webisholdings plc

Global Online Gaming Group

Annual Report and Accounts for the period ended 30 May 2010

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.

Our Performance

Our Governance

Our Financials

Group at a Glance

betinternet.com (IOM) Limited

www.betinternet.com

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.

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

Turnover: £79.20m

Share of Group sales

69%

(2009: £107.87m and 77%)

European Wagering Services Limited

www.link2bet.com

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.

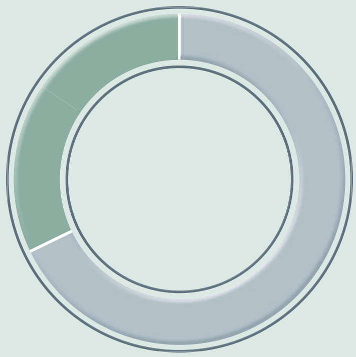
- Offers pari-mutuel (tote) account wagering on US content
- Operates its own AmTote hub, call-centre and www.link2bet.com
- Contracts with over 80 tracks in North America for international wagering
- Offers white label and batch wagering interfaces for global third parties
- Growth strategy through developing new distribution channels

Turnover: £34.97m

Share of Group sales

31%

(2009: £32.28m and 23%)



Chairman's Statement

Introduction

Despite an encouraging performance from the Group's pari-mutuel platform, European Wagering Services Limited ("EWS"), the consolidated results for the financial year ended 30 May 2010 were affected, as previously notified, by a disappointing year for the betinternet.com (IoM) Limited sportsbook ("betinternet"). Consolidated turnover reduced to £114m (2009: £140m) and the Group recorded an operating loss of £315,000 (2009: £475,000 profit).

European Wagering Services Limited

EWS generated an increase in turnover to £35.0m (2009: £32.3m) despite the global decline in pool betting due to the lasting effects of the economic downturn. This continues to impact the horse and greyhound racing industry in the United States, EWS's principal market. The largest area of growth came from the EWS website, www.link2bet.com. We continued to make enhancements to the site during the year, which have helped us to recruit new lower-staking, higher margin customers and, in turn, improved business mix.

The margin for our B2B business reduced slightly as a result of increased competition and EWS also incurred a foreign exchange loss of £18,000 (2009: £123,000 profit). These factors were, however, partly offset by the increase in website traffic and EWS recorded a pre-tax profit of £464,000 (2009: £531,000).

The Board's strategy for EWS during the year was focused on obtaining an increase in quality racing content and establishing a presence in the US. As previously notified, we recently secured a US pari-mutuel hub operating licence with the North Dakota Racing Commission, which will enable the business to conduct pari-mutuel account deposit wagering in the US, subject to state by state legislation. The establishment of a presence in the US is a significant move forward for EWS, which will enhance the opportunity to secure further US racetrack content in the near future and provide the business with greater credibility in its markets.

betinternet.com (IoM) Limited

betinternet generated turnover of £79.2m (2009: £107.9m), recording a pre-tax loss of £778,000 (2009: £41,000 loss). The business suffered a number of setbacks during the financial year, again largely related to the ongoing effects of the economic downturn.

Within our casino and games offerings, many high-roller players dropped away, resulting in a sizeable reduction in turnover and margin against the prior year. The fixed-odds element of the sportsbook also underperformed, with a reduction in the gross margin due to a number of issues. Firstly, our affiliates' referral scheme became loss-making. We have taken action to correct this and the scheme has since returned to profitability. Secondly, football betting was impacted by an unusual lack of draws during the early stages of the 2009/10 English Premiership season. Finally, the margin generated by our horse racing offering, which accounts for a significant proportion of the sportsbook's total turnover, remains highly volatile.

As a result of these issues and the increased level of competition and regulation within this area, the Board has decided to review its sportsbook strategy. This review is currently ongoing and, once completed, the Board will provide shareholders with an update.

Overview of Group Results

The consolidated results for the financial year ended 30 May 2010 show Group turnover reduced to £114m (2009: £140m) and gross profit reduced by 24% to £2.6m (2009: £3.4m). The gross margin reduced to 2.25% (2009: 2.43%).

The Group recorded a loss before interest, tax, depreciation and amortisation of £37,000 (2009: £757,000 profit) and an operating loss of £315,000 (2009: £475,000 profit).

Operating expenses remained broadly in line with last year at £2.7m (2009: £2.6m). As anticipated, we reduced our accommodation costs following the expiry of our leases. However, the Group incurred a foreign exchange loss as Sterling increased in value against other global currencies, particularly the US Dollar, within the financial year.

Share premium account

The Board received approval at last year's Annual General Meeting to apply for court approval to cancel the share premium account. In light of the losses incurred during the year, the Board has decided to postpone the application for the time being and will revisit this in due course.

Staff

I am, as always, grateful to the executive and staff of Webis for their continued contribution and ability to adapt to the ever-changing industry in which we operate.

Summary

Whilst betinternet's performance has been disappointing, it has highlighted the competitive environment in which the sportsbook operates. As such, the Board has committed to reviewing its strategy for this part of our business in order to ensure that the implementation of our strategy for EWS is not hindered as a result.

Subsequent events

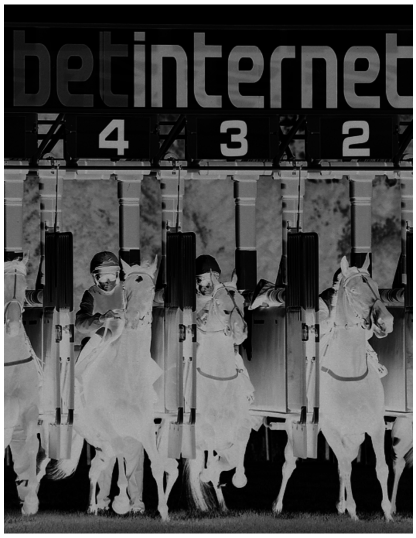
As has happened to many businesses within the wagering sector, the Group's bankers have recently withdrawn payment processing services. We immediately implemented a temporary payment solution pending the development of a permanent solution for EWS and betinternet with alternative providers.

