

# Global Gaming Group

Interim Report and Financial Statements for the period ended 30 November 2013

Stock Code: WEB





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## Group at a Glance

Webis Holdings plc operates two businesses within its Group structure:

### Sportsbook

**betinternet.com**

**m.betinternet.com (mobile)**

**betinternet.com (IOM) Limited**

**betinternet.com NV**

The betinternet.com sportsbook offers betting opportunities on a wide variety of global sports as well as casinos, poker and games through both its website and mobile platforms. The business has retained a traditional focus on the Far East market, where the brand has an established and loyal following. In Play, where customers place bets on sports events in real time, accounts for a substantial part of the sportsbook's turnover and margin and continues to provide for the greatest area of growth. The website also offers a 'Live Dealer' and traditional casino product with table games and slots as well as an enhanced suite of fixed-odds games. Our Poker client has access to the liquidity of the MPN Poker network. The company operates under licences issued by regulatory bodies in the Isle of Man and Curacao.

### Pari-Mutuel and Racetrack Operations

**watchandwager.com, link2bet.com**

**Cal Expo Harness Racetrack**

**WatchandWager.com Limited**

**WatchandWager.com LLC**

WatchandWager.com Ltd provides pari-mutuel, or pool-betting, wagering services through a number of distribution channels to a global client base. The company holds two United States pari-mutuel licences for Advanced Deposit Wagering, issued by the California Horse Racing Board and the North Dakota Racing Commission and has its operational base in San Francisco, California. The business provides wagering opportunities predominantly on horse and greyhound racing in the United States, Canada, United Kingdom, Ireland, Australia, France and Sweden amongst others. It provides wagering facilities to customers through its website, watchandwager.com, as well as offering a business-to-business wagering product and a telephone betting call centre.

WatchandWager.com LLC operates Cal Expo Harness Racetrack in Sacramento, California, under a five-year licence issued by the California Horse Racing Board. This 'bricks and mortar' presence in the largest state economy in the US, where legislative changes for online gaming are anticipated to advance in 2014, provides significant leverage for our related global pari-mutuel operations.

As part of the requirements for Webis Holdings plc's Isle of Man licence, client funds for all Isle of Man licensed Group companies are held in fully protected client accounts within an Isle of Man regulated bank.

# Chairman's Statement

## Introduction

I am pleased to report on the first six months of trading for Webis Holdings plc ("Webis" or "the Group") for the period ended 30 November 2013. The Group achieved a Total Comprehensive Profit of £0.1 million (2012: loss of £0.1 million). We have maintained overall growth during the period: traditionally the quieter half of our financial year. The turnover and margin of the sportsbook, casino, games and poker operations, betinternet.com (IOM) Limited and betinternet.com NV. ("betinternet" or "Sportsbook"), have grown in line with our expectations, particularly on sports betting. The Group's pari-mutuel platform and racetrack operation, WatchandWager.com Limited ("WatchandWager"), whilst experiencing a seasonal downturn in some specialised high-roller activity, continued to perform as anticipated. We remain confident in our long-term growth strategy for this subsidiary.

## Half Year Results Review

Group turnover increased in the period by 11% to £79.2 million (2012: £71.4 million). This increase was largely attributable to the introduction of wagering into Swedish racetrack pools and an earlier start to the racing season at the Cal Expo racetrack.

Group Gross Profit increased to £2.6 million (2012: £1.9 million), an increase of 33.9%.

Operating expenses increased to £2.5 million (2012: £2.0 million) partly as a result of a planned increase in data and odds feed costs for betinternet; an earlier start to racing at Cal Expo; and the effect of foreign exchange translation consolidation within WatchandWager as Sterling appreciated in value against the US dollar - the latter being a non-cash item.

Consequently, Total Comprehensive Profit for the Group was £0.1 million (2012: loss of £0.1 million), a significant improvement on the same period last year. As a consequence, basic and diluted earnings per share are 0.02 pence (2012: negative 0.03 pence).

