2008

Interim report

webisholdings plc

betinternet.com

EUROPEAN WAGERING SERVICES

Welcome to Webis Holdings plc

Webis Holdings plc has a growing global customer base, placing bets on a wide variety of sports, through fixed odds and pari-mutuel, as well as wagering in our casinos and games suites.

Our subsidiaries are:

betinternet.com (IOM) Limited
– the operator of the **betinternet.com** sportsbook portal, which provides opportunities for our customers to wager on an expanding variety of sporting events, combined with casinos, slots and fixed-odds games.

European Wagering Services Limited
– the operator of the **link2bet.com** pari-mutuel website and a provider of pari-mutuel technology services to our global client base, utilising our Isle of Man-based totalisator hub.

Our customers place bets on all the major global sports — football, US sports, golf, tennis, formula 1, greyhound and horse racing. Our growing range of wagering opportunities reflects the diversity of sports played around the world.

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Chairman's Statement

Introduction

I am very pleased to report that the Company has continued its good progress and has achieved an operating profit of £256k (2007: £44k operating loss) for the six months ended 30 November 2008. The Company also recorded a post-tax profit of £252k (2007: £388k loss) and these results clearly represent a substantial turnaround in the performance of the business.

betinternet.com

This period included the finals of the European Football Championships in June 2008 when we saw an increase in turnover and profitability through our betinternet.com sportsbook portal. We also experienced more play through our two casino and fixed-odds games during the first half of the financial year, especially from the end of the European Championships through to early August, when there were fewer quality football matches to bet on.

We have continued our strategy of increasing our sportsbook marketing spend, especially within Europe, where we have concentrated on horse race sponsorship. During the period, we sponsored a number of races at Chepstow, Newmarket and Sandown Park and our brand received very good exposure on both terrestrial and satellite television channels in the UK and Ireland. The races that we sponsored included The Fred Archer Stakes, The Criterion Stakes, The Solario Stakes and the inaugural running of the London National, all of which carried the betinternet.com branding.

We have also been extremely busy on a number of other sportsbook projects during the period. We launched our first sportsbook white-label solution in early November and we have developed an affiliate scheme based on revenue-sharing. This scheme offers highly competitive rates for affiliates bringing us the most profitable types of business and, whilst still at an early stage, take-up to date has been promising. In addition, we completed the upgrade and relocation of our sportsbook hardware environment.

European Wagering Services ("EWS")

The Company's pari-mutuel operation, EWS, achieved an 8% increase in turnover through our totalisator hub. We also launched our new link2bet.com website in September 2008 and have since seen a steady increase in customers through this channel.

In addition, I am pleased to announce that we have recently received approval that will enable us to offer content to our customers from both the Magna and Churchill Downs racetrack groups. We anticipate that the addition of this high-quality content will have a positive impact on our future turnover.

Overview of results

Group turnover and gross profit increased to £71.5m (2007: £53.0m) and £1.70m (2007: £1.27m) respectively during the period under review. betinternet.com's turnover increased by 44.5% during the period to £56.4m (2007: £39.0m). EWS's turnover grew by 7.8% to £15.1m (2007: £14.0m). Overall, the gross margin achieved was consistent with the prior year at 2.38% (2007: 2.40%).

Operating expenses rose to £1.32m (2007: £1.23m) as we increased our expenditure on sportsbook marketing and invested a further £100k in upgrading our hardware. We also incurred greater transactional costs, in line with the increase in our turnover. However, we continue to reduce costs in a number of other areas and, in particular, have started to see some significant savings in the racetrack settlement costs for EWS, following our decision to change agent in October.

The Group made an operating profit of £256k during the period (2007: £44k operating loss). Group pre-tax profit for the period was £252k (2007: £388k pre-tax loss, including £314k relating to the write-off of the investment in Global Coresports Limited).

Convertible loan note

On 4 February 2009, the Company entered into an agreement with its major shareholder, Burnbrae Limited ("Burnbrae"), to extend the repayment date of a £300,000 convertible loan note ("the Loan Note").

