

32Red Plc



Interim Results for the six months ended 30 June 2007

Sale of Betdirect brand for £5.75m

32Red Plc (“the Company”)

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32Red Plc, the award-winning online casino, poker and sportsbetting operator, today reports interim results for the half year ended 30 June 2007 and announces that it has exchanged contracts to unconditionally sell the Betdirect brand, Betdirect customer database and certain assets of the Betdirect business to Stan James (Gibraltar) Ltd for a total consideration of £5.75m.

£5.75m Sale of Betdirect to Stan James (Gibraltar) Ltd

- Following the successful launch of the 32Red sportsbook in April 2007, the Company currently operates casino, poker and sportsbetting products under both the 32Red and the Betdirect brand
- Further to a strategic review of both brands and a review of potential business development opportunities for the Company, 32Red has accepted an offer of £5.75m from Stan James (Gibraltar) Ltd for the Intellectual Property and certain assets of the Betdirect business
- 32Red will continue to offer an integrated online sportsbetting product to its customers. Discussions are underway in connection with a white label online sportsbetting service arrangement with Stan James.
- Proceeds from the sale will be used to continue to expand the 32Red brand profile through casino, poker, and sportsbetting products, to support activities in the UK and to invest in new opportunities in other territories. The proceeds will also be used to reduce debt levels now that the Company is cash generative.
- Consideration paid as follows: £575,000 deposit on exchange of contracts today; £4,675,000 on completion, which is unconditional and is scheduled for 10 December 2007; and a further £500,000 after a 6 month period.
- Stan James has over 30 years experience in the betting and gaming sector and operate online, telephone and mobile betting services.

Interim results for 6 months ended 30 June 2007 - Key financials*:

- Total revenues up 47.2% on H1 2006 to £9.2 million
- Casino revenues of £4.6m, a like for like increase of 1.7% on H1 2006
- Poker revenues decreased by 3.8% like for like, against H1 2006 to £0.6 million
- Betdirect Gross Win totalled £4.0m, an increase of 27.1% on the £3.1m derived from the 6 months ended 31 December 2006
- 32Red Casino and Poker PBT of £0.646m (2006: £0.791m)
- Group EBITDA of (£0.92m) including Bet Direct EBITDA of (£1.77m) and EBITDA from 32Red casino and poker operations of £0.85m
- Casino and Poker trading since 30 June has been positive and July and August Gross win are up 21.4%, like for like, on 2006.

* 2006 H1 comparatives exclude any revenues derived from US customers in the period (circa 8%)

Key Performance Indicators:

- Active customers grew to 75,911 (H1 2006: 44,539)
 - Casino active players 10,818, up 13.2% on 2006
 - Poker active players 10,662, up 7.3% on 2006
 - Bet Direct active customers 54,431, up 18.0% on 6 months ended 31 Dec 2006
- New customers grew to 31,329 (H1 2006: 16,157)
 - New Casino players 7,291, up 15.0% on 2006
 - New Poker players 6,850, down 0.9% on 2006
 - New Bet Direct players 17,188
- Player yield
 - Casino player yield £426, down 18.7% on 2006 as expected with customer growth
 - Poker player yield £57, down 12.3% on 2006 as expected with customer growth
 - Bet Direct customer yield £73
- Cost per Acquisition (inclusive of affiliate costs)
 - Casino & poker cost per acquisition £82 (2006: £93)
 - Casino cost per acquisition £155 (2006: £160)
 - Poker cost per acquisition £4 (2006: £31)

Ed Ware, CEO commented: ***"The sale of the Betdirect brand allows us to channel our marketing and management focus on the core 32Red brand, which continues to offer the full complement of casino, poker and sportsbetting products to its customers. 32Red will also add mobile telephone gaming services and an integrated Bingo offering to its product range in the final quarter of 2007. Whilst the recent UK legislative changes effective from 1 September 2007 allow greater access to the UK market, we have identified a number of new territories into which we intend to market the 32Red brand. Our Key Performance Indicators demonstrate encouraging trends in the underlying business and we are confident that, following the divestment of Betdirect, we can continue to deliver shareholder value."***

30 October 2007

Enquiries:

32Red Plc

Ed Ware, CEO

Jon Hale, Finance Director

Numis Securities

Lee Aston

Chris Wilkinson

College Hill Associates

Matthew Smallwood

Tel: 00 35 049 396

Tel: 020 7457 2020

Performance Summary

Despite increasing competition in our main UK market, 32Red casino performance has grown over 2006 and allied to encouraging trends in active player numbers and new player recruitment, the mainstay of the Group continues to increase revenues. Yield per player is solid at £426 but down on 2006 and whilst some comfort can be drawn from lower acquisition costs for casino players, this remains an area of focus for the Company. Our continued good growth in player recruitment has depressed the yield per player number. Despite the competition in the UK, 32Red acquired a total of 7,291 new real money casino players in the first half of 2007.

