

32Red Plc



**Interim Results for the six months ended
30 June 2008**

32Red Plc

(“32Red” or “the Company”)

Interim results for the six months ended 30 June 2008

32Red Plc, the award-winning online gaming operator, today reports interim results for the half year ended 30 June 2008.

As detailed in the trading update issued on 23 July 2008, the Board has been pleased with the Company’s performance during the first six months of 2008. The Company has enjoyed a record level of Gross Win for the period and as a result of its cost effective marketing, has experienced significant growth in Gross Profit Margins, resulting in improved profit before taxation.

All comparatives are for continuing 32Red operations and exclude any results derived from the Betdirect business, sold on 30 October 2007.

Highlights:

- Total gaming revenues of £6.6m, an increase of 26% on H1 2007 and 32% on H2 2007
- EBITDA before share option costs totalled £1.0m for the first 6 months, up 17% on H1 2007 and up 13% on H2 2007
- Casino revenues of £6.0m, an increase of 31% on H1 2007 and 38% on H2 2007
- Active casino players in the first 6 months : 12,283, up 14% on H1 2007 and up 9% on H2 2007
- Casino yield per active player in the first 6 months : £491, up 15% on H1 2007 and up 26% on H2 2007
- New casino players in the first 6 months: 8,189, up 12% on H1 2007 and up 12% on H2 2007
- Casino cost per acquisition in the first 6 months of £137, down 12% on H1 2007 and down 3% on H2 2007
- Successful launch of 32Red Bingo product in May 2008
- Successful launch of 32Red mobile phone gaming platform and a French language casino service

Key Performance Indicators:

	H1 2008	H2 2007	H1 2007
Casino Revenues	£6.0m	£4.4m	£4.6m
Active Players	12,283	11,238	10,818
Casino Yield per active player	£491	£390	£426
New casino players	8,189	7,304	7,291
Cost per acquisition	£137	£140	£155
Poker Revenues	£0.6m	£0.6m	£0.6m
Active Players	8,668	8,802	10,662
Poker Yield per player	£64	£68	£57
Total Group Revenues	£6.6m	£5.0m	£5.2m
Active Players	20,951	20,040	21,480
Group Yield per active player	£314	£249	£243
PBT before share option costs	£0.9m	£0.8m	£0.7m
EBITDA before share option costs	£1.0m	£0.9m	£0.8m

Ed Ware, CEO commented: "I am pleased to report an excellent performance during the first half of the year. The re-focusing of our efforts to accelerate the growth of the 32Red business has delivered immediate results, both in terms of revenue growth and improved bottom line profit. The strong growth in the 32Red casino has been driven by both increased active player numbers and an improved yield per player. The positive current trading leads the Board to conclude that prospects for the year are very encouraging.

In addition to the successful launch of a mobile phone gaming service, we have introduced an integrated Bingo offering and a French language casino during the first half of the year. We continue to investigate possible new gaming-related products to add to our existing portfolio, although we remain focused on taking 32Red's Casino business to the next level.'

26 August 2008

Performance Summary

Trading during the first six months of 2008 has been encouraging with total Gaming Revenues of £6.6m, an increase of 26% on H1 2007 and an increase of 32% on H2 2007. EBITDA before share option costs was £1.0m, up 17% on H1 2007 and up 13% on H2 2007.

This strong performance has been driven by 31% growth in casino revenues and is a direct result of the re-focus by management on the core 32Red product following the disposal of Betdirect.

Casino

Casino operations have delivered strong growth in H1 2008 with Gross Win of £6.0m, up 31% on H1 2007 and up 38% on H2 2007. 32Red Casino continues to dominate the Group's trading, representing 92% of total group revenues and remains central to our growth plans. The impressive growth in Casino revenues reflects the double-digit percentage growth in both player numbers and in yield per player.

The number of active casino players during the six months totalled 12,283, up 14% on H1 2007 and up 9% on H2 2007. New players attracted during the period totalled 8,189 up 12% on H1 2007 and were acquired at a lower cost of £137 (H1 2007: £155), reflecting the Group's cost-effective approach to marketing.

Player yield per active player was £491 during the period, up 15% on H1 2007 and up 26% on H2 2007. 32Red consistently delivers yields in excess of industry averages and casino players continue to be loyal to 32Red in recognition of the unrivalled customer service delivered by our dedicated Player Support team. 32Red's fifth consecutive Casinomeister Best Casino Award is unprecedented and testament to the quality of the service delivered by 32Red.

Poker

Poker operations have generated revenues of £0.6m (H1 2007: £0.6m) representing just 8% of total Group revenues. The board continues to evaluate all aspects of the 32Red Poker experience in an increasingly competitive poker market.