The Loan Note was originally entered into on 23 February 2007 and raised £300,000 for the Company before costs. It carried a coupon rate of LIBOR plus 4%, entitled Burnbrae to convert the aggregate amount of the Loan Note outstanding at the rate of one Ordinary Share for every 7.5 pence of such amount converted and was due to be repaid on 23 February 2009.

The terms of the Loan Note remain unchanged except that Burnbrae will now be entitled to convert the aggregate amount of the Loan Note outstanding at the rate of one Ordinary Share for every 1.526 pence of such amount converted up until the new repayment date of 23 February 2011.

Conversion of the Loan Note would result in the issue of up to 19,659,239 new Ordinary Shares, which would increase the holding of Burnbrae and its connected parties from 108,359,465 Ordinary Shares (or 52.39% of the Company's issued share capital) to up to 128,018,704 Ordinary Shares (or up to 56.52% of the Company's enlarged issued share capital).

Outlook

We continue to work on website enhancements and product development for both betinternet.com and EWS.

Within the sportsbook, we are currently working on the first phase of upgrading our 'In-Running' football offering. This will enable us to expand the number of matches that we cover 'In-Running' and therefore offer additional betting opportunities to appeal to our growing European customer base.

We will continue our strategy of sponsorship at select racecourses around the UK to enhance the profile and ultimately the strength of the betinternet.com brand.

For EWS, we are planning to expedite the integration of payment processing systems and other product enhancements as we start to bring the software development for EWS in-house in early 2009. As a result of these continuing enhancements, the board anticipates that we will generate an increasing percentage of our revenues through our higher-margin Internet channel, link2bet.com, and this should offset any potential reduction in revenue as a result of the economic downturn having an impact on our customers.

We are in the process of upgrading parts of our EWS systems in preparation for the relocation of the EWS hardware environment to a purpose-built hosting facility, as we have already done with betinternet.com's hardware.

Despite the current difficult global economic conditions, the board is optimistic that the Company can build on the excellent progress made during the period under review and continue to grow both betinternet.com and EWS during the second half of the financial year.

Denham Eke

Denham Eke
Chairman

Consolidated Income Statement

for the period ended 30 November 2008

	Note	Period to 30 November 2008 (unaudited) £000	Period to 25 November 2007 (unaudited) £000	Period to 25 May 2008 (audited) £000
Turnover	2	**71,470**	53,027	117,185
Cost of sales		**(69,755)**	(51,743)	(114,402)
Betting duty paid		**(14)**	(12)	(25)
Gross profit		**1,701**	1,272	2,758
Administration expenses		**(1,320)**	(1,229)	(2,543)
Earnings before interest, tax and depreciation		**381**	43	215
Depreciation		**(114)**	(77)	(161)
Share-based costs	3	**(11)**	(10)	(20)
Total operating profit/(loss)		**256**	(44)	34
Investment written off	4	**—**	(314)	(321)
Net finance cost	5	**(4)**	(30)	(60)
Tax	6	**—**	—	—
Profit/(loss) for the period		**252**	(388)	(347)
Basic profit/(loss) per share (pence)	7	**0.12**	(0.20)	(0.17)
Diluted profit/(loss) per share (pence)	7	**0.12**	(0.20)	(0.17)

The notes on pages 8 to 15 are an integral part of these consolidated interim financial statements.

Consolidated Balance Sheet

as at 30 November 2008

	Note	Period to 30 November 2008 (unaudited) £000	Period to 25 November 2007 (unaudited) £000	Period to 25 May 2008 (audited) £000
Non-current assets				
Intangible assets — Goodwill		**43**	43	43
Intangible assets — Software and Website development		**302**	190	231
Property, plant and equipment		**104**	91	119
		449	324	393
Current assets				
Receivables and prepayments		**842**	935	647
Cash and cash equivalents		**1,164**	765	1,018
		2,006	1,700	1,665
Total assets		**2,455**	2,024	2,058
Current liabilities				
Bank overdraft		**(345)**	(506)	(59)
Trade and other payables		**(1,340)**	(1,487)	(1,492)
Convertible loan notes	8	**(300)**	—	(300)
		(1,985)	(1,993)	(1,851)
Non-current liabilities				
Convertible loan notes	8	**—**	(300)	—
Total liabilities		**(1,985)**	(2,293)	(1,851)
Net assets/(liabilities)		**470**	(269)	207
Shareholders' equity				
Called up share capital		**2,068**	1,970	2,068
Share premium		**9,927**	9,600	9,927
Share option reserve		**60**	39	49
Profit and loss account		**(11,585)**	(11,878)	(11,837)
Total shareholders' equity		**470**	(269)	207

The notes on pages 8 to 15 are an integral part of these consolidated interim financial statements.

