webisholdings plc

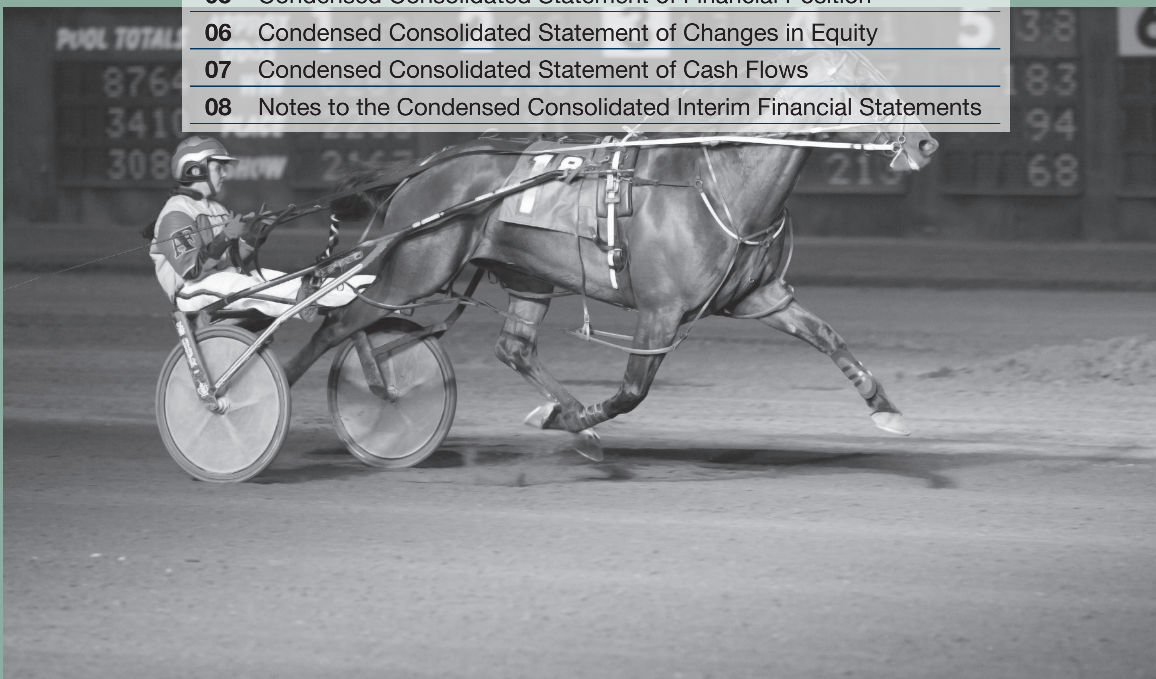
Global Online Gaming Group

Interim Report and Financial Statements for the period ended 30 November 2012

Stock Code: WEB

webisholdings plc

Contents



Group at a Glance

Webis Holdings plc operates two businesses within its Group structure:

Sportsbook

betinternet.com

betinternet.com (IOM) Limited
betinternet.com NV

Now in its 13th year of operation, the betinternet.com sportsbook offers betting opportunities on sports, casinos and games to a growing global customer base. The website has a traditional focus on the Far East market, where the brand has an established and loyal following. Sports betting is dominated by football, with Asian Handicaps the market of choice. Basketball, Horse Racing and Tennis are the next most popular betting sports. Betting on live events under the 'In Play' section has grown significantly and continues to be the biggest area for growth. The website now regularly offers 'In Play' betting on over 800 Football matches per week and covers every Tennis tournament. Also on offer is a traditional casino product with table games and slots as well as a suite of compelling fixed-odds games. The company operates under licences issued in the Isle of Man and Curacao.

European Wagering Services

link2bet.com, watchandwager.com, Cal Expo Racetrack

European Wagering Services Limited
WatchandWager.com LLC

European Wagering Services provides pari-mutuel, or pool-betting, wagering services through a number of distribution channels to a global client base. The company holds a United States pari-mutuel licence for Advanced Deposit Wagering, issued by 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 and Sweden amongst others. It provides wagering facilities to customers through its websites, link2bet.com and watchandwager.com as well as offering a business-to-business wagering product and an Isle of Man based telephone betting call centre.