Turning to the Statement of Financial Position, our Net Assets have increased to £3.2 million (2012: £1.9 million), a growth of 68%. It is gratifying to note that the Group's own cash has grown by 75% to £2.1 million (2012: £1.2 million). In addition, the Group holds £3.5 million of ring-fenced cash representing protected player funds (2012: £1.6 million).

Cash generated from operations was £0.6 million (2012: negative £1.1 million).

## WatchandWager

WatchandWager achieved a turnover growth of 46% to £27.9 million (2012: £19.1 million). This growth was primarily as a result of both gaining access to ATG pools managed by the Swedish Horse Racing Totalisator Board, which proved attractive to our B2B players and by the earlier start to our second season of harness racing at the Cal Expo racetrack in Sacramento, California. Although wagering on the Swedish content started strongly, in common with other operators, we were obliged to manage bets on specific pools to comply with new Swedish Tote wagering policies. Accordingly, activity dipped towards the end of the period, although Sweden remains a potential good new future source of revenue. Elsewhere, we experienced a slowing down of B2B wagering on activity within the United States, as liquidity declined and certain tracks increased their host fees,

thus reducing the opportunities for these players' specific wagering requirements.

Harness racing at Cal Expo was responsible for £6.3 million of turnover in the period (2012: £4.4 million), an increase of 43%. We started the season earlier than last year with one meeting per week from early October, before switching to the traditional Friday and Saturday meetings in November. Accordingly, some non-recurring seasonal start-up costs fall into this reporting period, although these were counteracted by a one-off payment from a dispute over the distribution of racetrack funds which was settled in our favour. The licence to operate the racetrack continues to provide us with significant leverage and recognition in other areas of the Group and we anticipate that Cal Expo is on target to produce a profit for the full racing season this year, which ends in May.

We have invested in our personnel within our San Francisco office to maximise the growth of our recently launched WatchandWager.com platform, as well as enhancing our US based support in the areas of finance and compliance. The Board views the investment in US-based industry professionals as a key component of not only growing our existing operations, but also to take advantage of the potential changes within online gambling legislation that are likely to occur in current and future legislative sessions, particularly within California.

As the majority of WatchandWager's operating costs are in US Dollars, we have also been adversely impacted by the strengthening of Sterling, the Group's reporting currency, during the period.

## betinternet

Overall, betinternet turnover at £51.3 million (2012: £52.3 million), remained constant with the previous year. However, the absence of a major summer football tournament limited growth opportunities. There was a corresponding slight downturn in casino and games activity. Despite this, our fixed-odds margin percentage improved to 3.8% (2012: 3.1%). Casino and games margin also improved on the previous period, which had been impacted by some high-roller large wins.

For betinternet as a whole, gross margin increased by 25% to £1.4 million (2012: £1.1 million). Of this figure, fixed-odds betting achieved £1.1 million (2012: £0.8 million), boosted by further enhancements to our 'In Play' content, where we have added sports, including American Football, Darts, Ice Hockey and Rugby during the period. Our live Tennis coverage has proven particularly popular, and it is now second only to Football in betting activity. Turnover on 'In Play' content increased to 70% (2012: 50%) when represented as a percentage of overall single bet activity.

Our recently refreshed website has also helped drive traffic to more profitable business areas and we have made good progress in expanding our marketing and promotional activity.

## Regulatory developments

In last year's Annual Report, I noted that the potential changes to gambling legislation in markets the Sportsbook currently operates would become a significant future issue.

Of particular concern are the recent developments in Singapore, a significant Asian market for

betinternet, where the government have announced that they are intending to introduce legislation that could have an impact on our ability to take betting activity from this jurisdiction. Through our legal representation, the Board has engaged with the relevant authorities within Singapore as part of their public consultation on this matter and has strongly advocated the introduction of a balanced licensing and regulation framework, similar to that under which betinternet currently operates. This will ensure that any local concerns, particularly in areas of responsible gaming and the control of illegal activities are actively and effectively controlled.

