

eBet Limited

ABN : 59 056 210 774

Appendix 4E - Preliminary Financial Report

Reporting period

Previous reporting period

Year ended 30 June 2008

Year ended 30 June 2007

Results for Announcement to the Market

	2008 000's	2007 000's	% Change
Revenue	29,081	21,330	36.34% up
Operating profit before write down of acquisition costs & income tax	1,793	1,204	48.92% up
Net profit / (loss) after related income tax attributable to members of the parent entity	(158)	857 *	

* A loss of \$158,000 was recorded for the current period and a profit of \$857,000 was recorded for the prior period. The change from profit to loss prevents a meaningful percentage change

Dividends

No dividends were paid or made payable during or since the twelve month period to 30 June 2008

Brief explanation of any of the above necessary to enable the figures to be understood

Refer to Managing Director / CEO's report.

Net Tangible Asset Backing

	2008	2007
Net tangible asset / (liability) backing per ordinary security	(0.00)	0.01

Other Information

Control gained over entities having a material effect

Name of group of entities:

Bounty Limited and wholly owned subsidiaries

Date control gained:

31 December 2007

Net profit since the date in the current period on which control was acquired:

2008	2007
\$'000	\$'000
968	-

Refer Note 8 of the attached Consolidated Preliminary Financial Statements for further details

Loss of control over entities having a material effect

Not applicable

Dividend or distribution reinvestment plans

Not applicable

Details of associates & joint venture entities

Name of group of entities:

Gaming Solutions Pty Limited (ACN 125 503 853)

Percentage held:

2008	2007
50%	N/A
-	N/A

Share of profit (\$'000):

Audit status

This report is based on accounts which are in the process of being audited

Attachments

Any additional appendix 4E disclosure requirements can be found in the notes to the attached Consolidated Preliminary Financial Statements and the Managing Director / CEO's report.

Signed By



Tony Toohy - Managing Director / CEO

28 August 2008

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eBet Limited

ABN : 59 056 210 774

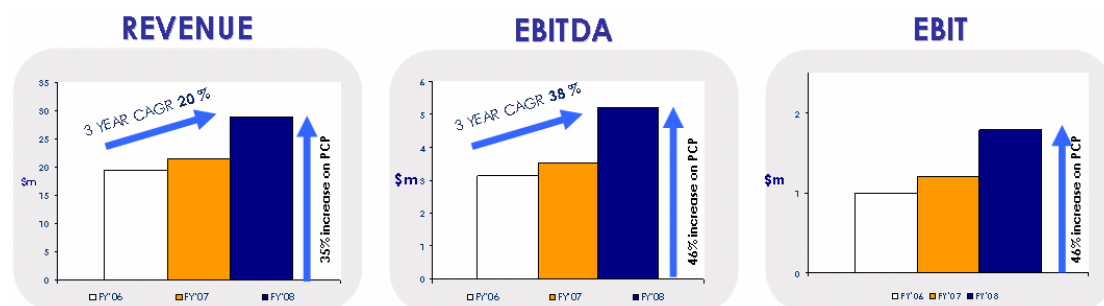
Consolidated Preliminary Financial Statements For the Year ended 30 June 2008

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Managing Director's Commentary

eBet's Full Year result for the period ended 30 June 2008 was a \$1.79m Net Operating Profit against revenues of \$29.08m.

Key points in comparison to the prior corresponding period include:



Revenue

The increase in revenue is attributable to the combination of product initiatives, reflecting and responding to the changing market needs as our core market became significantly impacted by the introduction of smoking bans from 2 July, 2007. eBet's product and development teams recognised the change in operating landscape for venues in NSW, and delivered a new operating platform and new hardware. This provided increased functionality, enabling gaming operators to respond to the changing operating landscape and provide their patrons with new functionality, which (we believe) assisted venues in minimising the impact of the smoking bans. In April, 2008 the Company obtained regulatory approvals for full TITO (Ticket In Ticket Out) functionality, enabling venues operating our latest EPS platform to introduce TITO across their operations. In addition to the eBet product initiatives, the Company completed its acquisition of Bounty Limited from Golden Casket Lottery Corp. Ltd. on 31 December 2007, providing 6 month's revenue contribution from Bounty operations.