In the case of EWS, the acquisition of the US licence will greatly assist in stabilising payment solutions for the business in the near future. Once we have established new payment methods, we intend to implement a development and marketing strategy in the US, which is currently in the advanced planning stage.

Encouragingly, betinternet enjoyed a successful World Cup and the subsequent start of the football season is showing more favourable results compared with the same period in 2009. The Real Time Gaming Casino has been replaced by an improved turnkey solution from CTXM, a well-established provider of gaming services. This will enable us to incorporate a Poker game on the website for the first time before the year end.

Overall, it has been a difficult year for the Group, with numerous challenges. However, the majority of these issues have been resolved and the future of EWS has gained a clear direction as a result of our US acquisition. We are now committed to establishing a clear strategy for the sportsbook and the Board is confident of a successful year ahead.

Denham Eke
Chairman



Directors and Advisers

D H N Eke, aged 59
Non-executive Chairman

Denham Eke began his career in Stockbroking before moving into Corporate Planning for a major UK Insurance Broker. He is a director of many years' standing of both Public and Private companies involved in the retail, manufacturing and financial services sectors.

Mr Eke was appointed Chairman in April 2003.

G Knowles, aged 43
Managing Director

Garry Knowles has 22 years' experience in the gaming industry having worked for the William Hill Organisation for 15 years. Garry later held the position of Director of Customer Relations for MGM Mirage Online before joining betinternet as Head of Trading Operations in November 2003.

Mr Knowles joined the board in June 2005.

J Mellon, aged 53
Non-executive Director

Jim Mellon is the founding and principal shareholder and non-executive director of Regent Pacific Group Limited. In addition, he is the founding and principal shareholder and director of Charlemagne Capital Limited. Earlier in his career he worked for GT Management in the United States and in Hong Kong and later became the co-founder and managing director of Tyndall Holdings plc. He is currently a director of Fixed Odds Group Limited and a variety of other investment companies.

Mr Mellon joined the board in July 2004.

D Waddington, aged 39
Finance Director

Damon Waddington FCCA joined the Group in February 2006 as Financial Controller. He previously held the position of Financial Controller within the Fortis Group. Prior to that Damon worked for a London-based firm of Chartered Accountants.

Mr Waddington joined the board in September 2006.

Ed Comins, aged 40
Pari-mutuel Operations Director

Ed Comins has 20 years' experience in the betting and gaming industry with Coral, Ladbroke Casinos, the Tote and GameAccount. At the Tote he had overall responsibility for developing Totepool's pari-mutuel business as General Manager of Tote Direct and Development Director for Totepool. He was Commercial Director for GameAccount, a provider of on-line skill games, where he managed betting partner relationships with key sportsbooks.

Mr Comins joined the Company as Chief Operating Officer of European Wagering Services in February 2007, before joining the board as Pari-mutuel Operations Director in May 2010.

Directors
D H N Eke, Chairman
G Knowles, Managing Director
J Mellon, Non-executive Director
D Waddington, Finance Director
E Comins, Pari-mutuel Operations Director

Secretary
D Waddington

Registered Office
Viking House, Nelson Street
Douglas, Isle of Man, IM1 2AH

Principal Bankers
Barclays Bank, Barclays House
Victoria Street, Douglas
Isle of Man, IM1 1HN

Auditors
KPMG Audit LLC
Chartered Accountants
Heritage Court, 41 Athol Street
Douglas, Isle of Man, IM99 1HN

Nominated Adviser and Broker
Evolution Securities, Kings House
1 Kings Street, Leeds, LS1 2HH

UK Transfer Agent
Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent, BR3 4TU

Directors' Report

The directors present their annual report and the audited financial statements for the period ended 30 May 2010.

Principal activities
The Group operates as a licensed sports bookmaker providing a worldwide internet service. The Group also operates a pari-mutuel service to individual and business customers, utilising its totalisator facility in the Isle of Man.

Business review
The Group operates on a worldwide basis and provides internet facilities in respect of a wide variety of sporting events.

A more detailed review of the business, its results and future developments is given in the Chairman's Statement on page 2.

Proposed dividend
The directors do not propose the payment of a dividend (2009: Nil).

Policy and practice on payment of creditors
It is the policy of the Group to agree appropriate terms and conditions for its transactions with suppliers by means of standard written terms to individually negotiated contracts. The Group seeks to ensure that payments are always made in accordance with these terms and conditions.

At the year end there were 20 days (2009: 4 days) purchases in trade creditors.

Financial risks
Details relating to financial risk management are shown in note 22 to the accounts.

Directors and directors' interests
The directors who held office during the period and to date were as follows:

D H N Eke	Chairman
G Knowles	Managing Director
J Mellon	Non-executive
D Waddington	Finance Director
E Comins	Pari-mutuel Operations Director (appointed 11 May 2010)

Mr E Comins retires in accordance with the articles of association and, being eligible, offers himself for re-election.

The director retiring by rotation is Mr J Mellon who, being eligible, offers himself for re-election.

The directors who held office at the end of the period had the following interests in the ordinary shares of the Company and options to purchase such shares arising from incentive schemes:

Directors' interests

	Ordinary Shares		Options	
	Interest at end of period 2010	Interest at start of period 2009	**Interest at end of period 2010**	Interest at start of period 2009
D H N Eke	**—**	—	**—**	—
G Knowles	**200,000**	200,000	**14,000,000**	14,000,000
J Mellon	**108,359,465**	108,359,465	**—**	—
D Waddington	**18,290**	18,290	**3,000,000**	3,000,000
E Comins	**—**	—	**—**	—

Mr Mellon's interests are more fully described in the note on page 6 (Substantial interests).

Further details of the options issued to the executive directors are contained in the Report of the Remuneration Committee on pages 10 and 11.

Directors' Report continued

Substantial interests

On 1 August 2010 the following interests in 3% or more of the Company's ordinary share capital had been reported:

	%	Number of ordinary shares
Burnbrae Limited	52.38	108,341,465
Hargreaves Lansdown (Nominees) Limited	6.35	13,136,441
Rock Holding Limited	4.46	9,228,357

The Board has been informed that Mr J Mellon is a beneficiary of a trust that holds the entire share capital of Burnbrae Limited. Separately, Mr Mellon is also interested in 18,000 ordinary shares in the Company.

