webisholdings plc

Global Online Gaming Group

Annual Report and Financial Statements for the period ended 27 May 2012

Stock Code: WEB

Webis Holdings plc
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Company Information

Directors
Denham Eke
Non-Executive Chairman
Garry Knowles
Managing Director
Ed Comins
Pari-mutuel Operations Director
Sir James Mellon
Non-Executive Director

Secretary
Chris Allen

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Douglas, Isle of Man
IM1 2AH

Bankers
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10 Finch Road
Douglas, Isle of Man
IM1 2PT

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Clarendon House, Victoria Street
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IM1 2LN

Auditors
KPMG Audit LLC
Chartered Accountants
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IM99 1HN

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Group at a Glance

Webis Holdings plc operates two businesses within its Group structure:

Sportsbook
betinternet.com

betinternet.com (IOM) Limited
betinternet.com NV

Now in its 12th year of operation, the betinternet.com sportsbook offers betting opportunities on sports, casinos and games to a growing global customer base through both its website and mobile platforms. The website has a traditional focus on the Far East market, where the brand has an established and loyal following. Sports betting is dominated by football, with Asian Handicaps the market of choice. Basketball, Horse Racing and Tennis are the next most popular betting sports with 'In Play' betting on live events becoming the biggest area for growth. Also on offer are a 'Live Dealer' and traditional casino product with table games and slots as well as an increasing suite of fixed-odds games. The company operates under licences issued in the Isle of Man and Curacao.

European Wagering Services
link2bet.com, watchandwager.com

European Wagering Services Limited
WatchandWager.com LLC

European Wagering Services has been operating for over 11 years and provides pari-mutuel, or pool-betting, wagering services through a number of distribution channels to a global client base. The company holds a United States pari-mutuel licence for Advanced Deposit Wagering, issued by the North Dakota Racing Commission and has recently moved its operational base to San Francisco, California. The business provides wagering opportunities predominantly on horse and greyhound racing in the United States, Canada, United Kingdom, Ireland, Australia and Sweden amongst others. It provides wagering facilities to customers through its websites, link2bet.com and watchandwager.com, as well as offering a business-to-business wagering product and an Isle of Man based telephone betting call centre.

As part of the requirements for Webis Holdings plc's Isle of Man licence, client funds for all group companies are held in fully protected client accounts within an Isle of Man regulated bank.

Chairman's Statement

San Francisco Office

"Overall, the Board is encouraged by the recent improvements in EWS and betinternet's trading and believes that both businesses are well placed to capitalise on the opportunities available in the on-line gaming market."

Introduction

I am pleased to report improved results for the Group for the 52 week period ended 27 May 2012, with a better performance across the second half from both European Wagering Services ("EWS") and betinternet.com (IOM) Limited ("betinternet"). The Group generated £114 million of turnover for the year (2011: £106 million), EBITDA of £181,000 (2011: £149,000) and recorded an operating loss of £8,000 (2011: £108,000 loss) and an overall loss of £41,000 (2011: £110,000 loss).

EWS

EWS, the Group's pari-mutuel platform, delivered a good performance in the second half following a difficult start to the year and generated turnover for the year of £31 million (2011: £34 million). Over the year, average player numbers and volumes wagered both increased through the online platform and call centre, with the majority of these increases coming from leisure players. Further global racing content was added to EWS' product offering, including access to racetrack betting pools in Australia, Canada, Ireland, New Zealand, Sweden and the UK. Payment processing also improved during the latter part of the period.

During the year, EWS completed the transfer of its central business operations to San Francisco, California, where the board has established an office led by Ed Comins, Webis' director of pari-mutuel operations. This move has helped to bring the management team in closer contact with US industry connections, which has already led to the recent agreement to run standard-bred harness race meetings in California (see below). The US remains central to our growth strategy for EWS and the possession of a US pari-mutuel licence, together with other current developments, which I report on later, provide for some interesting prospects for this element of the Group.

betinternet

betinternet, the Group's sportsbook operation, generated good growth in revenues throughout the financial year and turnover increased to £83 million (2011: £71 million). The fixed-odds content has been expanded at a rapid rate and the overall product offering, particularly around football betting where resource has been focused, has been made extremely competitive.

