	(44,401)
At 31 December	-	-
Amortisation and impairment		
At 1 January	-	49,148
Currency translation adjustment	-	(4,747)
Disposal	-	(44,401)
At 31 December	-	-
Net book value		
At 31 December	-	-

Company	2010 Investments in subsidiary undertakings	2009 Investments in subsidiary undertakings
Cost	£	£
At 1 January	7,715,627	7,715,627
Additions	31,776	-
At 31 December	7,747,403	7,715,627
Provisions		
At 1 January	4,183,548	457,966
Provision charged	32,079	3,725,582
Disposal	-	-
At 31 December	4,215,627	4,183,548
Net book value		
At 31 December	3,531,776	3,532,079

Additions represent capital acquired in the new subsidiary company Equinox Limited, a company registered at the Ras Al Khaimah Free Trade Zone in Dubai.

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
Beijing GaoBao Sports Management Co. Limited	People's Republic of China	100%	Lottery management
Beijing Betex Business Management Co. Limited	People's Republic of China	100%	Management services
Betex (Guangzhou) Management & Consultancy Co Limited	People's Republic of China	100%	Lottery retail management
Equinox Limited	Dubai	100%	Management services
Subsidiaries held by Betex Management Ltd.			
Betex Limited	England and Wales	100%	Dormant
Betex (VIP) Limited	England and Wales	100%	Dormant - proposal to strike off
Subsidiaries held by Beijing GaoBao Sports Management Co. Ltd.			
GuiZhou GaoBao Sports Technology Co Limited	People's Republic of China	100%	Lottery management
Beijing GaoBao Marketing & Planning Co. Limited	People's Republic of China	100%	Lottery management
Subsidiaries held by Beijing GaoBao Marketing & Planning Co. Ltd			
Beijing JiXinYa Technology Development Co. Limited	People's Republic of China	100%	Lottery marketing
Guang Zhou Yin Guang Corporation Management Consulting Co. Limited	People's Republic of China	100%	Lottery marketing
Nanjiing Gaobao Marketing Planning Company Limited	People's Republic of China	100%	Lottery marketing
Subsidiaries held by Beijing Betex Business Management Co. Ltd.			
Beijing Betex Marketing & Planning Co. Limited	People's Republic of China	100%	Lottery marketing
Subsidiaries held by Betex (Guangzhou) Management & Consultancy Co Ltd			
Guangdong Le Ke Casual Lottery Bars Co. Limited	People's Republic of China	100%	Retail lottery sales

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

Nanjiing Gaobao Marketing Planning Company was incorporated during the year in order to run a new retail lottery contract across Nanjing.

14 Current trade and other receivables

	2010	2009
	£	£
Group		
Trade receivables	1,722,162	2,456,896
Other receivables	79,959	1,229,794
Prepayments and accrued income	103,396	38,602
	1,905,517	3,725,292

	2010	2009
	£	£
Company		
Trade receivables	30	-
Other receivables	7,641	19,821
Prepayments and accrued income	13,270	19,861
	20,941	39,682

15 Non-current other receivables

	2010	2009
	£	£
Group		
Other receivables	135,704	126,859

This is a loan by a Chinese subsidiary of RMB1.4 million,

Company		
Receivables from related parties (see Note 29 below)	1,093,704	1,363,678

16 Current Liabilities

	2010	2009
	£	£
Group		
Trade payables	56,003	37,902
Chinese Income tax	-	1,673
Social security and other taxes	624,651	411,744
Other payables	2,090,399	76,878
Forward exchnage contract liability	-	5,371
Accruals and deferred income	30,230	71,041
	2,801,283	604,609

	2010	2009
	£	£
Company		
Trade payables	45,989	30,665
Amounts payable to group undertakings	344,238	-
Social security and other taxes	21,143	41,999
Forward exchnage contract liability	-	5,371
Accruals and deferred income	26,993	34,629
	438,363	112,664