The company also holds a licence issued by the California Horse Racing Board for operating harness racing at Cal Expo racetrack in Sacramento, California. The racing season at Cal Expo commenced in early November and runs through to May 2013.

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 a fully protected client account within an Isle of Man regulated bank.

Chairman's Statement

Introduction

I am pleased to report that the first six months of trading have been both a period of solid growth and exciting opportunity. In November, the Group's pari-mutuel platform European Wagering Services Limited ("EWS") commenced the exclusive operation of harness racing at the Cal Expo racetrack in Sacramento, California, home to the only live harness racing on the West Coast of the USA. Following a short period of initial investment, the early signs of wagering activity have been extremely encouraging. Without doubt, this is a major new initiative for the Group and I expect the results to reflect this in the years to come. The turnover of the Webis sportsbook, casino and games operations, betinternet.com (IOM) Limited and betinternet.com N.V. ("betinternet"), also increased substantially during the period.

Overview of Results

Group turnover increased by 33% to £71.4 million (2011: £53.5 million) in the period: the increase primarily attributable to the continuing popularity of betinternet's In Play offering, further growth in casino and games, as well as new turnover generated by EWS from our new Cal Expo activities.

Net trading income was up by 43% to £1.94 million (2011: £1.36 million), representing a blended gross margin of 2.7% (2011: 2.5%). Operating expenses have risen moderately to £1.65 million (2011: £1.50 million), largely as a consequence of investing in systems development and hardware renewal. Thus the results from operating activities are a profit of £0.29 million (2011: loss of £0.14 million). Within these figures, betinternet's gross margin was £1.12 million (2011: £0.81 million) and EWS' gross margin was £0.8 million (2011: £0.55 million).

Costs associated with EWS' inaugural activities at Cal Expo are £0.36 million (2011: £nil). This figure includes two months of start-up expenditure at Cal Expo before race meetings commenced in November. The expenditure incurred to date at Cal Expo has been in line with budget and our activities at the track remain on target to break-even in the first full year from commencement of live racing in November 2012 and to show a profit thereafter.

As anticipated, data and pricing feed charges increased for betinternet to allow enhanced coverage of In Play content and we have budgeted for further increases in this area in the second half of the year.

Taking into account the Cal Expo start-up costs, the Group's total comprehensive loss for the period was £0.075 million (2011: loss of £0.138 million) - a significant improvement on the previous year.

Turning to the Consolidated Statement of Financial Position, our acceptance of the offer from our principal shareholder, Burnbrae Limited ("Burnbrae") to cancel its outstanding loan in return for new shares has strengthened our net assets, and hence equity, significantly to £1.88 million (2011: £0.50 million). This action will also reduce our interest charges to zero for the future in relation to this loan. Cash has increased by 30% to £2.86 million (2011: £2.20 million) and total current liabilities have fallen by 26% to £2.10 million (2011: £2.85 million).

betinternet

betinternet continued to generate substantial revenue and margin growth in the first half, with turnover increasing by over 34% to £52.3 million (2011: £39.0 million) and gross margin up by 38% to £1.12 million, including the sportsbook up nearly 70% to £0.78 million (2011: £0.46 million). In Play betting within our fixed odds business, where bets are placed in real time after an event has started, was the biggest growth area. We have invested considerably in this area over the last two years and we believe our In Play offering is now extremely competitive, particularly for the most popular sports: football and tennis. The period also included the finals of the European football Championships in June, which had a positive impact on activity, and overall results were in line with our pre-tournament expectations. As the 2012/13 European football season has progressed, our gross margin has also become less volatile as our greater content has resulted in less exposure to any individual result.

Turnover from our casinos and games also showed growth, although the margin achieved fell slightly against the same period last year, due to the impact of certain large client wins in our Live Dealer Casino. During the period, we increased our targeted marketing and bonuses for both casino and games players and continue to enhance our content offering.

