2009

Interim Report

EUROPEAN WAGERING SERVICES

betinternet.com

webisholdings plc

2009
www.webisholdingsplc.com

Welcome to **Webis Holdings plc**

webisholdings 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.

PLACE YOUR BETS

HORSE RACING • FORMULA 1 • GREYHOUND RACING

BUSINESS OVERVIEW

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.

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.

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CHAIRMAN'S STATEMENT

Introduction

As previously reported, it has been a difficult start to this financial year, particularly relative to the progress made in the previous year. European Wagering Services (or "EWS") has continued its recent good performance, with a 22% increase in turnover for the period, as a result of the successful recruitment of additional players through the *link2bet.com* website. Casino revenue within betinternet.com's ("betinternet") sportsbook, however, has seen business levels reduce compared with last year, as some of the 'high-roller' activity seen previously fell away in the period. betinternet's turnover for the period decreased by 33% as a consequence.

European Wagering Services

Our pari-mutuel operation, EWS, has seen encouraging growth throughout the period despite the challenging trading environment. The horse and greyhound racing industry in the United States has seen a downturn in racetrack attendance and the size of betting pools as a result, which has in turn reduced the attraction of betting at individual tracks for some of our higher-staking customers. However, we have generated month-on-month growth through our internet channel and this has enabled us to increase our overall turnover at a higher margin. Turnover from our B2B customers betting directly through our pari-mutuel EWS hub has also increased. This is a consequence of targeted business development activities and enhancements made to our customer interface, which have improved connectivity for our professional players. In the period, we have also completed the relocation of our servers to a dedicated hosting facility within the Isle of Man with no disruption to our operation.

We continue to allocate resource to further improve the *link2bet.com* website's functionality and to funding the marketing of the website in US-focused horse and greyhound related media.

We continue to monitor the situation regarding access to content at Magna Entertainment Corp's racecourses, following their bankruptcy in 2009. The board also continues to minimise EWS's exposure to racecourse debt, given the position of the industry in the current downturn.

During the period, we had authorised access to the betting pools at the prestigious Breeders' Cup meeting in November 2009 at Santa Anita in California, generating over 5% of international co-mingled stakes on the event.

betinternet

betinternet experienced a difficult start to the 2009 football season, primarily due to the number of matches which ended in a draw, especially in the English Premier League, falling substantially below the long-term average. This short-term change in result patterns coincided with a shift in our turnover towards the '90 minute' outcome, rather than on Asian Handicaps and this meant that we were more exposed than previously to the lack of draws at the start of the season. However, as the period progressed, results balanced out in our favour and we ended the period at a similar level to last year for fixed-odds betting. The shift in betting patterns has continued due to an increase in business on football from European customers, resulting in increased turnover in our higher-margin markets.

We have continued to increase the level of automation involved in the calculation of our website pricing, predominantly within our football markets and the further development of this remains the primary focus of our strategy for betinternet into 2010 across all sports. We have also continued with our horse racing sponsorship programme, with prominent activity at both Chepstow and York racecourses during the period.

We launched our 'Smart-phone' betting module in October 2009, which has been optimised for the iPhone. Turnover generated by this channel has increased on a monthly basis at a higher margin than that achieved previously through our standard internet interface.

As previously notified we have experienced a significant drop in turnover across our casino products compared with the same period last year. This was due to a lack of high-roller activity combined with a poor margin return from those customers that did play. The current global economic climate has had an impact on the expenditure of high-roller activity, although we continue to generate consistently good levels of 'leisure' play.

Overview of results

Group turnover and gross profit have reduced to £56.4m (2008: £71.5m) and £1.5m (2008: £1.7m) respectively during the period under review. EWS' turnover grew by 22% to £18.4m (2008: £15.1m). betinternet's turnover decreased by 33% during the period to £37.9m (2008: £56.4m), largely due to the fall in casino activity. Overall, the gross margin increased by 0.21% to 2.59% (2008: 2.38%).

Administration expenses rose to £1.37m (2008: £1.32m) mainly because of the effect of the weakening GBP/USD exchange rate. Excluding exchange rate movements, administration expenses reduced by 3.8% during the period. We anticipate the realisation of further cost savings in the second half of the year due to the end of our existing lease arrangements and a reduction in our accommodation requirements going forward.