17 Non-Current liabilities

	2010	2009
	£	£
Group		
Deferred taxation (see Note 18 below)	504,854	449,030

18 Deferred taxation

	2010	2009
	£	£
Group		
Provision		
Deferred capital allowances	1,849,810	(583,932)
Other timing differences	71,783	2,460,162
Tax losses carried forward	(27,404)	-
Currency translation adjustment	125,228	200
Total reversable timing differences	2,019,417	1,876,430
Deferred tax provision @ 25% (2009 - 24%)	504,854	449,030

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

Potential deferred tax asset		
Deferred capital allowances	1,428,846	1,428,846
Other timing differences	9,696,837	9,696,837
Tax losses carried forward	15,760,875	16,349,924
Currency translation adjustment	(70,743)	(70,743)
Total gross timing differences	26,815,815	27,404,864
Potential deferred tax asset @ 24.12% (2009 - 24.12%)	6,315,741	6,728,196

19 **Ordinary shares**

	2010 No	2009 No	2010 £	2009 £
Allotted, called up and fully paid:				
Ordinary shares of 1p each	168,405,284	168,405,284	1,684,052	1,684,052

Warrants issued

Warrants were issued giving rights to subscribe for ordinary shares of the Company none are now outstanding.

20 **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 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:

	2010		2009	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding				
At 1 January	13,000,000	5.65	11,000,000	5.89
Granted during the year	1,000,000	2.50	2,000,000	4.38
Forfeited during the year	(4,750,000)	5.65	-	-
Lapsed during the year	-	-	-	-
At 31 December	9,250,000	5.31	13,000,000	5.65
Exercisable				
At 31 December	8,250,000	6.32	9,250,000	6.32

All the options outstanding at 31 December 2010 are to executive directors.

On 21 February 2010 the Company allotted 1,000,000 options to an executive directors at an exercise price of 2.5p subject to a time elapsed option period. The estimated fair value of the options granted on that date is £2,800.

21 **Share premium**

	2010 £	2009 £
Group		
At 1 January	23,185,864	23,185,864
Share premium cancelled in the financial year	(23,185,864)	-
Expenses of issue	-	-
At 31 December	-	23,185,864

Cancellation of Share Premium Account

On 30 June 2010 the Company restructured its reserves by way of a cancellation of the Company's share premium account (£23,185,864) under Chapter 10 of Part 17 of the Companies Act 2006 so that:

- the accumulated deficit on the Company's profit and loss account was eliminated;
- to the extent that the amount of the cancellation exceeded the accumulated deficit on the Company's profit and loss account, and subject to any undertaking required by the High Court of Justice (the "Court") for the protection of the Company's creditors, distributable reserves were created; and
- at a suitable point in the future and subject to the recommendation of the Company's directors, the Company might declare dividends or seek to buy back shares in the Company.

	2010 £	2009 £
Company		
At 1 January	23,185,864	23,185,864
Shares issued	-	-
Share premium cancelled in the financial year	(23,185,864)	-
At 31 December	-	23,185,864

22 **Other reserve**

	2010 £	2009 £
Group		
Net Share Premium in subsidiary		
At 1 January and		
At 31 December	559,681	559,681

23	Accumulated surplus/(deficit)	2010	2009
		£	£
	Group		
	At 1 January	(18,291,567)	(17,129,628)
	Loss for the financial year	(2,609,874)	(446,278)
	Share based payments	13,239	61,140
	Net exchange differences on the retranslation of net investments	540,578	(776,801)
	Share premium cancelled in the financial year	23,185,864	-
	At 31 December	2,838,240	(18,291,567)
		2010	**2009**
		£	£
	Company		
	At 1 January	(19,537,089)	(15,910,362)
	Loss for the financial year	(828,322)	(3,687,871)
	Share based payments	13,239	61,140
	Share premium cancelled in the financial year	23,185,864	-
	At 31 December	2,833,692	(19,537,093)