Recurring revenues contributed 28.7% of eBet's total revenues. This result reflects the Company's continued focus on achieving a greater percentage of revenues from recurring sources

Gaming Systems

The Gaming Systems division continues to be the largest contributing division to eBet's revenues. The success of the proprietary EPS 2.0 operating system and IGMI interface board providing Breakaway™ and TIKIT™ (TITO) functionality was the key driver for providing system sales growth. Contracted sales to June 30 exceeded 4,600 units across 47 venues. The modular design of EPS 2.0 and IGMI interface board will facilitate future development of enhanced functionality and the integration of new packages will further support system sales in 2009.

The Gaming Systems business will continue to concentrate on sales of the EPS 2.0 operating system and IGMI interface. The release of eBet's TITO retrofit solution for older gaming machines (TIKIT+™) has been delayed. However our product and development teams have overcome the appropriate technical issues and anticipate regulatory approvals will be issued in the December quarter, 2008.

International sales revenue grew to \$1.9m from \$1.5m (PCP) and continues to increase its overall contribution to gaming systems revenue. The customer base in the Asia Pacific Region is growing steadily and major sales were made to Grand Casino and Casino Royal – Noumea, the Grand Hotel, Majestic Hotel, Subic Club and the Monte Carlo Club in Vietnam.

As the Asian casino market continues to expand, the Company is well placed to increase revenue from this region in FY09.

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Online Division

The Online Division continued to grow in the United States, achieving an increase in underlying revenue of 30% from \$826k to \$1,074k. The Online Division now contributes 4% of total revenue.

During FY08, the Company announced the formation of a joint venture company, eBet Online Inc, with the Toronto based Woodham Group. The Woodham Group will provide much needed racing industry business development, sales, marketing and operating skills which will complement our wagering technical solution. eBet completed the joint venture negotiations and eBet Online Inc commenced as a new operating company on 1 July, 2008. eBet Online has recognized a number of new opportunities which will result in increased wagering revenue and expand our overall product offering to the multi-billion dollar wagering market in the USA.

Company Tax

For FY2008, the Company is in a tax payable position due to the recoupment of losses and the profitable status of its operations in the USA, and the positive tax and operating profit within the Australia operations after using our recoupment factor losses. An additional tax credit was also taken up as a result of positive profit projections. The net result was a tax expense of \$270k for FY08.

The Company incurred acquisition costs of \$1,681k during FY08. The Company has been conservative in writing off this expenditure in FY08. However, the Company has sought a private binding ruling from the Australian Taxation Office as to the deductibility of this expenditure. Depending on the outcome, the treatment of this expenditure in the Company's accounts may need to be revised.

Cash Flow

Cash flows from operations were \$2,765k due to positive systems and recurring revenue growth, combined with cost restraints and the benefit of the acquisition of Bounty Limited. This positive cash flow enabled the continued investment in future development and the repayment of the finance for the Bounty Limited acquisition in FY08, plus a further principal repayment of \$983K.

Financing

The Company is currently negotiating a refinance package with St. George Bank Limited for a term of four years. The Company has received a term sheet and mandate letter from the bank and is confident of a positive outcome in the near future. The approved renegotiation of finance will be announced once final approval has been received.

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Significant Developments

A number of initiatives commenced during FY08 which will have a positive impact in FY09.

These are summarised as:

- Regulatory approval for TIKIT+™ (TITO retrofit solution):
 - We expect to receive regulatory approval for our innovative TIKIT+™ (TITO retrofit solution) in Q2 FY09;
- Licensing of a fully integrated CRM (Customer Relationship Management) System:
 - eBet has entered into a licensing agreement with Marketing Results Inc. (of Las Vegas, Nevada) to integrate their AIM™ (Advanced Intelligent Marketing) solution;
 - AIM™ will interface directly to the eBet EPS 2.0 operating platform, enabling eBet to provide a fully integrated CRM solution;
 - eBet and Marketing Results Inc. have agreed to a license and distribution agreement and a software licensing and support revenue share;
 - Marketing Results Inc. are currently providing services to over 100 casinos in the United States, and are widely considered to be a leader in marketing and customer relationship management systems and services.
- Licensing of a fully integrated Casino CAD™ floor utilization program:
 - eBet has entered into a licensing agreement with Casino Data Imaging Inc. (of Las Vegas, Nevada) to integrate their Casino CAD™ (floor utilization) solution;
 - Casino CAD™ will interface directly to the eBet EPS 2.0 operating platform, enabling eBet to provide a fully integrated floor utilization solution;
 - eBet and Casino Data Imaging Inc. have agreed to a license and distribution agreement and a software licensing and support revenue share;
 - Casino Data Imaging Inc. is currently providing services to over 150 casinos in the United States, and is widely considered to be a leader in floor utilization solutions.
- The Company is in the final stages of its cashless and pre-commitment gaming system trial in Queensland:
 - In March 08, the Company commenced formal field trials for its cashless gaming and pre-commitment solution in Queensland;
 - The Company has worked closely with the QOGR to trial this new technology at Sandgate RSL Club;
 - The customer uptake for pre-commitment has exceeded expectations of the venue and ourselves;
 - Pre-commitment gaming systems are considered an important harm minimization measure which Governments are closely monitoring across the country.
- Renewal of the Sentinel™ central monitoring solution for Odyssey Gaming Technology Pty. Limited ;
 - The company finalized its negotiations with Odyssey Gaming in June 2008, resulting in the renewal of a 5 year services contract;
- The Company recently launched its ENGAGE™ interactive LCD player interface module at the Australasian Gaming Expo, which will enhance the overall player experience and functionality.
- The Company will continue to explore the integration of third party technologies with its core EPS 2.0 operating platform where these technologies can provide significantly expanded functionality and increased profitability.
- We are anticipating an increase in customer utilisation of our online wagering product in the United States, resulting in continued growing revenues and profitability.

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Consolidated Income Statement for the year ended 30 June 2008

	Notes	Consolidated Entity	
		2008 \$000	2007 \$000
Revenue			
Sales - Gaming Systems & Equipment		19,719	13,374
Service Revenue		7,635	5,080
US Links		215	796
Online & Professional Services		1,014	1,457
Other Revenue		498	623
<i>Total Revenue</i>	2	29,081	21,330
Expenditure			
Cost of Sales		(12,484)	(9,057)
Licence Fees & Commission		(67)	(267)
Employee Expenses		(7,080)	(5,207)
Finance Costs		(1,000)	(486)
Professional Fees		(592)	(352)
Telecommunications		(157)	(161)
Bad & Doubtful Debts		200	100
Travel & Entertainment Expenses		(451)	(427)
Motor Vehicle Expenses		(229)	(185)
Insurance Expenses		(253)	(247)
Occupancy & Equipment Rental Expenses		(890)	(827)
Directors Fees & Related Expenses		(208)	(177)
Depreciation & Amortisation		(2,579)	(1,848)
Audit & Accounting Fees		(327)	(183)
Other Expenses		(1,171)	(802)
<i>Total operating expenses</i>		(27,288)	(20,126)
Operating profit before write down of acquisition costs and income tax		1,793	1,204
Write down of acquisition costs	3	(1,681)	-
Profit before income tax		112	1,204
Income tax expense		(270)	(347)
Net profit / (loss) after related income tax attributable to members of the parent entity		(158)	857
Profit / (loss) for the year	3	(158)	857
Basic earnings per share (cents per share)	4	(0.07)	0.39
Diluted earnings per share (cents per share)	4	(0.07)	0.39

The above income statement should be read in conjunction with the accompanying notes

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Consolidated Balance Sheet for the year ended 30 June 2008