The Board will announce any relevant updates on further regulatory developments through the normal reporting channels where we consider that our operations are impacted positively or negatively by any legislative changes.

## Summary and Outlook

Within WatchandWager, trading remains in line with the first half performance. However, the winter months have been impacted by the unprecedented severe weather conditions on the US East Coast, which have caused many race-meetings to be cancelled. These adverse conditions have affected every US facing operator and we anticipate that handle levels will return to normal once the weather improves.

In relation to the *watchandwager.com* website, we are currently in advanced planning to substantially increase our marketing efforts to obtain new accounts not only from within California, but also the other US states from which we are licensed to accept wagers. This activity will commence to tie in

with the run up to the prestigious US Triple Crown, which this year WatchandWager expects to cover in full for the first time.

As previously announced, we have recently signed an agreement with the Thoroughbred Owners of California that allows us to take wagers from Californian residents on thoroughbred racing throughout the US under our previously issued Advanced Deposit Wagering licence. This is a major step forward in the development of our US strategy.

We also anticipate being able to announce a major international partnership which, if successfully concluded, should make a significant addition to WatchandWager's turnover and profitability. I will notify shareholders as and when appropriate.

betinternet continues to trade in line with our expectations. In early December, we added a 'Playboy' branded Live Dealer to our existing portfolio of casino options, which offers an alternative theme for our customers to experience the live casino atmosphere online.

In conclusion, the Board is aware that there will be a number of exciting opportunities, as well as challenges, ahead for both of our operations within the forthcoming year. We remain very positive about the Group's future and are confident that the progress that we have achieved thus far continues to place us in a strong position.



**Denham Eke**  
Chairman

# Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 November 2013

		<b>Period to 30 November 2013 (unaudited) £000</b>	Period to 30 November 2012 (unaudited) £000	Period to 31 May 2013 (audited) £000
	Note			
<b>Turnover</b>	2	<b>79,228</b>	71,404	168,642
Cost of sales		<b>(76,580)</b>	(69,436)	(163,091)
Betting duty paid		<b>(51)</b>	(28)	(115)
<b>Gross profit</b>		<b>2,597</b>	1,940	5,436
Personnel expenses		<b>(744)</b>	(533)	(1,114)
Technology costs		<b>(192)</b>	(392)	(431)
Other expenses		<b>(1,080)</b>	(643)	(1,861)
Racetrack operating costs	4	<b>(439)</b>	(362)	(1,536)
Depreciation and amortisation		<b>(65)</b>	(72)	(130)
<b>Total operating profit/(loss)</b>		<b>77</b>	(62)	364
Net finance income/(costs)	3	<b>3</b>	(13)	(9)
Taxation	5	<b>—</b>	—	—
<b>Total comprehensive profit/(loss) for the period attributable to owners</b>		<b>80</b>	(75)	355
<b>Basic and diluted earnings/(loss) per share (pence)</b>	6	<b>0.02</b>	(0.03)	0.11

The notes on pages 8 to 16 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Financial Position