Statement of Changes in Shareholders' Equity

for the period ended 30 November 2008

	Ordinary share capital £000	Share option reserve £000	Share premium £000	Retained earnings £000	Total equity £000
Balance as at 27 May 2007 (audited)	1,970	29	9,600	(11,490)	109
Issue of ordinary shares	—	—	—	—	—
Share-based payments — share options	—	10	—	—	10
Profit for the period	—	—	—	(388)	(388)
Balance as at 25 November 2007 (unaudited)	1,970	39	9,600	(11,878)	(269)
Issue of ordinary shares	98	—	327	—	425
Share-based payments — share options	—	10	—	—	10
Loss for the period	—	—	—	41	41
Balance as at 25 May 2008 (audited)	2,068	49	9,927	(11,837)	207
Issue of ordinary shares	—	—	—	—	—
Share-based payments — share options	—	11	—	—	11
Profit for the period	—	—	—	252	252
Balance as at 30 November 2008 (unaudited)	2,068	60	9,927	(11,585)	470

The notes on pages 8 to 15 are an integral part of these consolidated interim financial statements.

Consolidated Statement of Cash Flows

for the period ended 30 November 2008

	Period to 30 November 2008 (unaudited) £000	Period to 25 November 2007 (unaudited) £000	Period to 25 May 2008 (audited) £000
Net cash inflow from operating activities	**34**	133	598
Cash flows from investing activities			
Interest received	**7**	4	5
Acquisition of investment	**—**	—	(8)
Purchase of intangible assets	**(146)**	(73)	(163)
Purchase of property and equipment	**(24)**	(2)	(64)
Net cash outflow from investing activities	**(163)**	(71)	(230)
Cash flows from financing activities			
Issue of equity shares	**—**	—	425
Interest paid	**(11)**	(34)	(65)
Net cash (outflow)/inflow from financing activities	**(11)**	(34)	360
Net (decrease)/increase in cash and cash equivalents	**(140)**	28	728
Cash and cash equivalents at beginning of period	**959**	231	231
Net cash and cash equivalents at end of period	**819**	259	959
Cash and cash equivalents comprise			
Cash and deposits	**1,164**	765	1,018
Bank overdraft	**(345)**	(506)	(59)
	819	259	959
Cash generated from operations			
Profit/(loss) from operation	**256**	(44)	34
Adjusted for:			
Depreciation	**114**	77	161
Share-based payment charge	**11**	10	20
(Increase)/decrease in debtors	**(195)**	(123)	165
(Decrease)/increase in creditors	**(152)**	213	218
	34	133	598

Notes to the Accounts

for the period ended 30 November 2008

1 Accounting policies

Webis Holdings plc (formerly betinternet.com 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 consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group").

Statement of compliance

The 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 25 May 2008.

Basis of preparation

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 meets 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) Intragroup balances and income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

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.

Notes to the Accounts continued

for the period ended 30 November 2008

1 Accounting policies continued

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.

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 open 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 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.

Intangible assets — Other

Other intangible assets comprise website design & development costs and software licences and are stated at acquisition cost less accumulated amortisation. Carrying amounts are reviewed at each balance sheet 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.

Notes to the Accounts continued

for the period ended 30 November 2008

1 Accounting policies continued

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%

Property, plant and equipment

Items of property, plant and equipment 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 balance sheet 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%

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 and value in use.

If at the Balance Sheet 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 payments

For all the employee share options granted after 7 November 2002 and vesting on or after 29 May 2006, 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.

Notes to the Accounts continued

for the period ended 30 November 2008

1 Accounting policies continued

Financial instruments

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:

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 and money held for processors. 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 nominal value.