EWS

EWS performed extremely well during the period and recorded turnover growth of 32% to £19.1 million (2011: £14.5 million). This includes £4.4 million of turnover (2011: £nil) in relation to harness racing meetings held at the Cal Expo Sacramento track by WatchandWager.com ("WAW"), a wholly owned subsidiary of EWS following the Californian Horse Racing Board granting an operating licence in August 2012.

Our first meeting at Cal Expo was held on 2 November 2012, with racing initially taking place on a twice-weekly basis. Wagering activity has already shown strong growth over the previous year as horse numbers stabled at the track have increased, enabling good field sizes and more races per fixture. In addition, all races have been broadcast via the popular Television Games (TVG) racing channel network in the US, giving our races a greater exposure than previously.

As anticipated, the racetrack operation has already given WAW leverage in related areas. In particular, we have been able to secure additional valuable content for our customers from other quality US racetracks, including Santa Anita (California) and Gulfstream Park (Florida).

Following a stronger performance in the second half of the last financial year, EWS' traditional pari-mutuel business saw a reduction in the activity of some B2B clients as liquidity within certain racetracks' pools reduced due to the economic climate. Further growth was also temporarily inhibited by issues with third party payment providers accepting US customer deposits. Notwithstanding, this activity remains an important part of the EWS business mix and we are taking measures to increase both our offering and service in this area.

Funding

As at 1 October 2012, Burnbrae had advanced loans to the Company with an aggregate balance outstanding of £1.365 million at that date.

In October 2012, the Company accepted an offer by Burnbrae to cancel £1,150,858.22 of these loans by the conversion of this amount into 115,085,822 new Ordinary Shares in the Company.

In November 2012, the Company accepted a further offer by Burnbrae to cancel the balance of outstanding loans by the conversion of £214,141.78 into 21,414,178 new Ordinary Shares.

Post-Period Funding

On 21 January 2013, we announced that we had raised £800,000 via the issue of 26,666,666 new Ordinary Shares at 3.0 pence per share, the proceeds of which will be used to fund the future development of the business, particularly within the US.

Summary and outlook

I am pleased to report that at the start of the calendar year, we added further significant markets and matches to our In Play Tennis content and intend to continue investing in betinternet's In Play content across other selected sports. We also remain focused on continually upgrading the 'look-and-feel' of our betinternet.com website and investing in IT infrastructure to deal with the planned expansion of content and anticipated increase in client activity. We intend to include enhanced Live Casino and Poker games during the second half as part of this initiative.

Wagering activity at Cal Expo has continued to be in line with the Board's expectations since the end of the period. The racing fixture list is now approved through to May 2013 and we maintain our work with the Californian horse racing industry to provide the optimum product for participating horsemen and the wagering public alike. Cal Expo is a key part of our US strategy for EWS and we intend to use some of the proceeds from the recent share issue to expand the scale of our online and offline activities in the US gaming space.The Board also welcomes the decision by the California Horse Racing Board in November 2012 to approve the rules for exchange wagering within California. Whilst still subject to ratification by the Office of Administrative Law in California, we believe that the acceptance of exchange wagering will be beneficial both to the racing industry in California and also to our racetrack operation at Cal Expo, particularly from our second season of racing scheduled to start in November 2013.

We are working on the acquisition of further racetrack content and the Thoroughbred Racing Protective Bureau report on EWS, which has now been distributed to all US tracks, should assist with this. In addition, we are testing the updated 'WatchandWager.com' website and once live, this should also help drive future revenue growth.

The Board firmly believes that EWS, with its Head Office in San Francisco, is in a very strong position to take advantage of future opportunities within the entire US gaming market as both gaming legislation and technology changes.

Overall, we believe that we are firmly securing the foundations for the future success of the betinternet and EWS operations and we anticipate that the positive momentum built up within both businesses will be carried through into the second half of the current financial year and beyond.