As at 30 November 2013

		<b>Period to 30 November 2013 (unaudited) £000</b>	Period to 30 November 2012 (unaudited) £000	Period to 31 May 2013 (audited) £000
	Note			
<b>Non-current assets</b>				
Intangible Assets — goodwill	7	<b>111</b>	111	111
Intangible Assets — other		<b>172</b>	221	193
Property, equipment and motor vehicles		<b>99</b>	43	96
Bonds and deposits	4	<b>137</b>	128	135
<b>Total non-current assets</b>		<b>519</b>	503	535
<b>Current assets</b>				
Receivables and prepayments	4	<b>1,357</b>	619	1,255
Cash and cash equivalents – company funds		<b>2,119</b>	1,243	2,475
Cash and cash equivalents – protected player balances		<b>3,518</b>	1,619	2,639
<b>Total current assets</b>		<b>6,994</b>	3,481	6,369
<b>Current liabilities</b>				
Trade and other payables		<b>(4,301)</b>	(2,100)	(3,765)
Bank loans		<b>(15)</b>	–	(15)
<b>Total current liabilities</b>		<b>(4,316)</b>	(2,100)	(3,780)
<b>Non-current liabilities</b>				
Bank loans		<b>(3)</b>	–	(10)
<b>Total liabilities</b>		<b>(4,319)</b>	(2,100)	(3,790)
<b>Net assets</b>		<b>3,194</b>	1,884	3,114
<b>Equity</b>				
Called up share capital		<b>3,933</b>	3,667	3,933
Share premium account		<b>10,583</b>	10,049	10,583
Share option reserve		<b>116</b>	116	116
Retained losses		<b>(11,438)</b>	(11,948)	(11,518)
<b>Total equity</b>		<b>3,194</b>	1,884	3,114

The notes on pages 8 to 16 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the period ended 30 November 2013

	Ordinary share capital £000	Share premium £000	Share option reserve £000	Profit and loss account £000	Total equity £000
<b>Balance as at 27 May 2012 (audited)</b>	2,302	10,049	116	(11,873)	594
Loss for the period	—	—	—	(75)	(75)
<b>Transactions with owners:</b>					
Arising on shares issued in the year	1,365	—	—	—	1,365
Share-based payment expense	—	—	—	—	—
<b>Balance as at 30 November 2012 (unaudited)</b>	3,667	10,049	116	(11,948)	1,884
Profit for the period	—	—	—	430	430
<b>Transactions with owners:</b>					
Arising on shares issued in the year	266	534	—	—	800
Share-based payment expense	—	—	—	—	—
<b>Balance as at 31 May 2013 (audited)</b>	3,933	10,583	116	(11,518)	3,114
Profit for the period	—	—	—	80	80
<b>Transactions with owners:</b>					
Arising on shares issued in the year	—	—	—	—	—
Share-based payment expense	—	—	—	—	—
<b>Balance as at 30 November 2013 (unaudited)</b>	<b>3,933</b>	<b>10,583</b>	<b>116</b>	<b>(11,438)</b>	<b>3,194</b>

The notes on pages 8 to 16 are an integral part of these condensed consolidated interim financial statements.



# Condensed Consolidated Statement of Cash Flows

For the period ended 30 November 2013

	<b>Period to 30 November 2013 (unaudited) £000</b>	Period to 30 November 2012 (unaudited) £000	Period to 31 May 2013 (audited) £000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>576</b>	(1,062)	1,634
<b>Cash flows from investing activities</b>			
Interest received	4	7	12
Purchase of intangible assets	(24)	(85)	(102)
Purchase of property, equipment and motor vehicles	(24)	(26)	(92)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(44)</b>	(104)	(182)
<b>Cash flows from financing activities</b>			
Interest paid	(1)	(20)	(21)
Loan financing received from Bank	(8)	—	25
Loan financing received from Burnbrae Limited	—	—	175
Issue of equity shares	—	1,365	800
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(9)</b>	1,345	979
Net increase in cash and cash equivalents	<b>523</b>	179	2,431
<b>Cash and cash equivalents at beginning of period</b>	<b>5,114</b>	2,683	2,683
<b>Net cash and cash equivalents at end of period</b>	<b>5,637</b>	2,862	5,114
<b>Cash and cash equivalents comprise</b>			
Cash and deposits	<b>5,637</b>	2,862	5,114
	<b>5,637</b>	2,862	5,114
<b>Cash generated from operations</b>			
Total operating profit/(loss)	<b>77</b>	(62)	364
Adjusted for:			
Depreciation and amortisation	<b>65</b>	72	130
Share-based payment expense	—	—	—
(Increase)/decrease in receivables	<b>(102)</b>	(126)	(769)
Increase/(decrease) in payables	<b>536</b>	(946)	1,909
	<b>576</b>	(1,062)	1,634

The notes on pages 8 to 16 are an integral part of these condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2013

## 1 Accounting policies

Webis Holdings plc is a company domiciled in the Isle of Man. The address of the Company's registered office is Viking House, Nelson Street, Douglas, Isle of Man, IM1 2AH.