Annual General Meeting

Shareholders will be asked to approve at the Annual General Meeting certain resolutions as special business. Some of these resolutions have become routine business at the Annual General Meetings of most public companies, including your Company, and relate to the renewal of the authority for the directors to allot relevant securities and the renewal of the powers for the directors to allot equity securities for cash.

Employees

The Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, race or religion.

The Group recognises the importance of ensuring employees are kept informed of the Group's performance, activities and future plans.

Political and charitable contributions

The Group made no political contributions nor donations to charities during the year.

Auditor

KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

On behalf of the Board

D Waddington
15 October 2010

Corporate Governance

The Company is committed to high standards of corporate governance. The board is accountable to the Company's shareholders for good corporate governance.

This statement describes how the principles of corporate governance are applied to the Company.

1. Directors

The Company is controlled through the board of directors which comprises three executive and two non-executive directors.

The Chairman is mainly responsible for the conduct of the board, and he, together with the Managing Director, seeks to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings.

The Managing Director, in conjunction with his executive colleagues, is responsible for co-ordinating the Company's business and implementing strategy.

None of the non-executive directors are deemed to be independent, although the board intends to appoint at least one independent director at an appropriate time.

Shareholders are encouraged to contact the Chairman should they require clarification on any aspect of the Company's business.

All directors are able to take independent professional advice in furtherance of their duties if necessary.

The board has a formal schedule of matters reserved for it and meets at regular times per year. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks including legislative, jurisdictional and major liability management issues. The Board approves the annual budget and the progress towards achievement of the budget. The Board also considers employee issues and key appointments.

It also seeks to ensure that all directors receive appropriate training on appointment and then subsequently as appropriate. All directors will submit themselves for re-election at least once every three years.

The board has established two standing committees, both of which operate within defined terms of reference.

The committees established are the Audit Committee and the Remuneration Committee. The board does not consider it necessary for a company of its size to establish a standing Nominations Committee. Instead the board's policy in relation to board appointments is for the Chairman to agree selection criteria with all board members and use independent recruitment consultants to initiate the search for candidates. The final decision on appointments rests with the full board.

2. Directors' Remuneration

The Report of the Remuneration Committee is set out on pages 10 and 11 of the report and accounts.

3. Relations with Shareholders

The Company encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

The board has sought to use the Annual General Meeting to communicate with private investors and encourages their participation.

4. Financial Reporting

The performance and financial position of the Group are provided in the Chairman's Statement on pages 2 and 3 and the Directors' Report on pages 5 and 6. These enable the board to present a balanced and understandable assessment of the Group's position and prospects. The directors' responsibilities for the financial statements are described on page 9.

Internal Control

The board believes it has controls in place which have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. In this regard, the board seeks to work closely with the Group's auditor.

The board also acknowledges that it has overall responsibility for reviewing the effectiveness of internal control. It believes that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process.

Corporate Governance continued

There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The system adopted by the board manages rather than eliminates the risk of failure to achieve business objectives.

In carrying out its review of the effectiveness of internal control in the Group the board takes into consideration the following key features of the risk management process and system of internal control:

- Risks are identified which are relevant to the Group as a whole and encompass all aspects of risk including operational, compliance, financial and strategic.
- The board seeks to identify, monitor and control the significant risks to an acceptable level throughout the Group. In order to do so the Audit Committee, acting on behalf of the Board, reviews risk matters at each meeting of the Audit Committee.
- The Group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results with budgets. Management accounts are prepared for each operating activity and the Group on a monthly basis. Material variances from budget are thoroughly investigated. In addition, the Group's profitability forecast is regularly updated based on actual performance as the year progresses. A thorough reforecast exercise is undertaken following production of the half-year accounts.
- Cash flow forecasts are regularly prepared to ensure that the Group has adequate funds and resources for the foreseeable future.
- Risks are identified and appraised through the annual process of preparing these budgets.
- Steps have been taken to embed internal control and risk management into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention. This process is continuing to increase risk awareness throughout the Group.

Audit Committee

The Audit Committee comprises the non-executive directors and is chaired by Mr D H N Eke. The committee acts in an advisory capacity to the Board and meets not less than twice a year. Its terms of reference require it to take an independent view of the appropriateness of the Group's accounting controls, policies and procedures. The committee also reviews and approves the reports, appointment and fees of the external auditor, and meets its external auditor at least once a year. Additional meetings may be requested by the auditor.

Going Concern

As more fully explained in note 1.1 to the accounts on page 18, and after making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Internal Audit

The directors have reviewed the need for an internal audit function and believe that the Group is not of sufficient size and complexity to require such a function.

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards.

The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that its financial statements comply with the Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Report of the Remuneration Committee

Introduction
This report has been prepared to accord as far as possible with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for UK public companies in relation to the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. This report also attempts to meet, as far as is practicable for a company of Webis Holdings' size, the relevant requirements of the Listing Rules of the UK Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

Remuneration Committee
The Company has an established Remuneration Committee which has a formal constitution and is composed of the non-executive directors of the Company under the Chairmanship of D H N Eke.

No director plays a part in any discussion about his own remuneration.

Remuneration Policy
The Remuneration Committee's policy is to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre.

The major elements of the remuneration package for the executive directors are:

- Basic annual salary and benefits.
- Eligibility to participate in an annual bonus scheme, when such scheme operates.
- Share option incentives.
- Contribution to a pension plan.

The committee seeks to ensure that bonus and share option incentives have a strong link with individual performance.

Basic Salary
The level of basic annual salary and benefits is determined by the Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies.

Annual Bonus Payments
Although no bonus scheme operated during the period under review, it is anticipated that a scheme will operate when Group profitability and cash flow allow. Bonuses for the executive directors are calculated with reference to the profit before tax as disclosed in the audited accounts of the Group, together with an assessment by the Committee of the director's performance against agreed personal targets. Bonus payments are not pensionable.

Share Options
The Committee believes that share ownership by executives strengthens the link between their personal interests and those of shareholders. The Company currently operates four share option schemes, although it is intended that following the adoption of the 2005 Share Option Plan, no further options will be issued under these schemes. Options are granted to executives periodically at the discretion of the Remuneration Committee. The grant of share options is not subject to fixed performance criteria. This is deemed to be appropriate as it allows the Committee to consider the performance of the Group and the contribution of the individual executives and, as with annual bonus payments, illustrates the relative importance placed on performance related remuneration.