Poker yield per player totalled £64 during H1 2008, an increase of 12% on H1 2007. The number of active poker players decreased to 8,668 in H1 2008, down 19% on H1 2007, but in line with the 8,802 active players in H2 2007.

Bingo

32Red Bingo was launched during May 2008 and initial results from a small television advertising campaign are encouraging, confirming our belief that the 32Red brand sits comfortably as a bingo proposition and has potential. While it is too early to assess the likely financial impact of the Bingo product on the group, the opportunities presented by cross-selling of instant win games and mini slots are a source of encouragement.

Strategy

Core 32Red products – 32Red brand recognition continues to be strong and the Board believes that significant growth opportunities remain in the UK and selective European markets. The prominent sponsorship of Aston Villa Football Club ceased as planned in May 2008 and while the benefits of this sponsorship will be felt for some time to come, other advertising opportunities have become more attractive in the UK following the full implementation of the Gambling Act in September 2005.

New 32Red products – The Board intends to promote its 32Red Bingo product with a targeted marketing campaign in the autumn, following the launch of complementary instant win and mini slot games on the site. The Board is pleased with the initial uptake of its mobile casino service, launched in February 2008 and will continue to monitor technological developments in this field. The Board is currently in negotiations with third parties which may lead to further product differentiation in the coming months.

New Territories – During H1 2008, the Company launched a 32Red French language service and is currently considering legislative developments in other European countries. The Company continues to evaluate market-specific activities in the Far East and will provide further updates on these opportunities in due course. The Board believes that the 32Red brand identity and its values have the potential to establish a stronger presence in territories outside of the United Kingdom.

Current Trading

The second half of the year has started encouragingly with Group Gross Win for the 7 weeks ended 18 August 2008 up 22% on the corresponding period in 2007. The year on year growth is driven by the continued excellent performance of the 32Red casino during the traditionally quieter summer months.

The positive current trading performance allied with the exciting opportunities presented by new products and new territories, has led the Board to conclude that prospects for the full year are very encouraging.

32Red Plc
Consolidated Income Statement
for the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 Unaudited £	Six months ended 30 June 2007 Unaudited £
Net gaming wins		6,577,856	5,218,118
Cost of sales		(4,274,869)	(3,707,600)
Gross Profit		2,302,987	1,510,518
Administrative expenses		(1,383,149)	(757,516)
Other operating expenses		(64,655)	(26,531)
Share option costs		(78,176)	(40,936)
Operating profit		777,007	685,535
Finance income		47,591	103,179
Finance costs		(33,088)	(143,209)
Profit on ordinary activities before taxation		791,510	645,505
Tax on ordinary activities	3	(450)	(450)
Loss on discontinued operation		-	(11,099,229)
Profit / (Loss) for the period		791,060	(10,454,174)
Earnings / (Loss) per share (p)			
Basic	2	1.1p	(16.8p)
Diluted	2	1.1p	(16.8p)

32Red Plc
Consolidated Balance Sheet
as at 30th June 2008

	Notes	Six months ended 30-Jun 2008 Unaudited £	Six months ended 30-Jun 2007 Unaudited £
Assets			
Non-current			
Intangible assets	4	187,511	188,408
Tangible assets	5	397,659	510,381
		<u>585,170</u>	<u>698,789</u>
Current assets			
Trade and other receivables		222,394	299,382
Assets classified as held for sale		-	5,200,000
Cash and cash equivalents		1,926,668	3,797,990
		<u>2,149,062</u>	<u>9,297,372</u>
Total assets		<u>2,734,232</u>	<u>9,996,161</u>
Equity			
Equity attributable to shareholders of 32Red Plc			
Called up share capital		138,250	137,600
Share premium		14,165,276	14,055,532
Share option reserve		254,728	273,476
Retained earnings		(15,791,451)	(14,326,335)
Total equity		<u>(1,233,197)</u>	<u>140,323</u>
Liabilities			
Non – current			
Bank loan due after one year		-	1,708,333
Current		3,967,429	8,147,505
Total liabilities		<u>3,967,429</u>	<u>9,855,838</u>
Total equity and liabilities		<u>2,734,232</u>	<u>9,996,161</u>

32Red Plc
Consolidated Statement of Cash Flows
for the six months ended 30 June 2008