The Group's condensed consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group").

### Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the period ended 31 May 2013.

### Basis of preparation

The accounting policies applied by the Group in their condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the period ended 31 May 2013.

The preparation of interim financial statements in conformity with IAS 34 "Interim Financial Reporting" requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, current and expected economic conditions, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### Going concern

The directors have prepared projected cash flow information for the next 12 months and are satisfied that the Group has adequate resources to meet its obligations as they fall due. The directors consider that it is appropriate that these interim financial statements are prepared on the going concern basis.

### Basis of consolidation

- (i) The consolidated financial statements incorporate the results of Webis Holdings plc and its subsidiaries. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue until the date that such control ceases.
- (ii) Intra-group balances and income and expenses arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial statements.

## 1 Accounting policies continued

### Foreign currency

The Group's financial statements are presented in Pounds Sterling, which is the Company's functional and presentational currency. All subsidiaries of the Group have Pounds Sterling as their functional currency, except for WatchandWager.com LLC which operates in United States Dollars.

Foreign currency transactions are translated into the functional currency using the approximate exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the period end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency using the exchange rates ruling at the date fair value was determined.

### Revenue recognition and turnover

Turnover represents the amounts staked in respect of bets placed by customers on events which occurred during the period. Cost of sales represents payouts to customers, together with commissions and royalties payable to agents and suppliers of software. Open betting positions are carried at fair market value.

### Segmental reporting

Segmental reporting is based on a three segment format, of which the primary format is the business areas in accordance with the Group's internal reporting structure and the secondary format is for geographical.

### Financing costs

Interest payable on borrowings is calculated using the effective interest rate method.

### Deferred income tax

Deferred taxation is provided in full, using the liability method, on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax is realised. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### Intangible assets – goodwill

Goodwill represents the excess of fair value consideration over the fair value of the identifiable assets and liabilities acquired, arising on the acquisition of subsidiaries. Goodwill is included in non-current assets. Goodwill is reviewed annually for impairment and is carried at costs less accumulated impairment losses. Goodwill arising on acquisitions before the transition date of 29 May 2006 has been retained at the previous UK GAAP value and is no longer amortised but is tested annually for impairment.

# Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2013

## 1 Accounting policies continued

### Intangible assets – other

Other intangible assets comprise website design and development costs, software licences and registered trademarks and are stated at acquisition cost less accumulated amortisation. Carrying amounts are reviewed at each financial position date for impairment.

Costs that are directly attributable to the development of websites are recognised as intangible assets provided that the intangible asset will generate probable economic benefits and income streams through external use in line with SIC 32 “Intangible assets – website costs”. Content development and operating costs are expensed as incurred.

Careful judgement by the directors is applied when deciding whether recognition requirements for development costs have been met and whether the assets will generate probable future economic benefit. Amortisation is calculated using the straight-line method, at annual rates estimated to write off the assets over their expected useful lives as follows:

Website design & development	33.33%
Software licences	33.33%
Trademarks	33.33%

### Property, equipment and motor vehicles

Items of property, equipment and motor vehicles are stated at historical cost less accumulated depreciation (see below) and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the financial position date. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Assets are depreciated over their expected useful lives as follows:

Equipment	33.33%
Fixtures & fittings	33.33%
Track equipment	20.00%
Motor vehicles	33.33%

## 1 Accounting policies continued

### Impairment of assets

Goodwill arising on acquisitions and other assets that have an indefinite useful life and are not subject to amortisation are reviewed at least annually for impairment.

Other intangible assets, property, plant and equipment are reviewed for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. Recoverable amount is the higher of fair value less costs to sell or value in use.

