webisholdings plc

Global Online Gaming Group

Interim Report for the period ended 27 November 2011

Stock Code: WEB

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 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.

Contents

Group at a Glance

www.betinternet.com

betinternet.com (IOM) Limited and betinternet.com NV
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.

- Fixed odds sports betting
- Comprehensive football offering
- UK and Irish horse racing
- Improved casinos and games suites
- Provider of white label gaming solutions

Turnover: £38.95m

Share of Group sales

73%
(2010: £36.2m and 65%)

www.link2bet.com

European Wagering Services Limited
Provider of pari-mutuel (tote) advanced deposit wagering (ADW) to a global consumer and business to business client base, through a variety of distribution channels.

- Offers pari-mutuel account wagering on North American and Australian content currently
- Accepts wagers through main site www.link2bet.com, call centre and batch wagering interfaces
- Contracts with over 90 global tracks for international wagering
- Recently acquired WatchandWager.com LLC in the US, licensed by the North Dakota Racing Commission
- Planning US growth strategy through web development, content acquisition and US marketing plans

Turnover: £14.52m

Share of Group sales

27%
(2010: £19.4m and 35%)

Chairman's Statement

Introduction

The results for the six months ended 27 November 2011 show the Group recorded a loss at EBITDA level of £17k for the period (2010: £301k profit). The Group's pari-mutuel platform, European Wagering Services Limited ("EWS"), has had a particularly challenging period but improved over the latter part to record an EBITDA profit of £53k (2010: £27k EBITDA loss). The Group's sportsbook operation, betinternet.com (IOM) Limited ("betinternet"), incurred an EBITDA loss of £70k (2010: EBITDA profit of £274k). Group turnover remained broadly unchanged at £53.5m (2010: £55.6m). The Group recorded an operating loss of £138k (2010: £162k profit).

betinternet

Although there was no major football tournament last summer, betinternet.com has seen sustained turnover growth, particularly in the Asia Pacific region, within its fixed-odds betting business throughout this period and into the start of the new football season. Turnover on its fixed odds business increased by 28% to £18,025k (2010: £14,040k). This growth has been driven by continuing to increase betinternet's product and content offering, which commenced during the second half of the last financial year. It is anticipated that further growth can be achieved in the second half of the year with the introduction of In Play Asian Handicaps as well as other attractive markets.

As previously notified, activity levels within betinternet's casino and games decreased. This was due to a lack of high-roller activity, which continues to be impacted by the global economic climate and a declining margin. We are now in the process of taking appropriate action by allocating funds to marketing measures such as customer bonuses and promotions, with a view to stimulating an increase in activity levels during the second half of the year.

EWS

It has been a difficult trading period for EWS due to the previously documented issues with customer payment processing and declining turnover from its B2B division. For these reasons, EWS turnover has decreased by 25% to £14.5m (2010: £19.5m) but gross margin has improved to 3.8% (2010: 2.9%). We have now stabilised our payment issues with the introduction of a new secure solution during the early part of this year, and we will look to provide further back up solutions in the second half. These developments, coupled with small increases in United States domestic and international content and renewed promotion to our existing database, produced an improved performance during the latter part of the period. EWS has been able to increase its active customers by 28% from July 2011's low point and we expect this trend to continue as customers return to the website.

We continue our efforts to provide additional racetrack content and we have signed several new racetrack contracts during the period. To assist with this process of obtaining additional racetrack content we commissioned the Thoroughbred Racing Protective Bureau ("TRPB") to updates its report on EWS. We expect this report to be issued during the first quarter of 2012.

During the period, we completed the migration of our Hub Operations facility to our contracted Tote providers, AmTote in Maryland, USA. This resulted in some cost savings in our Isle of Man operation and is part of our strategy to outsource more of our technical development to specialists within the e-gaming and pari-mutuel space.

Overview of Results

Group turnover has reduced to £53.5m (2010: £55.6m) during the period under review, primarily due to a significant drop in EWS' turnover to £14.5m (2010: £19.5m). betinternet's turnover has increased by 8% to £39.0m, (2010: £36.1m), as a result of the additional content which has been added to the site and has proved popular in our Asia Pacific markets.