Pensions
The Group does not intend to contribute to the personal pension plans of directors in the forthcoming period.

Service Contracts
During the period under review, the service contract of Mr G R Knowles provided for a notice period of six months by all parties and the service contracts of Mr D Waddington and Mr E Comins for a notice period of three months by all parties.

Aggregate Directors' Remuneration

The total amounts for directors' remuneration were as follows:

		2010 £000	2009 £000
Emoluments	— salaries, bonus and taxable benefits	**211**	190
	— fees	**35**	39
		246	229

Directors' Emoluments

	Basic salary £000	Fees £000	Termination payments £000	Taxable benefits £000	2010 Total £000	2009 Total £000
Executive						
D Waddington	93	—	—	—	**93**	85
G R Knowles	113	—	—	—	**113**	105
E Comins	4	—	—	—	**4**	—
Non-executive						
D H N Eke*	—	23	—	—	**23**	24
J Mellon	—	12	—	—	**12**	15
Aggregate emoluments	210	35	—	—	**245**	229

* Paid to Burnbrae Limited.

Details of the options outstanding at 31 May 2009 are as follows:

Name of director	31 May 2009	(Lapsed)/ granted in period	30 May 2010	Exercise price	Date from which exercisable	Expiry date
G R Knowles						
(a) 2005 Share Option Plan	1,500,000	—	**1,500,000**	10.4p	18 March 2008	18 March 2015
(b) 2005 Share Option Plan	9,000,000	—	**9,000,000**	5p	30 March 2009	30 March 2016
(c) 2005 Share Option Plan	3,500,000	—	**3,500,000**	6.0565p	20 Sept 2009	20 Sept 2016
D Waddington						
(a) 2005 Share Option Plan	3,000,000	—	**3,000,000**	4.775p	7 Nov 2010	7 Nov 2017
	17,000,000	—	**17,000,000**			

The market price of the shares at 30 May 2010 (the last closing price prior to the period end) was 1.875p. The range during the period was 3.750p to 1.625p.

Approval

The report was approved by the board of directors and signed on behalf of the Board.

D H N Eke
Chairman
15 October 2010

Report of the Independent Auditor, KPMG Audit LLC, to the members of Webis Holdings plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Webis Holdings plc for the year ended 30 May 2010 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts 1931 to 2004. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and any other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group and Parent Company's affairs as at 30 May 2010 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with the Companies Acts 1931 to 2004.

KPMG Audit LLC
Chartered Accountants
Heritage Court, 41 Athol Street
Douglas, Isle of Man, IM99 1HN
15 October 2010

Consolidated Statement of Comprehensive Income

For the period ended 30 May 2010

	Note	2010 £000	2009 £000
Turnover	2	**114,167**	140,149
Cost of sales		**(111,519)**	(136,718)
Betting duty paid		**(30)**	(33)
Gross profit		**2,618**	3,398
Administration expenses		**(2,655)**	(2,641)
Earnings before interest, tax, depreciation and amortisation		**(37)**	757
Depreciation and amortisation		**(255)**	(247)
Share-based payment costs	3	**(23)**	(35)
Total operating (loss)/profit	4	**(315)**	475
Net finance costs	5	**(22)**	(23)
Taxation	7	**—**	—
Retained (loss)/profit for the period		**(337)**	452
Basic (loss)/earnings per share (pence)	8	**(0.16)**	0.22
Diluted (loss)/earnings per share (pence)	8	**(0.16)**	0.21

The notes on pages 17 to 31 form part of these financial statements.

Our Financials

Consolidated Statement of Financial Position

As at 30 May 2010

	Note	**2010 Group £000**	**2010 Company £000**	2009 Group £000	2009 Company £000
Non-current assets					
Intangible assets — goodwill	9	**43**	**—**	43	—
Intangible assets — other	10	**311**	**3**	295	4
Property and equipment	11	**75**	**1**	110	4
Investments	12	**—**	**705**	—	701
Total non-current assets		**429**	**709**	448	709
Current assets					
Trade and other receivables	13	**834**	**29**	713	31
Cash and cash equivalents		**999**	**260**	1,502	459
Total current assets		**1,833**	**289**	2,215	490
Current liabilities					
Bank overdraft	22	**(295)**	**—**	(205)	—
Trade and other payables	14	**(1,287)**	**(859)**	(1,464)	(1,060)
Convertible loan notes	15	**(300)**	**(300)**	—	—
Total current liabilities		**(1,882)**	**(1,159)**	(1,669)	(1,060)
Non-current liabilities					
Convertible loan notes	15	**—**	**—**	(300)	(300)
Total liabilities		**(1,882)**	**(1,159)**	(1,969)	(1,360)
Net assets/(liabilities)		**380**	**(161)**	694	(161)
Shareholders' equity					
Called up share capital	16	**2,068**	**2,068**	2,068	2,068
Share premium account		**9,927**	**9,927**	9,927	9,927
Share option reserve		**107**	**107**	84	84
Profit and loss account		**(11,722)**	**(12,263)**	(11,385)	(12,240)
Total shareholders' equity		**380**	**(161)**	694	(161)

The financial statements were approved by the board of directors on 15 October 2010

D H N Eke
Director

G R Knowles
Director

The notes on pages 17 to 31 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the period ended 30 May 2010

Group

	Called up share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance as at 25 May 2008	2,068	9,927	49	(11,837)	207
Share-based payments — share options	—	—	35	—	35
Profit for the period	—	—	—	452	452
Balance as at 31 May 2009	2,068	9,927	84	(11,385)	694
Share-based payments — share options	—	—	23	—	23
Loss for the period	—	—	—	(337)	(337)
Balance as at 30 May 2010	**2,068**	**9,927**	**107**	**(11,722)**	**380**

Company

	Called up share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance as at 25 May 2008	2,068	9,927	49	(12,205)	(161)
Share-based payments — share options	—	—	35	—	35
Loss for the period	—	—	—	(35)	(35)
Balance as at 31 May 2009	2,068	9,927	84	(12,240)	(161)
Share-based payments — share options	—	—	23	—	23
Loss for the period	—	—	—	(23)	(23)
Balance as at 30 May 2010	**2,068**	**9,927**	**107**	**(12,263)**	**(161)**

The notes on pages 17 to 31 form part of these financial statements.