If at the financial position date there is any indication that an impairment loss is recognised in prior periods for an asset other than goodwill that no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

### Share-based payment expense

For all the employee share options granted, an expense is recognised in the income statement with a corresponding credit to equity. The equity share-based payment is measured at fair value at the date of the grant. Fair value is determined by reference to option pricing models, principally the Black–Scholes model.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

### Leasing

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### Financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Open sports bets are recognised when the Group becomes part to the contractual agreements of the instrument.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual terms of the instrument. Transaction costs are included in the initial measurement of financial instruments, except financial instruments classified at fair value through profit and loss.

# Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2013

## 1 Accounting policies continued

### Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal amounts as reduced to equal the estimated present value of the future cash flows.

### Cash and cash equivalents

Cash and cash equivalents are defined as cash in bank and in hand as well as bank deposits, money held for processors and cash balances held on behalf of players. Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### Bank borrowings

Interest bearing bank borrowings and overdrafts 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 charged on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

### Trade and other payables

Trade payables are non-interest bearing and are stated at amortised cost.

### Equity instruments

Equity instruments issued by the Group are recorded at proceeds received, net of direct costs.

### Open sports bets

The Group may have at any point in time an exposure on open sports bets. These bets meet the definition of a financial liability under International Accounting Standard 32 "Financial Instruments: Disclosure and Presentation", and therefore are recorded at fair value.

## 2 Segmental Analysis

	<b>Period to 30 November 2013 (unaudited) £000</b>	Period to 30 November 2012 (unaudited) £000	Period to 31 May 2013 (audited) £000
<b>Turnover</b>			
<b>Sportsbook</b>			
Asia Pacific	<b>40,812</b>	41,018	77,056
Europe	<b>5,092</b>	4,059	7,246
UK & Ireland	<b>3,816</b>	6,535	10,833
Rest of the World	<b>1,579</b>	663	1,828
<b>Pari-mutuel</b>			
United States	<b>15,262</b>	12,091	54,820
Asia Pacific	<b>7,349</b>	2,401	6,419
Caribbean	<b>3,972</b>	4,541	9,901
UK & Ireland	<b>1,044</b>	96	399
Rest of the World	<b>302</b>	—	140
	<b>79,228</b>	71,404	168,642
<b>Profit/(loss) before tax</b>			
Sportsbook	<b>179</b>	(30)	247
Pari-mutuel and Racetrack Operations	<b>(99)</b>	(45)	108
Group	<b>—</b>	—	—
	<b>80</b>	(75)	355
<b>Net assets/(liabilities)</b>			
Sportsbook	<b>(544)</b>	(1,000)	(723)
Pari-mutuel and Racetrack Operations	<b>1,659</b>	1,605	1,758
Group	<b>2,079</b>	1,279	2,079
	<b>3,194</b>	1,884	3,114

## 3 Net finance income/(costs)

	<b>Period to 30 November 2013 (unaudited) £000</b>	Period to 30 November 2012 (unaudited) £000	Period to 31 May 2013 (audited) £000
Bank interest receivable	<b>4</b>	7	12
	<b>4</b>	7	12
Bank interest payable	<b>(1)</b>	—	(1)
Loan interest payable	<b>—</b>	(20)	(20)
	<b>(1)</b>	(20)	(21)
Net finance income/(costs)	<b>3</b>	(13)	(9)

# Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2013

## 4 Racetrack operating costs and bonds

Cal Expo Harness racetrack incurred £439,000 (2012: £362,000) of operating costs. Included within this are staff costs of £216,000 (2012: £117,000), professional costs of £141,000 (2012: £79,000), property costs of £47,000 (2012: £39,000) and insurance costs of £33,000 (2012: £25,000).

As part of the investment in Cal Expo, WatchandWager.com LLC has provided current and non-current deposits and bonds totalling £173,705 (2012: £166,694) at the period end.