Denham Eke

Denham Eke
Chairman

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 November 2012

	Note	**Period to 30 November 2012 (unaudited) £000**	Period to 27 November 2011 (unaudited) £000	Period to 27 May 2012 (audited) £000
Turnover	2	**71,404**	53,474	113,751
Cost of sales		**(69,436)**	(52,101)	(110,531)
Betting duty paid		**(28)**	(15)	(40)
Net trading income		**1,940**	1,358	3,180
Personnel expenses		**(533)**	(548)	(1,137)
Technology costs		**(392)**	(265)	(619)
Other expenses		**(643)**	(562)	(1,243)
Net finance cost	3	**(13)**	(17)	(33)
Depreciation and amortisation		**(72)**	(104)	(189)
Operating expenses		**(1,653)**	(1,496)	(3,221)
Results from operating activities		**287**	(138)	(41)
Acquisition and restructuring costs	4	**(362)**	—	—
Loss before taxation		**(75)**	(138)	(41)
Taxation	5	**—**	—	—
Total comprehensive loss for the period attributable to owners		**(75)**	(138)	(41)
Basic and diluted loss per share (pence)	6	**(0.03)**	(0.06)	(0.02)

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 2012

	Note	**Period to 30 November 2012 (unaudited) £000**	Period to 27 November 2011 (unaudited) £000	Period to 27 May 2012 (audited) £000
Non-current assets				
Intangible Assets — goodwill	7	**111**	111	111
Intangible Assets — other		**221**	215	194
Property, equipment and company car		**43**	18	31
Non-current receivables	4	**128**	—	—
Total non-current assets		**503**	344	336
Current assets				
Receivables and prepayments	4	**619**	811	621
Cash and cash equivalents		**2,862**	2,196	2,683
Total current assets		**3,481**	3,007	3,304
Current liabilities				
Trade and other payables		**(2,100)**	(2,854)	(3,046)
Total current liabilities		**(2,100)**	(2,854)	(3,046)
Net assets		**1,884**	497	594
Equity				
Called up share capital	9	**3,667**	2,302	2,302
Share premium account		**10,049**	10,049	10,049
Share option reserve		**116**	116	116
Retained losses		**(11,948)**	(11,970)	(11,873)
Total equity		**1,884**	497	594

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 2012

	Ordinary share capital £000	Share premium £000	Share option reserve £000	Profit and loss account £000	Total equity £000
Balance as at 29 May 2011 (audited)	2,302	10,049	116	(11,832)	635
Loss for the period	—	—	—	(138)	(138)
Transactions with owners:					
Arising on shares issued in the year	—	—	—	—	—
Share-based payment expense	—	—	—	—	—
Balance as at 27 November 2011 (unaudited)	2,302	10,049	116	(11,970)	497
Profit for the period	—	—	—	97	97
Transactions with owners:					
Arising on shares issued in the year	—	—	—	—	—
Share-based payment expense	—	—	—	—	—
Balance as at 27 May 2012 (audited)	2,302	10,049	116	(11,873)	594
Loss for the period	—	—	—	(75)	(75)
Transactions with owners:					
Arising on shares issued in the year	1,365	—	—	—	1,365
Share-based payment expense	—	—	—	—	—
Balance as at 30 November 2012 (unaudited)	**3,667**	**10,049**	**116**	**(11,948)**	**1,884**

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 2012

	Period to 30 November 2012 (unaudited) £000	Period to 27 November 2011 (unaudited) £000	Period to 27 May 2012 (audited) £000
Net cash (outflow)/inflow from operating activities	**(1,062)**	815	1,396
Cash flows from investing activities			
Interest received	**7**	3	10
Purchase of intangible assets	**(85)**	(72)	(126)
Purchase of property, equipment and company car	**(26)**	—	(24)
Net cash outflow from investing activities	**(104)**	(69)	(140)
Cash flows from financing activities			
Interest paid	**(20)**	(20)	(43)
Issue of equity shares	**1,365**	—	—
Net cash inflow/(outflow) from financing activities	**1,345**	(20)	(43)
Net increase in cash and cash equivalents	**179**	726	1,213
Cash and cash equivalents at beginning of period	**2,683**	1,470	1,470
Net cash and cash equivalents at end of period	**2,862**	2,196	2,683
Cash and cash equivalents comprise			
Cash and deposits	**2,862**	2,196	2,683
	2,862	2,196	2,683
Cash generated from operations			
Loss before taxation	**(75)**	(138)	(41)
Adjusted for:			
Net finance cost	**13**	17	33
Depreciation and amortisation	**72**	104	190
Share-based payment expense	**—**	—	—
(Increase)/decrease in receivables	**(126)**	27	217
(Decrease)/increase in payables	**(946)**	805	997
	(1,062)	815	1,396