Consolidated Statement of Cash Flows

For the period ended 30 May 2010

	2010 £000	2009 £000
Net cash (outflow)/inflow from operating activities	**(335)**	663
Cash flows from investing activities		
Interest received	**—**	7
Purchase of intangible assets	**(211)**	(236)
Purchase of property and equipment	**(25)**	(66)
Net cash outflow from investing activities	**(236)**	(295)
Cash flows from financing activities		
Interest paid	**(22)**	(30)
Net cash outflow from financing activities	**(22)**	(30)
Net (decrease)/increase in cash and cash equivalents	**(593)**	338
Cash and cash equivalents at beginning of period	**1,297**	959
Net cash and cash equivalents at end of period	**704**	1,297
Cash and cash equivalents comprise		
Cash and deposits	**999**	1,502
Bank overdraft	**(295)**	(205)
	704	1,297
Cash generated from operations		
(Loss)/profit from operations	**(315)**	475
Adjusted for:		
Depreciation and amortisation	**255**	247
Share-based payment cost	**23**	35
Increase in receivables	**(121)**	(66)
Decrease in payables	**(177)**	(28)
Net cash (outflow)/inflow from operating activities	**(335)**	663

The notes on pages 17 to 31 form part of these financial statements.

Notes to the Accounts

For the period ended 30 May 2010

1 Reporting entity

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 as at and for the period ended 30 May 2010 consolidate those of the Company and its subsidiaries (together referred to as "the Group").

1.1 Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB").

Presentation of financial statements

The Group applies revised IAS 1 presentation of financial statements (2007), which became effective as of 1 January 2009. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements as of and for the period ended 30 May 2010.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

New significant standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 30 May 2010, and have not been applied in preparing these consolidated financial statements:

International Accounting Standards (IAS/IFRS)		Effective date (accounting periods commencing on or after)
IAS 1	Presentation of financial statements (revised 2009)	1 January 2010
IAS 7	Statement of cash flows (revised 2009)	1 January 2010
IAS 17	Leases (revised 2009)	1 January 2010
IAS 23	Borrowing costs	1 January 2009
IAS 24	Related party disclosures — Revised definition of related parties (revised 2009)	1 January 2011
IAS 27	Consolidated and separate financial statements — Amendment relating to cost of an investment on first-time adoption (revised 2008)	1 July 2009
IAS 32	Financial Instruments: Presentation — Classification of Rights Issues	1 January 2010
IAS 36	Impairment of assets (revised 2009)	1 January 2010
IAS 38	Intangible assets	1 July 2009
IAS 39	Financial Instruments: Recognition and measurement (revised 2009)	1 January 2010
IFRS 1	First-time adoption of international financial reporting standards (revised 2008)	1 July 2009
IFRS 1	First-time adoption of international financial reporting standards — Additional exemptions for first-time adopters	1 January 2010
IFRS 2	Share-based payment — Amendments relating to Group cash-settled share-based payment	1 January 2010
IFRS 3	Business combinations — Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
IFRS 7	Disclosures for first-time adopters (amendment to IFRS 1)	1 July 2010
IFRS 8	Operating segments (revised 2009)	1 January 2010
IFRS 9	Financial instruments	1 January 2013

Notes to the Accounts continued

For the period ended 30 May 2010

1.1 Basis of Preparation continued

(b) Basis of measurement and functional currency

The Group consolidated financial statements are presented in Pounds Sterling, rounded to the nearest thousand. They are prepared under the historical cost convention except where assets and liabilities are required to be stated at their fair value.

(c) Use of estimates and judgement

The preparation of Group financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge and experience of current events and expected economic conditions, actual results may differ from these estimates.

The directors believe the models and assumptions used to calculate the fair value of the share-based payments, outlined in note 16, are the most appropriate for the Group.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements.

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 financial statements are prepared on the going concern basis.

1.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set below. These policies have been consistently applied to all the years presented unless otherwise stated.

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. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(ii) Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Foreign currency translation

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.

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

Revenue recognition and turnover

Turnover represents the amounts staked in respect of bets placed by customers on events which occurred during the period. Cost of sales represents payouts to customers, together with Betting Duty payable and 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 the business areas in accordance with the Group's internal reporting structure. As of 1 June 2009 the Group determines and presents segments based on the information that internally is provided to the CEO, the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment reporting.

An operating segment is a component of the Group and engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and asses its performance, and for which discrete financial information is available.

Financing costs

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

1.2 Summary of significant accounting policies continued

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 registered trademarks and are stated at acquisition cost less accumulated amortisation. Carrying amounts are reviewed at each financial position date for impairment.

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

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

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

Property 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%

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 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.

Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the premium paid.

Notes to the Accounts continued

For the period ended 30 May 2010

1.2 Summary of significant accounting policies continued

Equity-settled share-based employee remuneration is credited to the share option reserve until related stock options are exercised. On exercise or lapse, amounts recognised in the share option reserve are taken to retained earnings.

Retained earnings include all current and prior period results as determined in the income statement and any other gains or losses recognised in the Statement of Changes in Equity.

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 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, money held for processors and cash balances held on behalf of players. 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 and other payables are non-interest bearing and are stated at amortised cost.