	Notes	Consolidated Entity	
		2008	2007
		\$000	\$000
Current Assets			
Cash and cash equivalents		331	560
Trade and other receivables		7,290	7,592
Inventories		2,123	2,075
Financial assets		4,102	2,521
Current Tax Asset		28	-
Other current assets		195	2,843
<i>Total Current Assets</i>		14,069	15,591
Non-Current Assets			
Financial assets		1,318	281
Property, plant & equipment		1,547	2,066
Deferred tax asset		254	569
Intangible assets		17,241	14,814
<i>Total Non-Current Assets</i>		20,360	17,730
Total Assets		34,430	33,321
Current Liabilities			
Trade and other payables		3,894	5,056
Financial liabilities		9,013	7,213
Current tax liability		-	116
Provisions		1,129	620
<i>Total Current Liabilities</i>		14,036	13,005
Non-Current Liabilities			
Financial liabilities		3,018	3,230
Provisions		188	80
<i>Total Non-Current Liabilities</i>		3,206	3,310
Total Liabilities		17,242	16,315
Net Assets		17,188	17,006
Equity			
Contributed Equity	6	50,234	50,075
Reserves		168	9
Accumulated losses		(33,214)	(33,078)
Total Equity		17,188	17,006

The above balance sheet should be read in conjunction with the accompanying notes

eBet Limited

Consolidated Statement of Changes in Equity for the year ended 30 June 2008

	Consolidated Entity				
	Contributed Equity \$000	Accumulated Losses \$000	Option Reserve \$000	Exchange Variation Reserve \$000	Total \$000
Balance at 1 July 2006	50,036	(33,994)	81	-	16,123
Share Issue of 23,500 on 29 November 2006	5	-	-	-	5
Share Issue of 275,000 on 27 March 2007	34	-	-	-	34
Options issued	-	-	20	-	20
Transfer options expired	-	59	(59)	-	-
Fluctuation on foreign exchange	-	-	-	(33)	(33)
Profit for the financial year	-	857	-	-	857
Balance as at 30 June 2007	50,075	(33,078)	42	(33)	17,006
Options issued	-	-	279	-	279
Transfer options expired	-	22	(22)	-	-
Fluctuation on foreign exchange	-	-	-	(98)	(98)
Value of conversion rights - convertible notes	159	-	-	-	159
Loss for the financial year	-	(158)	-	-	(158)
Balance at 30 June 2008	50,234	(33,214)	299	(131)	17,188

The above statement of changes in equity should be read in conjunction with the accompanying notes

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Consolidated Cash Flow Statement for the year ended 30 June 2008

		Consolidated Entity	
	Notes	2008 \$000	2007 \$000
Cash Flows from Operating Activities			
Receipts from customers		29,786	19,042
Payments to suppliers and employees		(26,305)	(19,987)
Interest received		179	70
Finance costs		(895)	(486)
Net cash provided by / (used in) operating activities		2,765	(1,361)
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment		(341)	(408)
Payments for software development and other intangibles		(2,481)	(2,199)
Payments for purchase of subsidiary, net of cash acquired	8	(441)	-
Payments for costs associated with the acquisition of Octavian International Limited		(736)	(945)
Net cash provided by / (used in) investing activities		(3,999)	(3,552)
Cash Flows from Financing Activities			
Repayment of principal - convertible notes		(3,200)	(5,134)
Proceeds of principal - convertible notes		3,200	3,200
Proceeds of principal - borrowings		6,350	7,020
Repayments of principal - borrowings		(4,233)	(430)
Secured loan provided to Octavian International Limited		(765)	(2,477)
Proceeds from issue of shares		-	39
Net cash provided by / (used in) financing activities		1,352	2,218
Net increase/(decrease) in cash held		118	(2,695)
Cash held at beginning of the financial year		(85)	2,610
Cash held at 30 June 2008		33	(85)

The above cash flow statement should be read in conjunction with the accompanying notes

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Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2008

Note 1 Summary of Significant Accounting Policies

The Consolidated Preliminary Financial Statements of eBet Limited and subsidiaries for the year ended 30 June 2008 do not include all the notes of the type that would normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Group as the full financial report.

Basis of Preparation

The Consolidated Preliminary Financial Statements have been prepared on an accrual basis and is based on historical costs modified by the revaluation of certain non-current assets, financial assets and financial liabilities for which the value basis of accounting has been applied.

Unless otherwise detailed in this note, accounting policies have been consistently applied by the entities in the Group and are consistent with those applied in the 30 June 2007 annual report.