	Six months ended 30-Jun 2008 Unaudited £	Six months ended 30-Jun 2007 Unaudited £
Operating activities		
Results for the year before interest and after tax	776,557	(10,414,144)
Amortisation	32,234	877,393
Depreciation	109,633	384,998
Change in trade and other receivables	657,820	49,052
Change in trade and other payables	(1,545,025)	(486,714)
Share options costs	78,176	40,936
Loss recognised on measurement to fair value	-	8,136,315
	<u>109,395</u>	<u>(1,362,164)</u>
Investing activities		
Additions to other intangible assets	(49,007)	30,625
Additions to tangible assets	(43,974)	(496,837)
Interest received	47,591	103,179
	<u>(45,390)</u>	<u>(363,033)</u>
Financing activities		
Proceeds from share issue	-	3,000,000
Share issue costs set against equity	-	(324,646)
Share options exercised	3,750	3,750
Proceeds from borrowings	500,000	-
Repayment of bank loans	-	(1,958,334)
Interest paid	(33,088)	(143,209)
	<u>470,662</u>	<u>577,561</u>
Cash and cash equivalents, beginning of period	1,392,001	4,945,626
Net increase in cash and cash equivalents	<u>534,667</u>	<u>(1,147,636)</u>
Cash and cash equivalents, end of period	<u><u>1,926,668</u></u>	<u><u>3,797,990</u></u>

Notes:**1. Accounting policies**

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 2007, available on www.32redplc.com.

2. Earnings per share

Basic earnings per share have been calculated by dividing the net results attributable to ordinary shareholders by the weighted average number of shares in issue during the relevant financial periods.

The weighted average number of shares used for basic earnings per share amounted to 69,083,563 shares (2007: 62,120,833).

To calculate the diluted earnings per share figure, the weighted average of employee share options expected to vest has been added. This number represents management's best estimate at the balance sheet date, which is also used for calculating employee payments relating to share based payment transactions. At 30 June 2008, the weighted average number of share options expected to vest was 3,245,707 (2007: 1,566,796).

	Six months ended 30-Jun 2008 £	Six months ended 30-Jun 2007 £
Net profit / (loss) attributable to ordinary shares	<u>791,060</u>	<u>(10,454,174)</u>
Weighted average number of ordinary shares:		
for basic earnings	<u>69,083,563</u>	<u>62,120,833</u>
for diluted earnings	<u>72,329,270</u>	<u>63,387,629</u>
Basic earnings per share	<u>1.1p</u>	<u>(16.8p)</u>
Diluted earnings per share	<u>1.1p</u>	<u>(16.8p)</u>
Weighted average number of ordinary shares for basic earnings	69,083,563	62,120,833
Share options	<u>3,245,707</u>	<u>1,566,796</u>
Weighted average number of ordinary shares for diluted earnings	<u>72,329,270</u>	<u>63,687,629</u>

3. Taxation

	Six months ended 30-Jun 2008 £	Six months ended 30-Jun 2007 £
Tax on profit on ordinary activities	<u>450</u>	<u>450</u>

The Company has been granted tax exempt status under the Companies (Taxation and Concessions) Act. Under the terms of such status an annual charge of £450 is payable to the Government of Gibraltar. Provided the Company complies with the necessary criteria, payment of such charges will satisfy the company's tax obligation in Gibraltar in relation to the period.

4. Intangible assets

	Website Development £	Software License £	Total £
Cost			
At 1 January 2008	210,905	180,020	390,925
Additions	<u>12,899</u>	<u>36,108</u>	<u>49,007</u>
At 30 June 2008	<u>223,804</u>	<u>216,128</u>	<u>439,932</u>
Amortisation			
At 1 January 2008	128,383	91,804	220,187
Provided during the period	<u>21,768</u>	<u>10,466</u>	<u>32,234</u>
At 30 June 2008	<u>150,151</u>	<u>102,270</u>	<u>252,421</u>
Net book value			
At 30 June 2008	<u>73,653</u>	<u>113,858</u>	<u>187,511</u>
At 30 June 2007	<u>82,522</u>	<u>105,886</u>	<u>188,408</u>

5. **Property, plant and equipment**

	Motor Vehicles £	Computer and Office Equipment £	Leasehold Improve- ments £	Total £
Cost				
At 1 January 2008	132,795	915,447	46,696	1,094,938
Additions	-	12,554	31,420	43,974
At 30 June 2008	<u>132,795</u>	<u>928,001</u>	<u>78,116</u>	<u>1,138,912</u>
Depreciation				
At 1 January 2008	66,543	546,840	18,237	631,620
Charge for the period	<u>13,280</u>	<u>89,763</u>	<u>6,590</u>	<u>109,633</u>
At 30 June 2008	<u>79,823</u>	<u>636,603</u>	<u>24,827</u>	<u>741,253</u>
Net book value				
At 30 June 2008	<u>52,972</u>	<u>291,398</u>	<u>53,289</u>	<u>397,659</u>
At 30 June 2007	<u>66,252</u>	<u>415,670</u>	<u>28,459</u>	<u>510,381</u>