Our 'In Play' content, where odds are offered during live events, has also been strengthened significantly and related revenues accounted for 43% of betinternet's annual turnover on single bets, with football, tennis and basketball being the predominant 'In Play' sports selected by our customers. The 'In Play' growth helped total fixed-odds turnover and gross profit increase by 26% and 5% respectively over the previous year, an element of which was driven by the World Cup. The majority of this growth continued to originate from the Asian-Pacific region. Casino activity also increased during the financial year, however, this was offset by a reduction in play through the games suite.

Going into the new financial year, the performance during the European Football Championships were in line with management's expectations, although betinternet's overall margin remains volatile as our current customer demographic has a smaller percentage of 'leisure players' than we would prefer, especially within Europe. The board anticipates, however, that the percentage of leisure players will increase as we develop our product further and our sportsbook marketing strategy for the betinternet brand is tailored to support this.

Overview of Results

Group turnover for the 52 week period ended 27 May 2012 was £114 million (2011: £106 million), with betinternet's turnover increasing to £83 million (2011: £71 million) primarily due to the popularity of 'In Play' content. This more than offset the reduction in EWS' turnover to £31 million (2011: £34 million).

Group gross profit increased by 5% to £3.18 million (2011: £3.04 million) with overall gross margin reducing slightly to 2.8% (2011: 2.9%). betinternet generated a gross profit of £1.9 million (2011: £1.86 million), with the reduction in gross margin to 2.28% (2011: 2.61%) being attributable to the effect of lower numbers of leisure players. EWS saw higher numbers of leisure players during the year and this helped increase gross margin to 4.2% (2011: 3.5%), generating a 8.5% rise in gross profit to £1.28 million (2011: £1.18 million).

Operating expenses increased by 4%, compared to the previous year, to £3.00 million (2011; £2.89 million). This increase is attributable to the rise in costs relating to the sportsbook's third-party data feeds and is in line with the board's expectations.

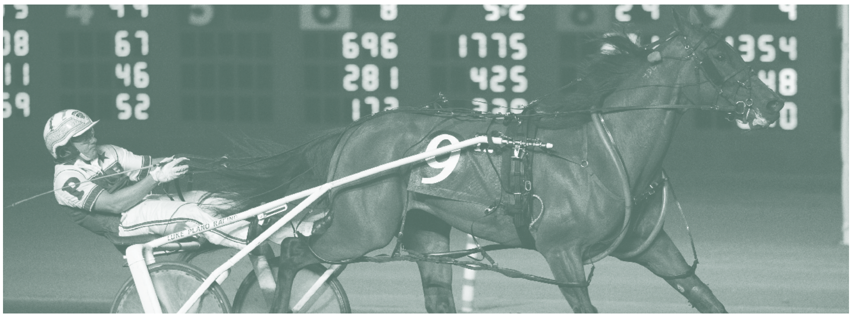
EWS generated EBITDA for the year of £193,000 (2011: £60,000 loss) offset slightly by an EBITDA loss of £12,000 (2011: £209,000 profit) at betinternet.

Board changes

Jim Mellon stepped down from his position as non-executive director in January 2012 and was replaced on the board by Sir James Mellon KCMG, who brings a wealth of corporate experience to the company. Sir James has joined both the Remuneration and Audit Committees.

Damon Waddington stood down as Finance Director in April 2012 to pursue another opportunity. The Group's Financial Controller, Chris Allen, took over Damon's accounting and company secretarial responsibilities, with the other executive directors assuming responsibility for the business development work previously undertaken by Damon.

I would like to thank Jim and Damon for their invaluable contributions to the Group over many years.



Strategy

We announced on 24 August 2012 that EWS' wholly owned subsidiary, WatchandWager.com ("WAW"), had received licence approval from the Californian Horse Racing Board and had entered into an agreement with California Exposition & State Fair ("Cal Expo") in Sacramento, California, for the lease and operation of standard-bred harness race meetings at Cal Expo for a five year term, with racing to commence in early November 2012.

The board is excited by the prospects that Cal Expo provides EWS to access further US content and believes that operating a 'bricks and mortar' racing facility within the US puts EWS on a more equal footing with its online pari-mutuel wagering competitors. We also anticipate that having a US presence will provide EWS' entire operation with greater leverage in other areas as the business develops and particularly if, as expected, state and federal legislation becomes less restrictive for on-line and off-line gaming.