Following excellent growth in 2006, poker growth, as seen in many parts of the industry, has slowed. This particularly applies to UK-focused poker rooms where increased competition from hitherto US-facing operators, now focusing away from US, has increased in our home market. These market forces have resulted in a small decline in poker revenues and new player recruitment over the corresponding period in 2006. 32Red continues to provide an excellent service to its poker players and active players have grown by over 7%, representing over 10,000 poker players in the period.

The launch of the new Betdirect online sportsbook in March this year preceded excellent growth through this channel. Telephone betting operations have continued to be optimised and the entire business relocated to Gibraltar at the end of the first half, albeit several weeks behind schedule. Whilst the sale of the Betdirect business enables the Group to re-focus and re-invest in the 32Red brand, online sportsbetting remains an important part of future development and will continue to form part of the 32red product range.

Strategy

United Kingdom

32Red continues to provide the full suite of betting and gaming products which offer the Group the platform to continue to develop its UK market presence. The addition of Bingo and a mobile casino product will further support our strategy. Brand recognition continues to be pleasing and opportunities to further increase the profile of 32Red on a cost-effective basis will be maximised. In the UK, where advertising opportunities have expanded considerably since 1st September and the implementation of the Gambling Act, we will be looking to support existing activities which include the sponsorship of Aston Villa. The divestment of the Betdirect brand allows the Company to focus marketing on the single, resonant and core 32Red brand.

New Territories

The sale of Betdirect will allow the Company to explore investment opportunities in new territories. The Board believes that the 32Red brand identity and its values has the potential to establish a stronger presence in territories outside of the United Kingdom and a number of prospective propositions both in Europe and market-specific activities in the Far East are being investigated. We look forward to providing further updates on these opportunities in due course.

Outlook

The passion for delivering excellent service continues to be our focus in driving performance across all of our platforms, along with investing in our brand profile in the UK through value for money marketing deals and activity. Whilst developments away from our main market are at preliminary stages, the Group believes it has now enhanced its agility and is able to grasp opportunities to expand its international reach. The addition of a new channel for the 32Red Casino on mobile devices and the launch of an integrated 32Red Bingo product, in the final Quarter of 2007, will further support cross-selling of services, improve customer loyalty and longevity, as well as provide new revenue streams.

Trading Update

32Red Gaming revenues continue to perform strongly with like for like revenues in Q3 2007 total £2.6m (up 11.8% on 2006), generated from 16,341 active players in the quarter (up 16.9% on Q3 2006). Combined casino and poker yield was £160 per active player during the quarter (£167 in Q3 2006).

Summary

The sale of the Betdirect business sees a re-focusing of the Company's efforts to accelerate the growth of the 32Red business and immediately returns the Company to a cash generative position. The re-shaped business now has the ability and flexibility to expand the 32Red brand moving into new gaming related products and territories whilst underpinning activities with the continued delivery of excellent service to our customers.

**Consolidated Income Statement
for the six months ended 30 June 2007**

	Discontinued Operations		Discontinued Operations	
	Six months ended 30-Jun 2007 Unaudited £	Six months ended 30-Jun 2007 Unaudited £	Six months ended 30-Jun 2006 Unaudited £	Six months ended 30-Jun 2006 Unaudited £
Net gaming wins	3,973,669	5,218,118	559,230	5,652,567
Cost of sales	(2,603,683)	(3,707,600)	(327,580)	(3,851,416)
Gross Profit	1,369,986	1,510,518	231,650	1,801,151
Administrative expenses	(4,389,350)	(798,452)	(511,163)	(1,050,342)
Other operating income	106,450	(26,531)	-	4,773
Operating (loss)/profit	(2,912,914)	685,535	(279,513)	755,582
Finance income	-	103,179	-	60,968
Finance costs	-	(143,209)	-	(25,272)
Loss recognised on remeasurement to fair value	(8,186,315)	-	-	-
Profit/(loss) on ordinary activities before taxation	(11,099,229)	645,505	(279,513)	791,278
Tax on ordinary activities	-	(450)	-	(450)
Loss on discontinued operation	(11,099,229)	(11,099,229)	(279,513)	(279,513)
(Loss)/profit for the period		(10,454,174)		511,315
(Loss)/earnings per share (£)				
Basic	-0.18	-0.17	-0.01	0.01
Diluted	-0.18	-0.17	-0.01	0.01