Group gross margins were 2.54% (2010: 2.92%), generating gross profit of £1.36m (2010: £1.60m). betinternet gross margin was 2.1% (2010: 2.9%), with a gross profit of £813k (2010: £1064k). The reduction in gross margin is attributable to a reduction in margin on games and casinos and a fall in the sports betting margin due to there being no major summer football tournament. EWS' gross margin improved to 3.8% (2010: 2.9%), generating a gross profit of £0.55m (2010: £0.56m), primarily as a result of the stabilisation of customer payment processing issues during the period.

Administration expenses have increased by 4.5% to £1.38m (2010: £1.32m), primarily as a result of increased expenditure on betinternet for the cost of data feeds that drive our In Play content.

Funding

In July 2011, in order to comply with Isle of Man legislation, the Group deposited £1,130k in designated client bank accounts. This was part funded via a short term loan facility from Burnbrae Limited on standard commercial terms.

Summary and outlook

betinternet will continue to make further enhancements to its In Play content. In particular, significant progress has been made during the latter part of the calendar year on In Play Asian Handicap content and these markets went live on the website in December 2011. We anticipate that these additional markets will drive further growth in sports betting during the second half of the year.

We are now implementing a program of further design enhancements for the betinternet website and the majority of these should be implemented during the second half. These include a new payments page and continued improvements to the look and feel, all with the purpose of improving the customer experience. betinternet has also recently enhanced its horse racing product with the addition of full race silks and runner information, which went live in December 2011.

The improvement in EWS' performance during the latter part of the first half has been maintained over recent weeks. The Board is also pleased to announce that EWS has now been approved by the US Embassy in London for E2 Treaty Trader Visa Status in the US. This three year approval on the back of "substantial investment in the US", grants the ability for the operation to transfer employees to its US subsidiary, WatchandWager LLC, as appropriate. Following this approval, Ed Comins, Pari-mutuel Operations Director has now relocated to the WatchandWager offices in San Francisco, to oversee implementation of our US strategy.

The Board remains committed to its US development, sales and marketing strategy. The key challenges remain the provision of further US facing payment processing facilities and progress in this area will most likely be enhanced by its US presence. Recruitment of domestic US thoroughbred and other international content remains another key priority, albeit it should be noted that many of the key US thoroughbred track and media groups are becoming increasingly protective towards awarding their simulcast (wagering) rights in the current market. This is a potential barrier to entry although it is expected that the updated TRPB report on our business will assist with this. An additional part of our plans will be to outsource further elements of our technology platform to proven operators within the US wagering market and this is expected to be fully completed by mid-2012.

Finally the Board welcomes the recent (23 December 2011) US Department of Justice announcement regarding its position in relation to the Wire Act in the US. As an existing licensed operator and first mover within the US, we will be monitoring the impact of this development on e-gaming in the US on a State and Federal level through the year.

Denham Eke
Chairman
1 February 2012

Consolidated Income Statement

For the period ended 27 November 2011

	Note	**Period to 27 November 2011 (unaudited) £000**	Period to 28 November 2010 (unaudited) £000	Period to 29 May 2011 (audited) £000
Turnover	2	**53,474**	55,611	105,546
Cost of sales		**(52,101)**	(53,970)	(102,470)
Betting duty paid		**(15)**	(19)	(36)
Gross profit		**1,358**	1,622	3,040
Administration expenses		**(1,375)**	(1,321)	(2,891)
(Loss)/earnings before interest, tax, depreciation and amortisation		**(17)**	301	149
Depreciation		**(104)**	(125)	(248)
Share-based costs	3	**—**	(5)	(9)
Total operating (loss)/profit		**(121)**	171	(108)
Net finance cost	4	**(17)**	(9)	(2)
Taxation	5	**—**	—	—
(Loss)/profit for the period		**(138)**	162	(110)
Basic (loss)/profit per share (pence)	6	**(0.06)**	0.08	(0.05)
Diluted (loss)/profit per share (pence)	6	**(0.06)**	0.07	(0.05)

The notes on pages 8 to 13 are an integral part of these consolidated interim financial statements.