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

		2010 £000	2009 £000
Turnover			
Sportsbook	Asia Pacific	**54,476**	80,682
	UK & Ireland	**13,656**	9,228
	Europe	**9,738**	11,404
	Rest of the World	**1,332**	6,557
Pari-mutuel	United States	**18,788**	13,742
	Caribbean	**16,177**	18,536
		114,167	140,149
Profit/(loss) before tax			
Sportsbook		**(778)**	(41)
Pari-mutuel		**464**	531
Group		**(23)**	(38)
		(337)	452
Net assets			
Sportsbook		**(757)**	21
Pari-mutuel		**1,579**	1,115
Group		**(442)**	(442)
		380	694

3 Share-based payment costs

	2010 £000	2009 £000
Share options	**23**	35
	23	35

4 Total operating (loss)/profit

Group operating (loss)/profit is stated after charging/(crediting):

	2010 £000	2009 £000
Auditor's remuneration:		
Group — audit	**71**	77
Company — audit	**42**	52
Depreciation of property and equipment	**60**	74
Amortisation of intangible assets	**195**	172
Exchange losses/(gains)	**59**	(78)
Operating lease rentals — other than plant and equipment	**87**	108
Directors' fees	**35**	39

Notes to the Accounts continued

For the period ended 30 May 2010

5 Net finance costs

	2010	2009
	£000	£000
Bank interest receivable	—	7
	—	7
Bank interest payable	(4)	(7)
Loan interest payable	(18)	(23)
	(22)	(30)
Net finance costs	(22)	(23)

6 Staff numbers and cost

	2010	2009
Average number of employees (including directors)	35	35

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	995	957
Social security costs	97	98
Share-based costs	22	35
	1,114	1,090

7 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 (2009: £Nil).

8 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.

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

	2010	2009
	£000	£000
(Loss)/profit for the period	(337)	452

	No.	No.
Weighted average number of ordinary shares in issue	206,826,667	206,826,667
Diluted number of ordinary shares	226,498,798	226,498,798
Basic earnings/(loss) per share	(0.16)	0.22
Diluted earnings/(loss) per share	(0.16)	0.21

9 Intangible assets — goodwill

Group

	Goodwill £000
Cost	
Balance at 31 May 2009	43
Additions during the period	—
Balance at 30 May 2010	**43**
Amortisation and Impairment	
At 31 May 2009	—
Amortisation for the period	—
At 30 May 2010	**—**
Net book value	
At 31 May 2009 and 30 May 2010	**43**

The above goodwill relates to the acquisition of the pari-mutuel business which is both a cash generating unit and a reportable segment.

The recoverable amount of goodwill on the pari-mutuel business unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the directors.

10 Intangible assets — other

	Software & development costs	
	Group £000	Company £000
Cost		
Balance at 31 May 2009	2,306	29
Additions during the period	211	4
Balance at 30 May 2010	**2,517**	**33**
Amortisation and Impairment		
At 31 May 2009	2,011	25
Amortisation for the period	195	5
At 30 May 2010	**2,206**	**30**
Net book value		
At 30 May 2010	**311**	**3**
At 31 May 2009	295	4

Notes to the Accounts continued

For the period ended 30 May 2010

11 Property and equipment

Group	Computer equipment £000	Fixtures & fittings £000	Total £000
Cost			
At 31 May 2009	1,216	281	1,497
Additions	25	—	25
Disposals	—	—	—
At 30 May 2010	**1,241**	**281**	**1,522**
Depreciation			
At 31 May 2009	1,132	255	1,387
Charge for the period	47	13	60
At 30 May 2010	**1,179**	**268**	**1,447**
Net book value			
At 30 May 2010	**62**	**13**	**75**
At 31 May 2009	84	26	110

Company	Computer equipment £000	Fixtures & fittings £000	Total £000
Cost			
At 31 May 2009	263	79	342
Additions	—	—	—
Disposals	—	—	—
At 30 May 2010	**263**	**79**	**342**
At 31 May 2009	259	79	338
Charge	3	—	3
Disposals	—	—	—
At 30 May 2010	**262**	**79**	**341**
Net book value			
At 30 May 2010	**1**	**—**	**1**
At 31 May 2009	4	—	4

12 Investments

Company

	Investment in subsidiary companies £000
As at 31 May 2009	701
Addition	4
As at 30 May 2010	**705**

Details of investments at 30 May 2010 are as follows:

Subsidiaries	Country of incorporation	Activity	Holding (%)
European Wagering Services Limited	Isle of Man	Operation of interactive wagering totaliser hub	100
Technical Facilities & Services Limited	Isle of Man	Provision of IT & betting systems to group companies	100
betinternet.com (IOM) Limited	Isle of Man	Sportsbook trading company	100
betinternet UK.com Limited	England	Holder of UK bookmaker's permit non-trading	100
betinternet.com NV	Netherlands Antilles	Licence holder for games and casinos	100

The addition relates to the issued share capital of betinternet.com NV.

13 Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Trade receivables	**720**	579	**—**	1
Other receivables and prepayments	**114**	134	**29**	30
	834	713	**29**	31

14 Trade and other payables

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Trade payables	**1,041**	1,235	**31**	—
Amounts due to Group undertakings	**—**	—	**677**	917
Deferred income	**17**	7	**—**	—
Income tax and national insurance	**8**	8	**—**	—
Accruals and other payables	**221**	214	**151**	143
	1,287	1,464	**859**	1,060

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

Notes to the Accounts continued

For the period ended 30 May 2010

15 Convertible loan note

	Group and Company	
	2010	2009
	£000	£000
Convertible loan note	**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 25 February 2011.

16 Share Capital

Authorised

		2010	2009
	No.	**£000**	£000
Ordinary shares of 1p each	400,000,000	**4,000**	4,000
Allotted, issued and fully paid			
At 31 May 2009: ordinary shares of 1p each	206,826,667	**2,068**	2,068
Issued during the period	—	**—**	—
At 30 May 2010: ordinary shares of 1p each	206,826,667	**2,068**	2,068

Options

Movements in share options during the period ended 30 May 2010 were as follows:

	No.
At 31 May 2009 — 1p ordinary shares	17,088,000
Options granted	—
Options lapsed	(32,000)
Options exercised	—
At 30 May 2010 — 1p ordinary shares	17,056,000

Details of options at 30 May 2010 were as follows:

	Price per share	Options granted	Exercisable between
1998 Share Option Plan	23.15p	56,000	September 2003 and September 2010
2005 Share Option Plan	10.4p	1,500,000	March 2008 and March 2015
2005 Share Option Plan	5.0p	9,000,000	March 2009 and March 2016
2005 Share Option Plan	6.0565p	3,500,000	September 2009 and September 2016
2005 Share Option Plan	4.775p	3,000,000	November 2010 and November 2017
		17,056,000	