Discontinued operations relate to the betdirect business which was sold on 29 October 2007

Consolidated Balance Sheet
As at 30th June 2007

	Total 30-Jun 2007 Unaudited £	Total 30-Jun 2006 Unaudited £
Assets		
Non-current		
Intangible assets	188,408	13,436,355
Property, plant & equipment	510,381	1,439,428
	<u>698,789</u>	<u>14,875,783</u>
Current assets		
Trade and other receivables	299,382	1,109,249
Assets classified as held for sale	5,200,000	-
Cash and cash equivalents	3,797,990	8,266,768
	<u>9,297,372</u>	<u>9,376,017</u>
Total assets	<u><u>9,996,161</u></u>	<u><u>24,251,800</u></u>
Equity		
Equity attributable to shareholders of 32Red Plc		
Called up share capital	137,650	112,550
Share premium	14,055,532	11,408,077
Share option reserve	273,476	140,280
Retained earnings	(14,326,335)	352,701
Total equity	<u>140,323</u>	<u>12,013,608</u>
Liabilities		
Non-current		
Bank loan due after one year	1,708,333	4,333,333
Current		
Other employees obligations	304,320	185,498
Bank loan due within one year	1,750,000	2,166,666
Trade and other payables	6,093,185	5,552,695
	<u>8,147,505</u>	<u>7,904,859</u>
Total liabilities	<u>9,855,838</u>	<u>12,238,192</u>
Total equity and liabilities	<u><u>9,996,161</u></u>	<u><u>24,251,800</u></u>

**Consolidated Statement of Cash Flows
for the six months ended 30 June 2007**

	Six months ended 30-Jun 2007 Unaudited £	Six months ended 30-Jun 2006 Unaudited £
Operating activities		
Results for the period before interest	(10,414,144)	475,619
Amortisation	877,393	26,612
Depreciation	384,998	116,138
Loss on disposal of fixed assets	-	915
Change in trade and other receivables	49,052	(274,994)
Change in trade and other payables	(486,714)	1,217,005
Share options granted	44,686	40,936
Loss recognised on remeasurement to fair value	8,186,315	-
	<u>(1,358,414)</u>	<u>1,602,231</u>
Investing activities		
Acquisition of subsidiaries	-	(11,624,430)
Additions to other intangible assets	30,625	(50,717)
Additions to tangible assets	(496,837)	(150,166)
Interest received	103,179	60,968
	<u>(363,033)</u>	<u>(11,764,345)</u>
Financing activities		
Proceeds from share issue	3,000,000	11,287,263
Share issue costs set against equity	(324,646)	(804,136)
Proceeds from borrowings	-	6,500,000
Repayment of borrowings	(1,958,334)	-
Interest paid	(143,209)	(25,272)
	<u>573,811</u>	<u>16,957,855</u>
Cash and cash equivalents, beginning of period	4,945,626	1,471,027
Net increase in cash and cash equivalents	<u>(1,147,636)</u>	<u>6,795,741</u>
Cash and cash equivalents, end of period	<u><u>3,797,990</u></u>	<u><u>8,266,768</u></u>

Notes to the Interim Statement for the six months ended 30 June 2007

1 Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with the measurement principles of applicable International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the International Financial Reporting Standards Board (IFRS). The accounting policies have remained unchanged from the previous year, as set out in the Annual Report for the year ended 31 December 2006, available on www.32redplc.com.

2 Assets held for sale

Efforts to sell Betdirect commenced in June 2007 and sale to Stan James (Gibraltar) Limited was completed on 29th October 2007. At the 30 June 2007 Betdirect comprised assets of £13,386,315. The liabilities of Betdirect are not included in the sale.

An impairment loss of £8.19m on the measurement of Betdirect to the lower of its carrying amount and its fair value less costs to sell has been recognised in other expenses.

Assets classified as held for sale

	2007
Intangible assets	11,540,071
Property, plant & equipment	1,333,271
Trade and other receivables	512,973
	<hr/>
	13,386,315
Net proceeds of sale	5,200,000
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	<u>8,186,315</u>