The Group made an operating loss of £51k during the period (2008: £256k profit) and recorded a pre-tax loss of £58k (2008: pre-tax profit of £252k).

Outlook

betinternet operates in an increasingly competitive marketplace and we continue to position our products to attract customers that will generate stable revenues for us. We have planned a review of our casinos and games offering and how these are integrated within betinternet's sportsbook - primarily the 'look and feel' and usability - and anticipate that these upgrades will be implemented in the second half of the financial year. We also plan to introduce some 'mini-games' onto the sports betting pages of betinternet's website to encourage more spontaneous gameplay.

Our growth strategy for EWS is unchanged, with its enhanced website offering being key to our future plans for the business. Although there remain a number of challenges within this business, particularly with regard to obtaining new content to wager on and the difficult economic environment overall, however, the board's view of the Group's prospects remains positive.

Denham Eke
Chairman

CONSOLIDATED INCOME STATEMENT

for the period ended 29 November 2009

	Note	Period to 29 November 2009 (unaudited) £000	Period to 30 November 2008 (unaudited) £000	Period to 31 May 2009 (audited) £000
Turnover	2	**56,377**	71,470	140,149
Cost of sales		**(54,899)**	(69,755)	(136,718)
Betting duty paid		**(17)**	(14)	(33)
Gross profit		**1,461**	1,701	3,398
Administration expenses		**(1,374)**	(1,320)	(2,641)
Earnings before interest, tax, depreciation and amortisation		**87**	381	757
Depreciation and amortisation		**(126)**	(114)	(247)
Share-based costs	3	**(12)**	(11)	(35)
Total operating (loss)/profit		**(51)**	256	475
Net finance cost	4	**(7)**	(4)	(23)
Tax	5	**—**	—	—
(Loss)/profit for the period		**(58)**	252	452
Basic (loss)/profit per share (pence)	6	**(0.03)**	0.12	0.22
Diluted (loss)/profit per share (pence)	6	**(0.03)**	0.12	0.21

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

CONSOLIDATED BALANCE SHEET

as at 29 November 2009

	Note	Period to 29 November 2009 (unaudited) £000	Period to 30 November 2008 (unaudited) £000	Period to 31 May 2009 (audited) £000
Non-current assets				
Intangible assets — Goodwill		**43**	43	43
Intangible assets — Software, Website Development and Trademarks		**329**	302	295
Property and equipment		**93**	104	110
		465	449	448
Current assets				
Receivables and prepayments		**755**	842	713
Cash and cash equivalents		**1,425**	1,164	1,502
		2,180	2,006	2,215
Total assets		**2,645**	2,455	2,663
Current liabilities				
Bank overdraft		**(345)**	(345)	(205)
Trade and other payables		**(1,352)**	(1,340)	(1,464)
Convertible loan note	7	**—**	(300)	—
		(1,697)	(1,985)	(1,669)
Non-current liabilities				
Convertible loan note	7	**(300)**	—	(300)
Total liabilities		**(1,997)**	(1,985)	(1,969)
Net assets		**648**	470	694
Shareholders' equity				
Called up share capital		**2,068**	2,068	2,068
Share premium account		**9,927**	9,927	9,927
Share option reserve		**96**	60	84
Profit and loss account		**(11,443)**	(11,585)	(11,385)
Total shareholders' equity		**648**	470	694

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the period ended 29 November 2009

	Ordinary share capital £000	Share premium £000	Share option reserve £000	Profit and loss account £000	Total equity £000
Balance as at 25 May 2008 (audited)	2,068	9,927	49	(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	9,927	60	(11,585)	470
Issue of ordinary shares	—	—	—	—	—
Share-based payments — share options	—	—	24	—	24
Profit for the period	—	—	—	200	200
Balance as at 31 May 2009 (audited)	2,068	9,927	84	(11,385)	694
Issue of ordinary shares	—	—	—	—	—
Share-based payments — share options	—	—	12	—	12
Loss for the period	—	—	—	(58)	(58)
Balance as at 29 November 2009 (unaudited)	2,068	9,927	96	(11,443)	648