Consolidated Balance Sheet

As at 27 November 2011

	Note	**27 November 2011 (unaudited) £000**	28 November 2010 (unaudited) £000	29 May 2011 (audited) £000
Non-current assets				
Intangible assets — goodwill	7	**111**	111	111
Intangible assets — software, website development and Trademarks		**215**	272	231
Property and equipment		**18**	48	34
		344	431	376
Current assets				
Receivables and prepayments		**811**	975	838
Cash and cash equivalents		**2,196**	997	1,470
		3,007	1,972	2,308
Total assets		**3,351**	2,403	2,684
Current liabilities				
Trade and other payables		**(2,854)**	(1,556)	(2,049)
Convertible loan note	8	**—**	(300)	—
Total current liabilities		**(2,854)**	(1,856)	(2,049)
Net assets		**497**	547	635
Shareholders' equity				
Called up share capital		**2,302**	2,068	2,302
Share premium account		**10,049**	9,927	10,049
Share option reserve		**116**	112	116
Profit and loss account		**(11,970)**	(11,560)	(11,832)
Total shareholders' equity		**497**	547	635

The notes on pages 8 to 13 are an integral part of these consolidated interim financial statements.

Statement of Changes in Shareholders' Equity

For the period ended 27 November 2011

	Ordinary share capital £000	Share premium £000	Share option reserve £000	Profit and loss account £000	Total equity £000
Balance as at 30 May 2010 (audited)	2,068	9,927	107	(11,722)	380
Total comprehensive profit for the period	—	—	—	162	162
Transactions with owners:					
Share-based payment expense	—	—	5	—	5
Balance as at 28 November 2010 (unaudited)	2,068	9,927	112	(11,560)	547
Total comprehensive loss for the period	—	—	—	(272)	(272)
Transactions with owners:					
Arising on shares issued in the year	234	122	—	—	356
Share-based payment expense	—	—	4	—	4
Balance as at 29 May 2011 (audited)	2,302	10,049	116	(11,832)	635
Total comprehensive loss for the period	—	—	—	(138)	(138)
Transactions with owners:					
Share-based payment expense	—	—	—	—	—
Balance as at 27 November 2011 (unaudited)	**2,302**	**10,049**	**116**	**(11,970)**	**497**

The notes on pages 8 to 13 are an integral part of these consolidated interim financial statements.

Consolidated Statement of Cash Flows

For the period ended 27 November 2011

	Period to 27 November 2011 (unaudited) £000	Period to 28 November 2010 (unaudited) £000	Period to 29 May 2011 (audited) £000
Net cash inflow from operating activities	**815**	429	607
Cash flows from investing activities			
Interest received	**3**	—	—
Purchase of intangible assets	**(72)**	(53)	(183)
Purchase of property and equipment	**—**	(6)	(12)
Acquisition of investment	**—**	(68)	—
Net cash outflow from investing activities	**(69)**	(127)	(195)
Cash flows from financing activities			
Interest paid	**(20)**	(9)	(2)
Issue of equity shares	**—**	—	356
Net cash (outflow)/inflow from financing activities	**(20)**	(9)	354
Net increase in cash and cash equivalents	**726**	293	766
Cash and cash equivalents at beginning of year	**1,470**	704	704
Net cash and cash equivalents at end of year	**2,196**	997	1,470
Cash and cash equivalents comprise			
Cash and deposits	**2,196**	997	1,470
	2,196	997	1,470
Cash generated from operations			
(Loss)/profit from operations	**(121)**	171	(108)
Adjusted for:			
Depreciation	**104**	125	248
Share-based payment cost	**—**	5	9
Decrease/(increase) in receivables	**27**	(141)	(4)
Increase in payables	**805**	269	462
	815	429	607

The notes on pages 8 to 13 are an integral part of these consolidated interim financial statements.

Notes to the Accounts

For the period ended 27 November 2011

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 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 29 May 2011.

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 18 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) 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.

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 fair market value.

1 **Accounting policies** continued

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 and development costs and software licences and 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%
Trademarks	33.33%
Software licences	33.33%

Property and equipment

Items of property 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 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%

Notes to the Accounts continued

For the period ended 27 November 2011

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 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 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 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.

Financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Ante-post sports bets are recognised when the Company becomes party 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 as at fair value through profit and loss. The subsequent measurement of financial instruments is dealt with below.

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 their future cash flows.

Cash and cash equivalents

Cash and cash equivalents defined as cash at 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.

1 **Accounting policies** continued

Convertible loans

Convertible loan notes are interest bearing and are stated at amortised cost.

The convertible loan note has been classified fully as a liability in the balance sheet, as in the view of the directors it does not meet the definition under International Reporting Standard 32 for an element to be disclosed under equity.

Equity instruments

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

Ante-post sports bets

The Group may have at any point in time an exposure on ante-post 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 initially at fair value, and subsequently at amortised cost using the effective interest method.

2 Segmental analysis

		Period to 27 November 2011 (unaudited) £000	Period to 28 November 2010 (unaudited) £000	Period to 29 May 2011 (audited) £000
Turnover				
Sportsbook	Asia Pacific	**32,357**	28,654	57,863
	UK & Ireland	**4,528**	5,166	8,692
	Europe	**1,647**	1,740	4,070
	Rest of the World	**420**	597	802
Pari-mutuel	United States	**7,715**	10,120	17,694
	Caribbean	**5,249**	9,334	13,912
	Asia Pacific	**1,294**	—	2,513
	UK & Ireland	**264**	—	—
		53,474	55,611	105,546
(Loss)/profit before tax				
Sportsbook		**(177)**	163	1
Pari-mutuel		**39**	3	(102)
Group		**—**	(4)	(9)
		(138)	162	(110)
Net assets/(liabilities)				
Sportsbook		**(924)**	(593)	(756)
Pari-mutuel		**1,740**	1,582	1,477
Group		**(319)**	(442)	(86)
		497	547	635

3 Share-based costs

	Period to 27 November 2011 (unaudited) £000	Period to 28 November 2010 (unaudited) £000	Period to 29 May 2011 (audited) £000
Share options	**—**	5	9
	—	5	9

Notes to the Accounts continued

For the period ended 27 November 2011

4 Net finance cost

	Period to 27 November 2011 (unaudited) £000	Period to 28 November 2010 (unaudited) £000	Period to 29 May 2011 (audited) £000
Bank interest receivable	**3**	—	—
	3	—	—
Bank interest payable	**—**	(4)	(5)
Loan interest payable	**(20)**	(5)	3
	(20)	(9)	(2)
Net finance cost	**(17)**	(9)	(2)

5 Tax on (loss)/profit on ordinary activities

No provision for tax 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 (2010: £Nil).

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.

	Period to 27 November 2011 (unaudited) £000	Period to 28 November 2010 (unaudited) £000	Period to 29 May 2011 (audited) £000
(Loss)/profit for the period	**(138)**	162	(110)
	No.	No.	No.
Weighted average number of ordinary shares in issue	**230,171,644**	206,826,667	212,902,757
Diluted number of ordinary shares	**230,171,644**	226,498,798	230,171,644
Basic earnings/(loss) per share	**(0.06)**	0.08	(0.05)
Diluted earnings/(loss) per share	**(0.06)**	0.07	(0.05)

7 Acquisition of subsidiary

	Period to 27 November 2011 (unaudited) £000	Period to 28 November 2010 (unaudited) £000	Period to 29 May 2011 (audited) £000
Net assets acquired	**–**	–	–
Cost of acquisition	**–**	68	68
Goodwill arising on acquisition	**–**	68	68

On 1 August 2010, the Group acquired 100% of WatchandWager.com LLC, a US registered entity and licenced for pari-mutuel wagering in North Dakota.

8 Convertible loan note

	27 November 2011 (unaudited) £000	28 November 2010 (unaudited) £000	29 May 2011 (audited) £000
Convertible loan note	**–**	300	–

The Group had issued a £300,000 secured convertible loan note to Burnbrae Limited on 23 February 2007, which was secured over all the assets and undertakings of the Group and bore interest at LIBOR plus 4%. The loan and accrued interest were converted into 23,344,977 ordinary shares on 24 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 29 May 2011 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 1 February 2012. The interim report is expected to be posted to shareholders on 8 February 2012 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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