Changes in Accounting Policy

Since 1 July 2007 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2007. The Group has assessed the impact of adopting these Standards and Interpretations and do not believe that there is an effect on the financial position or performance of the Group. These Standards and Interpretations will be disclosed in the 2008 financial report.

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038).

	Consolidated Entity	
	2008	2007
	\$000	\$000
Note 2		
Revenue		
Revenue		
Systems, Equipment & Software Sales	19,719	13,374
Service Revenue - Gaming Systems	7,635	5,080
US Links	215	796
Online Systems & Services	1,014	1,457
	28,583	20,707
Other Revenue		
Foreign Exchange Gain	25	11
Interest received	179	70
Government grants	(9)	231
Other revenue	303	311
	498	623
	29,081	21,330

Note 3 Items included in Profit / (Loss)

Cost of Sales	12,484	9,057
Licence fees & commissions	67	267
Borrowing costs:		
- External	1,000	486
Depreciation and amortisation		
- Plant and equipment depreciation	858	761
- Intellectual Property, software development & other intangible assets amortisation	1,721	1,087
	2,579	1,848
Foreign Currency Losses	73	80
Operating Leases		
- Minimum Lease payments	516	337
Write Down of Acquisition Costs *	1,681	-

* eBet's planned acquisition of Octavian International Limited was abandoned in November 2007. As a result total costs of \$1,681,000 attributable to the proposed acquisition have been expensed during the period. Costs of \$945,000 attributed to the acquisition were recognised as an asset in the 30 June 2007 financial report.

eBet Limited

Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2008

	Consolidated Entity	
	2008	2007
	\$000	\$000
Note 4	Earnings per Share	
Basic earnings per share (cents per share)	(0.07)	0.39
Diluted earnings per share (cents per share)	(0.07)	0.39
Net profit / (loss) used in calculating basic and diluted EPS (\$'000)	(158)	857
Weighted average number of ordinary shares used in calculating basic earnings per ordinary share (000 shares)	217,806	217,521
Adjustments for calculation of diluted earning per share : Share options (000 shares)	-	131
Weighted average number of ordinary shares used in calculating diluted earnings per share (000 shares)	217,806	217,652

	Statement of Operations by Segment							
	Gaming Systems		Wagering		Economic Entity			
Primary Reporting Business Segments	2008	2007	2008	2007	2008	2007		
	\$000	\$000	\$000	\$000	\$000	\$000		
Revenue	27,999	19,692	1,082	1,638	29,081	21,330		
Operating profit / (loss) before write down of acquisition costs and income tax	1,683	(132)	110	1,336	1,793	1,204		
Write down of acquisition costs					(1,681)	-		
Profit before income tax					112	1,204		
Income tax expense					(270)	(347)		
Net profit					(158)	857		
Total segment assets	33,556	32,155	874	1,166	34,430	33,321		
Total segment liabilities	16,961	16,068	281	247	17,242	16,315		
	Australia		US		Other		Economic Entity	
Secondary Reporting Geographic Segments	2008	2007	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	25,589	16,981	1,580	2,552	1,912	1,797	29,081	21,330
Operating profit / (loss) before write down of acquisition costs and income tax	822	95	(88)	176	1,059	933	1,793	1,204
Write down of acquisition costs							(1,681)	-
Profit before income tax							112	1,204
Income tax expense							(270)	(347)
Net profit							(158)	857
Total segment assets	31,016	27,152	2,479	3,706	935	2,463	34,430	33,321
Total segment liabilities	16,814	15,428	269	824	159	63	17,242	16,315

Note : The Links Division markets and operates wide-area jackpot links is now considered part of the gaming systems division and is not considered significant to disclose separately.

eBet Limited

Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2008

	Consolidated Entity	
	2008	2007
	\$000	\$000
Note 6		
Contributed Equity		
<i>Issued Capital</i>		
217,507,611 (June 2006: 217,007,611) fully paid ordinary shares	50,075	50,075
Movement in share capital		
Balance at the beginning of the financial year	50,075	50,036
Shares issued during the year		
137,500 on 27 March 2007	-	14
137,500 on 27 March 2007	-	20
23,500 on 29 November 2006	-	5
Balance at end of the financial year	50,075	50,075
<i>Other Equity Securities</i>		
Value of conversion rights - convertible notes	227	-
Deferred tax liability component	(68)	-
	159	-
Total contributed equity	50,234	50,075

Notes:

On 27 March 2007, 137,500 options were exercised at a value of 10c

On 27 March 2007, 137,500 options were exercised at a value of 14.5c

On 29 November 2006, 23,500 shares were issued at 20c as part of the funding required for the redemption EBTG convertible notes.