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ened 29 November 2009

	Period to 29 November 2009 (unaudited) £000	Period to 30 November 2008 (unaudited) £000	Period to 31 May 2009 (audited) £000
Net cash (outflow)/inflow from operating activities	**(67)**	34	663
Cash flows from investing activities			
Interest received	**—**	7	7
Purchase of intangible assets	**(130)**	(146)	(236)
Purchase of property and equipment	**(13)**	(24)	(66)
Net cash outflow from investing activities	**(143)**	(163)	(295)
Cash flows from financing activities			
Interest paid	**(7)**	(11)	(30)
Net cash outflow from financing activities	**(7)**	(11)	(30)
Net (decrease)/increase in cash and cash equivalents	**(217)**	(140)	338
Cash and cash equivalents at beginning of period	**1,297**	959	959
Net cash and cash equivalents at end of period	**1,080**	819	1,297
Cash and cash equivalents comprise			
Cash and deposits	**1,425**	1,164	1,502
Bank overdraft	**(345)**	(345)	(205)
	1,080	819	1,297
Cash generated from operations			
(Loss)/profit from operation	**(51)**	256	475
Adjusted for:			
Depreciation	**126**	114	247
Share-based payment charge	**12**	11	35
Increase in receivables	**(42)**	(195)	(66)
Decrease in payables	**(112)**	(152)	(28)
	(67)	34	663

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

NOTES TO THE ACCOUNTS

for the period ended 29 November 2009

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 31 May 2009.

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 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 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 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 value at that date 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 trademarks 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.

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 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%

NOTES TO THE ACCOUNTS continued

for the period ended 29 November 2009

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 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.

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 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 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 fair 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.

2 Segmental analysis

		Period to 29 November 2009 (unaudited) £000	Period to 30 November 2008 (unaudited) £000	Period to 31 May 2009 (audited) £000
Turnover				
Sportsbook	Asia Pacific	**26,077**	42,231	80,682
	UK & Ireland	**6,384**	3,995	9,228
	Europe	**4,527**	7,238	11,404
	Rest of the world	**943**	2,920	6,557
Pari-mutuel	United States	**8,131**	5,917	13,742
	Caribbean	**10,315**	9,169	18,536
		56,377	71,470	140,149
(Loss)/profit before tax				
Sportsbook		**(334)**	131	(41)
Pari-mutuel		**288**	146	531
Group		**(12)**	(25)	(38)
		(58)	252	452
Net assets/(liabilities)				
Sportsbook		**(313)**	193	21
Pari-mutuel		**1,403**	730	1,115
Group		**(442)**	(453)	(442)
		648	470	694

3 Share-based costs

	Period to 29 November 2009 (unaudited) £000	Period to 30 November 2008 (unaudited) £000	Period to 31 May 2009 (audited) £000
Share options	**12**	11	35
	12	11	35

NOTES TO THE ACCOUNTS continued

for the period ended 29 November 2009

4 Net finance costs

	Period to 29 November 2009 (unaudited) £000	Period to 30 November 2008 (unaudited) £000	Period to 31 May 2009 (audited) £000
Bank interest receivable	—	7	7
	—	7	7
Bank interest payable	(1)	(3)	(7)
Loan interest payable	(6)	(8)	(23)
	(7)	(11)	(30)
Net finance cost	(7)	(4)	(23)

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 (2008: £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 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 29 November 2009 (unaudited) £000	Period to 30 November 2008 (unaudited) £000	Period to 31 May 2009 (audited) £000
(Loss)/profit for the period	(58)	252	452
	No.	No.	No.
Weighted average number of ordinary shares in issue	206,826,667	206,826,667	206,826,667
Diluted number of ordinary shares	206,826,667	206,826,667	226,498,798
Basic (loss)/earnings per share (pence)	(0.03)	0.12	0.22
Diluted (loss)/earnings per share (pence)	(0.03)	0.12	0.21

7 Convertible loan note

	Period to 29 November 2009 (unaudited) £000	Period to 30 November 2008 (unaudited) £000	Period to 31 May 2009 (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 LIBOR plus 4%. The loan was due to be repaid on 23 February 2009 but the Group has agreed with Burnbrae Limited to extend the loan facility, under the same terms, for a further two years and it is now repayable on 25 February 2011.

8 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 53 weeks ended 31 May 2009 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.

9 Approval of interim statements

The interim statements were approved by the board on 1 February 2010. The interim report is expected to be posted to shareholders on 8 February 2010 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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