16 Share Capital continued

In April 2010, options to subscribe for 32,000 Ordinary 1p shares, which were excercisable from April 2003 to April 2010, and granted under the terms of the 1998 Share Option Plan, lapsed.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black–Scholes model with the following inputs:

		2005 Share Option Plan
Share price at date of grant	varies from	0.04775 to 0.104p
Option exercise price at date of grant	varies from	0.04775 to 0.104p
Expected volatility		20%
Option life		3.5 years
Expected dividends		0%
Risk-free interest rate		4.60%

Expected volatility was determined by calculating the historical volatility of the Company's weighted average share price over the period. The expected life used has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Expense in profit and loss account:

	2010 **£000**	2009 £000
Share options	**35**	35

17 Contingent Liabilities

By the nature of the business, a stake can be received from a customer in respect of some event happening in the future, and hence the level of any actual liability to the Group cannot be assessed until after that event has occurred, although the maximum potential liability can be determined. As at the financial position date there were £17,424 (2009: £7,333) of such stakes that had been received where the event to which they related was after the financial position date. Accordingly, such amount has been reflected as deferred income in the balance sheet (see note 14).

The maximum possible liability on deferred bets is £0.315m (2009: £0.07m).

19 Capital Commitments

As at 30 May 2010, the Group had no capital commitments (2009: £Nil).

20 Operating lease commitments

At 30 May 2010, the Group was committed to making the following payments during the next period in respect of operating leases:

	2010 **£000**	2009 £000
Leases which expire within one year	**25**	73
Leases which expire between one and two years	**—**	—
Leases which expire between two and five years	**—**	—

Notes to the Accounts continued

For the period ended 30 May 2010

21 Related party transactions

Rental and service charges of £86,536 (2009: £87,740) and loan interest of £18,253 (2009: £22,919) were charged by Burnbrae Limited during the period.

22 Financial risk management

Capital structure

The Group's capital structure is as follows:

	2010 £000	2009 £000
Cash and cash equivalents	(704)	(1,297)
Loans and similar income	300	300
Net funds	(404)	(997)
Shareholders' equity	380	694
Capital employed	(24)	(303)

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables and payables that arise directly from its operations. The Group also has a bank overdraft facility and convertible loan note.

The main purpose of these financial instruments is to finance the Group's operations. The existence of the financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The principal risks which the Group is exposed to relate to liquidity risks, credit risks, interest rate risks and foreign exchange risks.

Liquidity risks

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due.

The Group's objective is to maintain continuity of funding through trading and share issues but to also retain flexibility through the use of an overdraft facility and short-term loans.

Management controls and monitors the Group's cash flow on a regular basis, including forecasting future cash flow. Banking facilities are kept under review and renegotiated where necessary to meet the Group's requirements. In order to provide customers with the reassurance that repayment requests are immediately met, the Group seeks to ensure that its cash balances plus amounts held by host tracks on behalf of customers exceed the balances due to customers. On this measure there was a surplus of £243,000 (2009: surplus of £519,000) at the period end. The directors anticipate that the business will continue to generate positive cash flow in the forthcoming period to meet any of its obligations to customers.

At the period end the Group had an ongoing overdraft facility, at an interest rate of base plus 1%, of £400,000 (2009: £400,000).

22 Financial risk management continued

The following are the contractual maturities of financial liabilities

2010
Financial liabilities

	Carrying amount £000	Contractual cash flow £000	6 months or less £000	Up to 1 year £000	1-5 years £000
Trade creditors	**1,041**	**(1,041)**	**(1,041)**	**—**	**—**
Income tax and national insurance	**8**	**(8)**	**(8)**	**—**	**—**
Bank overdraft	**295**	**(295)**	**(295)**	**—**	**—**
Other creditors	**82**	**(82)**	**(82)**	**—**	**—**
Convertible loan note	**300**	**(318)**	**(318)**	**—**	**—**
	1,726	**(1,744)**	**(1,744)**	**—**	**—**

2009
Financial liabilities

	Carrying amount £000	Contractual cash flow £000	6 months or less £000	Up to 1 year £000	1-5 years £000
Trade creditors	1,235	(1,235)	(1,235)	—	—
Income tax and national insurance	8	(8)	(8)	—	—
Bank overdraft	205	(205)	(205)	—	—
Other creditors	74	(74)	(74)	—	—
Convertible loan note	300	(326)	—	—	(326)
	1,822	(1,848)	(1,522)	—	(326)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Classes of financial assets — carrying amounts

	2010 £000	2009 £000
Cash and cash equivalents	**704**	1,297
Trade and other receivables	**834**	713
	1,538	2,010

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The maximum exposure to credit risks for trade receivables any business segment:

	2010 £000	2009 £000
Pari-mutuel	**750**	590
Sportsbook	**84**	123
	834	713

Notes to the Accounts continued

For the period ended 30 May 2010

22 Financial risk management continued

Of the above receivables, £720,000 (2009: £577,000) relates to amounts owed from US horse racing tracks. These receivables are actively monitored to avoid significant concentration of credit risk and the directors consider there to be no significant concentration of credit risk.

The directors consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. No amounts were considered past due at the year end (2009: £Nil).

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Interest rate risk

The Group finances its operations mainly through capital with limited levels of borrowings. Cash at bank and in hand earns interest at floating rates, based principally on short-term inter bank rates.

The Group is exposed to downside interest rate risk on its overdraft facility, where the Group is charged Base rate + 1%, but this is only a temporary facility caused by timing differences associated with cash in transit.

Any movement in interest rates would not be considered to have any significant impact on net assets at the balance sheet date.

Foreign Currency risks

The Group operates internationally and is subject to transactional foreign currency exposures primarily with respect to the Euro, US Dollar and Singapore Dollar.

The Group does not actively manage the exposures but regularly monitors the Group's currency position and exchange rate movements and makes decisions as appropriate.