24	Minority interest	2010	2009
		£	£
	Group		
	At 1 January	-	286,320
	Share of profits in Chinese subsidiaries	-	58,801
	Share of net exchange differences on the retranslation of net assets	-	(345,121)
	Net interests purchased by group	-	-
	At 31 December	-	-

On 11 June 2009 the Group purchased the minority shareholders' shares held in GuiZhou GaoBao Sports Technology Co. Ltd., and Beijing JiXinYa Technology Development Co. Ltd. for a total of RMB 360,000

25	Gross cash flows	2010	2009
		£	£
	Group		
	Operating activities		
	Continuing operations		
	Operating loss	(2,590,758)	(269,743)
	Depreciation and impairment charges	36,017	52,444
	Amortisation and impairment of intangible fixed assets	1,329,221	1,516,397
	Share-based transaction costs	13,239	61,140
	Currency translation adjustments	357,696	(241,938)
		(854,585)	1,118,300
	Discontinued operations		
	Operating profit	-	187,873
	Depreciation and impairment charges	-	502
	Impairment of investment	-	(180,258)
		-	8,117
	Movements in Working Capital		
	Decrease in debtors	1,819,776	419
	Increase/(decrease) in creditors	2,198,346	(538,578)
		4,018,122	(538,159)
	Net Cash used in trading activities	3,163,537	588,258
	Interest paid	-	(352)
	Interest element of deferred purchase consideration	-	-
	Taxation	(1,673)	-
	Net Cash generated from operating activities	3,161,864	587,906
	Investing activities		
	Interest received	6,914	4,168
	Purchases of intangible investments	(1,683,330)	-
	Purchases of property, plant and equipment	(115,186)	(44,935)
	Proceeds on disposal of property, plant and equipment	-	17,875
	Increase in non-current other receivables	-	-
	Acquisition of minority interests in subsidiaries	-	(345,121)
		(1,791,602)	(368,013)
	Management of liquid resources		
	Movement in longer term deposits	-	-
	Net Cash used in investing activities	(1,791,602)	(368,013)

Company	**2010**	**2009**
	£	**£**
Operating activities		
Continuing operations		
Operating loss	(830,400)	(3,722,072)
Depreciation and impairment charges	2,213	13,087
Amortisation and impairment of intangible fixed assets	105,832	127,673
Amortisation and impairment of investments	32,079	3,725,582
Share-based transaction costs	13,239	61,140
Currency translation adjustments	-	-
	(677,037)	205,410
Movements in Working Capital		
(Increase)/decrease in receivables	288,717	(112,963)
Decrease in payables	325,699	(69,419)
	614,416	(182,382)
Net Cash used in trading activities	(62,621)	23,028
Interest paid	-	(352)
Net Cash used in operating activities	(62,621)	22,676

25 **Gross cash flows (Continued)**
Company (Continued)

Investing activities		
Interest received	2,077	34,555
Purchases of intangible assets	(26,044)	
Purchases of property, plant and equipment	(2,025)	(8,758)
Proceeds on disposal of property, plant and equipment	-	997
Acquisition of subsidiaries shares	(31,776)	-
Proceeds of disposal of Subsidiary	-	-
	(57,768)	26,794
Management of liquid resources		
Movement in longer term deposits	-	-
Movement in 7 Day deposit account balance	-	-
Net Cash used in investing activities	(57,768)	26,794

26 **Subsequent events**

On 25 January 2011 the Group's Chinese operation signed an exclusive 5-year contract with Nanjing Welfare Lottery Management Centre to launch and operate a new retail lottery concept across Nanjing, the capital of Jiangsu Province.

27 **Capital commitments**

There were no amounts contracted for but not provided in the accounts (2009: Nil).

28 **Other financial commitments**
At the year end the minimum lease payments under non-cancellable operating leases were as set out below:

Group

	Land and buildings		**Other**	
	2010	**2009**	**2010**	**2009**
	£	£	£	£
Operating leases which expire:				
within one year	228,395	115,701	108,180	96,377
between one and five years	180,036	72,683	67,945	98,774
	408,431	188,384	176,125	195,151

The Company does not have any financial commitments under operating leases.

