

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Bi and £124mil
Date: 16 July 2021 15:51:03

Thanks all and I promise to stop going on about the 124mil.....

From: [REDACTED]
Sent: Friday, July 16, 2021 3:36 PM

To: [REDACTED]
[REDACTED]

Cc: [REDACTED]
[REDACTED]

Subject: RE: Bi and £124mil

[REDACTED]

I wonder if it's also worth incorporating some of [REDACTED] description of what is included in the c£124m? I also agree with [REDACTED] comments about the diminishing value of the shares.

So the first para in your original email (lifting from [REDACTED] email of a week or so ago about the composition of the £124m) would read as follows:

The figure of £124,231,575.47 constitutes the ~~original~~ purchase price of individual 'shares' that are still open in customer portfolios. **The figure is made up of:**

- shares bought directly from BetIndex (the first 'mint' of a bet/share); and
- shares transferred between different customers through the buy and sell function for which Betindex only received 2% commission

Firstly, a share would be worth what a company/individual is prepared to pay for It **and secondly, the first "mint" shares would have ultimately expired with a nil value.** Further, this number does not reflect the revenues received by BetIndex Limited as it includes a degree of trading at prices higher than those which BetIndex Limited initially issued bets. We are awaiting information to confirm the split between shares purchased from BetIndex and numbers of shares purchased from other customers which will assist our calculations, but the starting point should be that from any monies received by BetIndex it is necessary to deduct the following amounts across the 5/6 years from commencement of trading in 2015:

[REDACTED]
[REDACTED]
The Gambling Commission
Victoria Square House
Victoria Square
Birmingham
B2 4BP

[REDACTED]
[REDACTED]

www.gamblingcommission.gov.uk

From: [REDACTED]
Sent: Friday, July 16, 2021 10:38 AM

To: [REDACTED]

Cc: [REDACTED]
[REDACTED]
[REDACTED]

Subject: RE: Bi and £124mil

On reflection, if badging this as amounts to be deducted from the 'monies received by BetIndex', I suggest two bullets

- Amounts paid to customers via the 'Instant Sell' function - whereby BetIndex bought back 'shares' from its customers
- Amounts paid to customers trading 'shares' between themselves via the Buy/Sell queue – whereby BetIndex passed monies from the customer buying a 'share' to the customer who sold it.

Hopefully they make sense.

Thanks

[REDACTED]
[REDACTED]
Gambling Commission
Victoria Square House
Victoria Square
Birmingham B2 4BP

[REDACTED]
www.gamblingcommission.gov.uk

From: [REDACTED]
Sent: Friday, July 16, 2021 10:18 AM

To: [REDACTED]

Cc: [REDACTED]
[REDACTED]
[REDACTED]

Subject: Re: Bi and £124mil

Thanks [REDACTED]. Could you draft a bullet re the 'sell' part please.

Thanks

[REDACTED]
Sent from my iPhone

On 16 Jul 2021, at 09:59, [REDACTED]
wrote:

Hi [REDACTED] and everyone else

I make some observations/suggestions in **red text** below. I have cross-checked figures against my own records. Noting I probably haven't seen all the information post suspension I can confirm that I could not identify any obvious inaccuracies.

Thanks

[REDACTED]
[REDACTED]
Gambling Commission
Victoria Square House
Victoria Square
Birmingham B2 4BP

[REDACTED]
www.gamblingcommission.gov.uk

From: [REDACTED]

Sent: Thursday, July 15, 2021 4:23 PM

To: [REDACTED]
[REDACTED]

Cc: [REDACTED]
[REDACTED]
[REDACTED]

Subject: Bi and £124mil

All

Keeping the circulation list a bit smaller but I would appreciate feedback on where I have got to so far on my £124 mil explanation to try and start debunking the figure. Feel free to be brutal if you don't think this cuts it:

£124mil

The figure of £124,231,575.47 constitutes the ~~original~~ purchase price of individual 'shares' that are still open in customer portfolios. Firstly, a share would be worth what a company/individual is prepared to pay for it. **Dependent upon how bold/robust we want to be, do we want to confirm that all shares would have ultimately expired with nil value.** Further, this number does not reflect the revenues received by BetIndex Limited as it includes a degree of trading at prices higher than those which BetIndex Limited initially issued bets. We are awaiting information to confirm the split between shares purchased from BetIndex and numbers of shares purchased from other customers which will assist our calculations, but the starting point should be that from any monies received by

BetIndex it is necessary to deduct the following amounts across the 5/6 years from commencement of trading in 2015:

- Dividend liabilities – these varied over time but prior to March 2021 were accrued at times c£2mil a month. This was one of the drivers for the dividend cut notification in March 2021.
- Do we need a bullet re fulfilling the 'sell' part of bets that were bought and sold amongst customers? You do allude to this in the paragraph above though.
- Operating costs - including staff wages, technology and platform expenses, marketing expenses, payment of general duty etc. A significant amount was spent on an aggressive marketing campaign in 2019 fronted by sporting celebrities. Are we on firm ground re use of sporting celebrities in 2019. It's not something I specifically recall. I am aware of other marketing activities such as Football club sponsorship (Nottingham Forest and QPR) and promotion on TalkSport radio.
- [REDACTED]
- Other available monies at March 2021 - c£11mil

For further context, the total number of BI customer accounts was 278,585. Of these 111,434 had no cash balance or share portfolio (ie no outstanding bets).

The remaining **167,151** 'active' accounts break down as follows:

- 36,216 of accounts had cash balances and no share portfolios – [REDACTED]
- 94,719 of accounts held small portfolios. The majority of these accounts have a cash balance of under £100 and less than 100 shares.
- 25,073 of accounts held medium sized portfolios. The majority of these accounts have cash balances of under £500 and between 100 and 500 shares.
- 11,143 of accounts held large portfolios. The majority of these accounts have cash balances of under £500

I am not sure of your data source for the above but the number of actives seems to (closely) correlate with the information they provided on 10 March 2021 and copied below. I don't believe I have any data re number of shares held. I also note the absence of data re portfolio sizes as per price paid for bets. Appreciate that will likely be deliberate for a number of reasons, but if we wanted to we could draw out some top level stuff to highlight that the 'loss' of stakes for the majority was < £1000. For example, using the figures below c. 90.7% of active customers had portfolios based on price paid of less than £1,000. I guess these are strategic calls to make as whatever we say the stats can probably be turned back on us (i.e. 9.3% of customers (c. 12,000 customers) have lost stakes over £1,000) to at least some degree.

<image001.png>



[REDACTED].

Query – would GGY from 2015 give us a better starting pint figure?

Not sure a starting point of 2015 will help. What we really need is the BI revenue figure up until the point of suspension. That can then replace the headline £124m figure and flow into were that money was spent on... and the account metrics detailed above. Speaking to [REDACTED], I think we estimate that figure will be c. £80m. We know as of the end of March 2020 it was c. £59m but our proposed data request should confirm what happened in the 11 months + after that.

<image002.png>

[REDACTED]