At the balance sheet date the Group had the following exposure:

2010	**HKD**	**GBP**	**EUR**	**USD**	**SGD**	**NOK**	**DKK**	**AUD**	**CAD**	**CHF**	**SEK**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Current assets	**39**	**1,622**	**39**	**1,293**	**146**	**—**	**3**	**9**	**3**	**1**	**7**	**3,162**
Current liabilities	**(42)**	**(2,003)**	**(128)**	**(483)**	**(89)**	**(7)**	**(1)**	**(7)**	**(1)**	**—**	**(6)**	**(2,767)**
Short-term exposure	**(3)**	**(381)**	**(89)**	**810**	**57**	**(7)**	**2**	**2**	**2**	**1**	**1**	**395**

2009	HKD	GBP	EUR	USD	SGD	NOK	DKK	AUD	CAD	CHF	SEK	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current assets	57	2,411	106	1,440	202	33	15	11	7	2	2	4,286
Current liabilities	(38)	(1,853)	(158)	(707)	(92)	(11)	(3)	(2)	(2)	—	(7)	(2,873)
Short-term exposure	19	558	(52)	733	110	22	12	9	5	2	(5)	1,413

22 Financial risk management continued

The following table illustrates the sensitivity of the net result for the period and equity in regards to the Group's financial assets and financial liabilities and the Sterling – US Dollar exchange rate, Sterling – Euro exchange rate and Sterling – Singapore Dollar exchange rate.

A 5% weakening of Sterling against the following currencies at 30 May 2010 would have increased equity and profit and loss by the amounts shown below:

2010	**USD**	**EUR**	**SGD**	**Total**
	£000	**£000**	**£000**	**£000**
Current assets	**65**	**2**	**7**	**74**
Current liabilities	**(24)**	**(6)**	**(4)**	**(34)**
Net assets	**41**	**(4)**	**3**	**40**

2009	USD	EUR	SGD	Total
	£000	£000	£000	£000
Current assets	72	5	10	87
Current liabilities	(35)	(8)	(5)	(48)
Net assets	37	(3)	5	39

A 5% strengthening of Sterling against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

23 Controlling party and ultimate controlling party

The directors consider the ultimate controlling party to be Burnbrae Limited and its beneficial owner Jim Mellon by virtue of their combined shareholding of 52.4%.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Webis Holdings plc ("the Company") will be held at The Claremont Hotel, 18/19 Loch Promenade, Douglas, Isle of Man, on 17 November 2010 at 2 pm for the purpose of transacting the following business:

Ordinary Business

1 To receive and adopt the report of the directors and the accounts for the period ended 30 May 2010.

2 To re-elect as a director Mr J Mellon who retires by rotation and, being eligible, offers himself for re-election in accordance with the Company's Articles of Association.

3 To elect as a director Mr E Comins who was appointed during the period and offers himself for election in accordance with the Company's Articles of Association.

4 To reappoint KPMG Audit LLC as auditor and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions:

As an Ordinary Resolution

5 That the authority granted by special resolution to the directors of the Company to allot relevant securities up to an amount equal to but not exceeding the authorised but unissued share capital of the Company for the time being which was passed at the Annual General Meeting of the Company held on 9 December 2002 be renewed pursuant to the power provided by Article 6(C) of the Company's Articles of Association, that such renewal of authority be for the exercise of that power generally and unconditionally and in all respects in the same terms as originally granted, and that such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this Resolution unless renewed, varied or revoked by the Company in General Meeting.

As a Special Resolution

6 The directors of the Company be and they are hereby empowered pursuant to Article 8 of the Articles of Association of the Company (the "Articles") to allot equity securities (as defined in Article 7(H) of the Articles) pursuant to the authority conferred on the directors to allot relevant securities by Resolution 4 above as if Article 7(A) of the Articles did not apply to such allotment PROVIDED THAT this power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities are issued proportionally (or as nearly as may be) to the respective number of ordinary shares held by such shareholders (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with issues arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the fixing of exchange rates applicable to any such equity securities where such equity securities are to be issued to shareholders in more than one territory, or legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise howsoever);

(ii) the allotment of equity securities to holders of any options under any share option scheme of the Company for the time being in force, on the exercise by them of any such options; and

(iii) the allotment (otherwise than pursuant to paragraphs (i) or (ii) above) of equity securities up to a maximum aggregate nominal value equal to 15% of the issued ordinary share capital of the Company for the time being.

The power hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this Resolution unless such power shall be renewed in accordance with and subject to the provisions of the said Article 8, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

As Ordinary Resolutions

7 That in accordance with Article 12 of the Company's Articles of Association and with Section 13 of the Companies Act 1992 the Company be generally and unconditionally authorised to make market purchases (as defined by Section 13(2) of the Companies Act 1992) of ordinary shares of 1 pence each in its capital, provided that:

(a) the maximum number of shares that may be acquired is 20,683,000;

(b) the minimum price that may be paid for the shares is 1 pence;

(c) the maximum price that may be paid is, for a share the Company contracts to purchase on any day, a sum equal to 105% of the average of the upper and lower quotations on the Daily Official List of the London Stock Exchange for the ordinary shares of the Company on the five business days immediately preceding that day; and

(d) the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution unless renewed, varied or revoked by the Company in General Meeting, but not so as to prejudice the completion of a purchase contracted before that date.

8 That the Report of the remuneration committee be received and adopted.

By order of the Board

D Waddington
Secretary
15 October 2010
Registered Office: Viking House, Nelson Street, Douglas, Isle of Man, IM1 2AH

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Should you wish to appoint more than one proxy please return this form and attach to it a schedule detailing the names of the proxies you wish to appoint, the number of shares each proxy will represent and the way in which you wish them to vote on the resolutions that are to be proposed. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by hand, or sent by post, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).

2. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.

3. Pursuant to regulation 22 of the Uncertificated Securities Regulations 2005, the Company has specified that only those members entered on the register of members at 2 pm on 15 November 2010 shall be entitled to attend and vote at the meeting. Changes to the register after 2 pm on 15 November 2010 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. A copy of the contracts of service between each of the current directors of the Company and the Company will be available for inspection at the Meeting from 15 minutes prior to and until the conclusion of the Meeting.

5. The register of directors' interests and particulars of directors' transactions in the share capital of the Company and its subsidiary companies will be available for inspection at the Meeting from 15 minutes prior to and until the conclusion of the Meeting. Otherwise they will be open for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturdays and Isle of Man public holidays excluded) from the date of this notice until the date of the Meeting.

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