29 **Related parties**

Directors

	Expenses re-imbursed
	£
J J Longley	6,507
S F Spector	-
G J Webster	137
A von Franckenstein	7,507
D F Cowham	-
J W Blower	-

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

On 21 February 2010 J J Longley was awarded 1,000,000 share options exercisable at 2.5p which vest after a time elapsed period subject to continuing employment with the company .

Betex Group plc

	2010	2009
	£	£
Management Charges to Chinese subsidiaries	827,962	754,176
Interest Charges to Chinese subsidiaries	1,990	33,430
Net funding provided to subsidiary companies	(492,331)	196,991
Provision against non-recovery	(279,183)	(6,096)
Outstanding Balances at 31 December	**7,920,499**	**8,469,956**
Provision against non-recovery at 31 December	**(6,826,795)**	**(7,105,978)**

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.

30 **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 does not have any external borrowings at the balance sheet date in either the UK or China. The Group has no other assets or liabilities that are subject to interest rate fluctuations.

Credit Risk
Lottery fee income is payable by the relevant provincial Sports Lottery Management Centres, these are provincial government departments of The Peoples' Republic of China and once the amounts payable have been agreed there is no risk of non-payment. Income from retail lottery sales is immediate cash.

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

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 income statement.

Management charges to Chinese subsidiaries are received in US Dollars. In order to reduce the Company's exposure to fluctuations in the exchange rate with Sterling the Company has entered into a forward exchange contract as a hedge against this fluctuation.

Financial assets
Bank deposits and balances

The interest rate profile of the Group's financial assets at 31 December 2010 was:

Currency	Total	Fixed rate financial assets	Financial assets on which interest is paid at a variable rate
	£	£	£
Sterling	73,154	-	73,154
Canadian Dollars	17,330	-	17,330
US Dollars	6,448	-	6,448
Chinese Renminbi (RMB)	2,641,409	-	2,641,409
Hong Kong Dollars	1	-	1
Total	2,738,342	-	2,738,342

Financial liabilities

The Group had no financial liabilities at 31 December 2010 (2009: £5,371)

Currency exposures
As at 31 December 2010 the Group's 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 £40,000 in the Group net assets and no impact on reported earnings.

Financial assets and liabilities heirarchy
The Group is required to provide an analysis of financial instruments at 31 December 2010 that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

● Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

● Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

● Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Bank deposits and balances of £2,738,342 (2009: £1,350,578) have been categorised as Level 1 as described above while the forward currency contracts of £nil (2009 : £5,371) have been categorised as Level 2.

31 Recent accounting Pronouncements

a.New interpretations and revisions to existing standards effective for the year ended 31 December 2010.

The Group adopted all interpretations and revisions to existing standards effective for the year ended 31 December 2010. The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRC) have issued revisions to a number of existing standards and new interpretations with an effective date of implementation of periods beginning 1 January 2010. A number of standards have also been revised as a result of the 2007 IASB Improvements project.

The following revisions to existing standards had an impact on the consolidated financial statements during the period.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)
The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.
Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)
The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset.
Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010) The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010) The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008)

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRIC 17 Distributions of Non-cash Assets to Owners The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders
IFRIC 18 Transfers of Assets from Customers

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.

Improvements to IFRSs issued in 2009 Except for the amendments to IFRS 5, IAS 1 and IAS 7 described above, the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters1
Amendments to IFRS 7 Disclosures – Transfers of Financial Assets2
IFRS 9 (as amended in 2010) Financial Instruments3
IAS 24 (revised in 2009) Related Party Disclosures4
Amendments to IAS 32 Classification of Rights Issues5
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement4
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments1

Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3(2008), IFRS 7, IAS 1 and IAS 28.

1 Effective for annual periods beginning on or after 1 July 2010.
2 Effective for annual periods beginning on or after 1 July 2011.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 February 2010.
6 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.