Convertible loans
Convertible loan notes are interest bearing and are stated at fair value.

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

Notes to the Accounts continued

for the period ended 30 November 2008

2 Segmental analysis

		Period to 30 November 2008 (unaudited) £000	Period to 25 November 2007 (unaudited) £000	Period to 25 May 2008 (audited) £000
Turnover				
Sportsbook	Far East	**42,231**	29,965	66,714
	UK & Ireland	**3,995**	3,568	9,253
	Europe	**7,238**	4,209	8,319
	Rest of the World	**2,920**	1,285	2,476
Pari-mutuel	United States	**15,086**	14,000	30,423
		71,470	53,027	117,185
Profit/(loss) before tax				
Sportsbook		**131**	(264)	(416)
Pari-mutuel		**146**	190	393
Group		**(25)**	(314)	(324)
		252	(388)	(347)
Net assets/(liabilities)				
Sportsbook		**193**	(264)	62
Pari-mutuel		**730**	381	584
Group		**(453)**	(386)	(439)
		470	(269)	207

Notes to the Accounts continued

for the period ended 30 November 2008

3 Share-based costs

	Period to 30 November 2008 (unaudited) £000	Period to 25 November 2007 (unaudited) £000	Period to 25 May 2008 (audited) £000
Share options	**11**	10	20
	11	10	20

4 Investment written off

In November 2007 the Group wrote off its investment in Global Coresports Limited, an Isle of Man-based gaming software developer. In the absence of further funding, the company was unable to continue trading.

5 Net finance costs

	Period to 30 November 2008 (unaudited) £000	Period to 25 November 2007 (unaudited) £000	Period to 25 May 2008 (audited) £000
Bank interest receivable	**7**	3	5
	7	3	5
Bank interest payable	**(3)**	(9)	(24)
Loan interest payable	**(8)**	(24)	(41)
	(11)	(33)	(65)
Net finance costs	**(4)**	(30)	(60)

Notes to the Accounts continued

for the period ended 30 November 2008

6 Tax on profit/(loss) on ordinary activities

No provision for taxation is required for either the current or previous period, due to the zero per cent corporate tax regime in the Isle of Man.

Unprovided deferred tax was £Nil (2007: £Nil).

7 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 the 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 options.

An adjustment for the dilutive effect of share options and convertible debt in the period has not been reflected in the calculation of the diluted loss per share, as the effect would have been anti-dilutive.

	Period to 30 November 2008 (unaudited) £000	Period to 25 November 2007 (unaudited) £000	Period to 25 May 2008 (audited) £000
Profit/(loss) for the period	**252**	(388)	(347)

	No.	No.	No.
Weighted average number of ordinary shares in issue	**206,826,667**	196,977,779	200,674,485
Diluted number of ordinary shares	**206,826,667**	196,977,779	200,674,485
Basic earnings/(loss) per share	**0.12**	(0.20)	(0.17)
Diluted earnings/(loss) per share	**0.12**	(0.20)	(0.17)

Notes to the Accounts continued

for the period ended 30 November 2008

8 Convertible loan note

	Period to 30 November 2008 (unaudited) £000	Period to 25 November 2007 (unaudited) £000	Period to 25 May 2008 (audited) £000
Convertible loan note	**300**	300	300

The Group issued a £300,000 secured convertible loan note to Burnbrae Limited on 23 February 2007. The loan note is secured over all the assets and undertakings of the Group and bears interest at the rate of LIBOR plus 4%. The loan is due to be repaid on 23 February 2009 but the Group has agreed with Burnbrae Limited to extend the loan facility, under the same interest terms, for a further two years and it is now repayable on 25 February 2011.

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 25 May 2008 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 4 February 2009. The interim report is expected to be posted to shareholders on 12 February 2009 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 Evolution Securities, Kings House, 1 Kings Street, Leeds, LS1 2HH.

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webisholdings plc

Webis Holdings plc
Viking House, Nelson Street
Douglas, Isle of Man
IM1 2AH, British Isles

Tel: +44 (0) 1624 698141
Fax: +44 (0) 1624 698134

Email: info@betinternet.com
Website: www.webisholdingsplc.com