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 2012

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 27 May 2012.

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 27 May 2012.

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.

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.

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.

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.

1 Accounting policies continued

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, equipment and company car

Items of property, equipment and company car 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%
Company car	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 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 payment expense

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 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 as at fair value through profit and loss. The subsequent measurement of financial instruments is dealt with below.

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.

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 Internation 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 30 November 2012 (unaudited) £000	Period to 27 November 2011 (unaudited) £000	Period to 27 May 2012 (audited) £000
Turnover				
Sportsbook	Asia Pacific	**41,018**	32,357	67,001
	UK & Ireland	**6,535**	4,528	10,360
	Europe	**4,059**	1,647	4,684
	Rest of the World	**663**	420	1,042
Pari-mutuel	United States	**12,091**	7,715	17,119
	Caribbean	**4,541**	5,249	8,921
	Asia Pacific	**2,401**	1,294	4,624
	UK & Ireland	**96**	264	—
		71,404	53,474	113,751
(Loss)/profit before tax				
Sportsbook		**(30)**	(177)	(214)
Pari-mutuel		**(45)**	39	173
Group		**—**	—	—
		(75)	(138)	(41)
Net assets/(liabilities)				
Sportsbook		**(1,000)**	(924)	(970)
Parimutuel		**1,605**	1,740	1,650
Group		**1,279**	(319)	(86)
		1,884	497	594

3 Net finance cost

	Period to 30 November 2012 (unaudited) £000	Period to 27 November 2011 (unaudited) £000	Period to 27 May 2012 (audited) £000
Bank interest receivable	**7**	3	10
	7	3	10
Bank interest payable	**—**	—	—
Loan interest payable	**(20)**	(20)	(43)
	(20)	(20)	(43)
Net finance costs	**(13)**	(17)	(33)

4 Acquisition and restructuring costs

Acquisition and restructuring costs relate to operating costs of Cal Expo, the harness track acquired during the year, which commenced activities in September 2012 and also one-off costs related to company restructuring.

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

5 Taxation

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 (2011: £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 30 November 2012 (unaudited) £000	Period to 27 November 2011 (unaudited) £000	Period to 27 May 2012 (audited) £000
Loss for the period	**(75)**	(138)	(41)
	No.	No.	No.
Weighted average number of ordinary shares in issue	**268,318,130**	230,171,644	230,171,644
Diluted number of ordinary shares	**282,318,130**	230,171,644	230,171,644
Basic earnings/(loss) per share	**(0.03)**	(0.06)	(0.02)
Diluted earnings/(loss) per share	**(0.03)**	(0.06)	(0.02)

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 Investments

During the period a new company was incorporated, Webis Ireland Limited. The company was incorporated in Ireland, is a wholly owned subsidiary and is non-trading at present.

9 Share Capital

During the period 136,500,000 new ordinary shares of 1p each were issued (see Chairman's Statement).

After the period end 26,666,666 new ordinary shares of 1p each were issued (see Chairman's Statement).

10 Related party transactions

The significant related party transaction during the period was the conversion of loans received from Burnbrae Limited (significant shareholder) of £1,365,000, into 136,500,000 new ordinary shares of 1p each.

11 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 27 May 2012 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.

12 Approval of interim statements

The interim statements were approved by the board on 20 February 2013. The interim report is expected to be posted to shareholders on 25 February 2013 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 Merchant Securities Limited, 1 City Square, Leeds, LS1 2ES

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