The amount shown for other equity securities is the value of the conversion rights relating to the renegotiation of convertible notes on 2 November 2008.

Note 7

Contingent Liabilities

The Group has the following contingent liability, not provided for in the financial report:

Bank Guarantee	219	219
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Licensing Liabilities

An entity within the Group previously entered into a leasing arrangement and under the agreement, \$778,000 remains outstanding as at 30 June 2008. The Group does not believe that this liability is payable however, as this matter has yet to be resolved, the Group has recognised an amount of \$169,000 as at 30 June 2008 based on legal advice and best estimates. Should these estimates prove incorrect then an adjustment may have to be made to either increase or decrease the amount due and payable.

eBet Limited

Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2008

Note 8 Business Combination

Bounty Limited

eBet Limited acquired 100% of the issued share capital of Bounty Limited. The acquisition takes effect from 31 December 2007 and was finalised on 8 January 2008. The wholly owned subsidiaries of Bounty Limited are Bounty Systems Pty Limited, Infolink Systems Pty Limited, Clubline Systems Pty Limited.

The acquired business contributed revenues of \$3,658,000 and a net profit of \$958,000 to the Group for the period from 1 January 2008 to 30 June 2008.

At the date of acquisition, the principal activities of the acquired entity involved the design, development, and sale of software and hardware products to the gaming industry. Bounty's primary focus is on the development of software solutions, including "back of house" office software designed to track and monitor gaming activities of venues. It provides customer promotion and loyalty functions, jackpot systems, monitoring and management systems. Bounty's product range includes Clubline, Sentinel, Compass and wide area jackpot systems.

Details of the preliminary assets and liabilities acquired and the goodwill are as follows :

	\$000
Purchase consideration	
Cash paid	3,250
Direct costs relating to the acquisition	152
Total Purchase Consideration	3,402
Less fair value of net identifiable assets acquired	(1,702)
Goodwill	1,700

The goodwill is attributable to expected future cash flows of the business generated from the customers of Bounty Limited and the synergies as a result of the integration with eBet Limited.

	Acquiree's Carrying Amount \$000	Fair Value \$000
Cash Assets	2,961	2,961
Current Receivables	1,492	1,492
Inventories	630	630
Other Current Assets	44	44
Property, Plant & Equipment	76	76
Deferred Tax Asset	49	49
Intangible Assets	394	394
Payables	(2,935)	(2,935)
Current Tax Liabilities	(429)	(429)
Current Provisions	(385)	(385)
Deferred Tax Liabilities	(1)	(1)
Non Current Provisions	(194)	(194)
	1,702	1,702

Outflows of cash to acquire business net of cash acquired :-	\$000
Cash Consideration	3,402
Less : Balances acquired	(2,961)
	441

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Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2008

Note 9 Subsequent events

Octavian International Limited

The consolidated entity had a secured loan receivable from Octavian international Limited ("Octavian") as at 30 June 2008 of \$3,965,000 which was due and payable by 30 June 2008. Subsequent to 30 June 2008 the Group has received \$1,750,000 of the balance. The Group has agreed to extend the repayment of the remaining balance to 30 September 2008. Interest in respect of the outstanding balance is payable by Octavian at the rate of 30% per annum. The balance due from Octavian, as at the date of this report, is \$2,173,000 including accrued interest. Full transaction details will be disclosed in the 2008 annual report.

Financial Liabilities

As at the date of this report, the consolidated entity had an outstanding loans of \$3,154,000 due for repayment on 31 August 2008 and \$5,000,000 due for repayment 30 September 2008. A financial term sheet and mandate letter has been received in respect of refinancing these facilities.

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