## 5 Taxation

	<b>Period to 30 November 2013 (unaudited) £000</b>	Period to 30 November 2012 (unaudited) £000	Period to 31 May 2013 (audited) £000
Profits/(losses) before tax	80	(75)	355
Tax charge at IOM standard rate (0%)	—	—	—
Adjusted for:			
Tax credit for US tax losses (at 15%)	<b>(32)</b>	(20)	(21)
Add back deferred tax losses not recognised	<b>32</b>	20	21
Tax charge for the year	<b>—</b>	—	—

## 6 Earnings per ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares, on the assumed conversion of all dilutive share options.

	<b>Period to 30 November 2013 (unaudited) £000</b>	Period to 30 November 2012 (unaudited) £000	Period to 31 May 2013 (audited) £000
Profit/(loss) for the period	<b>80</b>	(75)	355
	<b>No.</b>	No.	No.
Weighted average number of ordinary shares in issue	<b>393,338,310</b>	268,318,130	330,148,762
Diluted number of ordinary shares	<b>407,338,310</b>	282,318,130	344,148,762
Basic earnings/(loss) per share	<b>0.02</b>	(0.03)	0.11
Diluted earnings/(loss) per share	<b>0.02</b>	(0.03)	0.11



## 7 Intangible Assets – goodwill

The goodwill relates to the acquisition of the pari-mutuel business which is both a cash generating unit and a reportable segment, including goodwill arising on the acquisition in 2010 of WatchandWager.com LLC, a US registered entity licenced for pari-mutuel wagering in North Dakota.

The Group tests intangible assets annually for impairment, or more frequently if there are indicators that the intangible assets may be impaired. The recoverable amount of goodwill on both pari-mutuel business units has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Directors. As at the balance sheet date the carrying value of the goodwill was not considered to be impaired.

The key assumptions on which the Directors have based their three year discounted cash flow analysis are a pre-tax discount rate of 15% and growth rate in pari-mutuel business of 2%. The assumption of growth rate in pari-mutuel business has been based on the historic performance of the business as well as forecast performance based on the Board's plan to invest further in this business. In respect of the value in use calculations, cash flows have been considered for both the conservative and the full forecast potential of future cash flows with no impact to the valuation of goodwill.

## 8 Related party transactions

### Identity of related parties

The Group has a related party relationship with its subsidiaries, and with its Directors and executive officers, with Burnbrae Ltd (significant shareholder) and with Conister Bank Ltd (common director and shareholder).

### Transactions with and between subsidiaries

Transactions with and between the subsidiaries in the Group which have been eliminated on consolidation are considered to be related party transactions.

### Transactions with entities with significant influence over the Group

Rental and service charges of £16,260 (2012: £14,990), loan interest of £Nil (2012: £20,809) and Directors' fees of £10,000 (2012: £12,000) were charged in the period by Burnbrae Limited of which Denham Eke is a common director. A loan of £17,682 was owed to Conister Bank Ltd at the period end (2012: £Nil).

### Transactions with other related parties

Cash deposits totalling £4,650,978 (2012: £1,812,074) were held with Conister Bank Ltd at the period end.

# Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2013

## **9 Preparation of the interim statements**

The interim statements are unaudited, but have been reviewed in accordance with International Standards on Review Engagements 2410, by our independent auditor, KPMG Audit LLC.

The comparatives for the 52 weeks ended 31 May 2013 are not the Group's full statutory accounts for that financial period. Those accounts have been reported on by the Group's auditor and delivered to the Companies Registry. The report of the auditor was unqualified.

## **10 Approval of interim statements**

The interim statements were approved by the Board on 20 February 2014. The interim report is expected to be posted to shareholders on 25 February 2014 and will be available from that date at the Group's Registered Office: Viking House, Nelson Street, Douglas, Isle of Man, IM1 2AH.

The Group's nominated adviser and broker is Beaumont Cornish Limited, 2nd Floor, Bowman House, 29 Wilson Street, London EC2M 2SJ.



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