The board continues to monitor the prospect of any further potential changes to the position of payment processors or their associated banks regarding the handling of US pari-mutuel gaming transactions.

It is anticipated that EWS will launch its new 'WatchandWager.com' website in the first half of the new financial year, which will provide for a significantly better user experience, including live-streaming of race video.

For betinternet, the board has invested in additional sportsbook product through third-party data providers, particularly for 'In Play', which represents betinternet's best growth opportunity. Using a variety of recognised third-party providers remains the operation's business strategy over the short to medium term. In support of this, we have recently recruited senior industry personnel to lead betinternet's trading, development and marketing functions. The board anticipates that these actions will build on the good growth over the last financial year, help stabilise the fixed-odds margin achieved and enhance the performance of the casinos and games products. The board also plans a further update to the betinternet website 'look and feel' in the forthcoming year.

Outlook

Overall, the board is encouraged by the recent improvements in EWS and betinternet's trading and believes that both businesses are well-placed to capitalise on the opportunities available in the on-line gaming market. We plan to continue to invest in product development for both betinternet and EWS to improve our competitiveness within each area and anticipate that our turnover growth will continue over the forthcoming year.

Finally, I would like to thank you for your support as shareholders and to our staff for their loyalty and dedication throughout the year.

Denham Eke
Chairman

The Board of Directors

D H N Eke, aged 60
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.

E Comins, aged 43
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 Board in May 2010.

G Knowles, aged 45
Managing Director
Garry Knowles has 23 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.

Sir James Mellon, aged 83
Non-executive Director
Sir James Mellon is a former diplomat who began his career with the Department of Agriculture for Scotland before moving onto several varied roles including Head of Trade Relations and Export Dept (TRED), FCO, UK Ambassador to Denmark and Director-General for Trade and Investment, United States and Consul-General, New York. He has many years of corporate experience having been a director of both public and private companies.

Sir James Mellon joined the Board in January 2012.

Directors' Report

The directors present their annual report and the audited financial statements for the period ended 27 May 2012.

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.

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 4.

Proposed dividend

The directors do not propose the payment of a dividend (2011: 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 14 days (2011: 21 days) purchases in trade creditors.

Financial risks

Details relating to financial risk management are shown in note 21 to the financial statements.

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 (resigned 19 January 2012)
D Waddington	Finance Director (resigned 20 April 2012)
E Comins	Pari-mutuel Operations Director
Sir James Mellon	Non-executive (appointed 19 January 2012)

The director retiring by rotation is Mr E Comins 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 2012	Interest at start of period 2011	**Interest at end of period 2012**	Interest at start of period 2011
D H N Eke	**–**	–	**–**	–
G Knowles	**200,000**	200,000	**14,000,000**	14,000,000
E Comins	**–**	–	**–**	–
Sir James Mellon	**–**	–	**–**	–

D H N Eke is Managing Director of Burnbrae Limited which holds 131,688,442 ordinary shares representing 57.22% of the issued capital of the Company.

Further details of the options issued to the executive directors are contained in the Report of the Remuneration Committee on pages 12 and 13.

Directors' Report continued

Substantial interests

On 25 July 2012 the following interests in 3% or more of the Company's ordinary share capital had been reported:

	%	Number of ordinary shares
Burnbrae Limited	57.22	131,686,442
Hargreaves Lansdown (Nominees) Limited	5.72	13,170,822
Rock Holding Limited	4.01	9,228,357

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.

Resolution 5 is proposed as an Ordinary Resolution. The Company's authorised share capital is presently £4,000,000 divided into 400,000,000 shares. It is proposed that the Company's authorised share capital be increased to £6,000,000 divided into 600,000,000 shares, representing an increase in the authorised share capital of 50 per cent. The reason for the proposed increase is to afford the Directors flexibility to (i) grant further options under the Company's 2005 Share Option Plan and (ii) issue to Burnbrae Limited, an existing substantial shareholder of the Company, 136,500,000 shares in consideration for the cancellation of an existing loan made by Burnbrae Limited to the Company (the "**Loan Cancellation**"). The Loan Cancellation is conditional upon shareholders passing both Resolution 5 and Resolution 8, which is referred to below. If these Resolutions are passed, the Loan Cancellation will cancel the Company's existing liability to Burnbrae Limited to repay a debt of £1,365,000, thereby improving the Company's balance sheet. The Company would effectively be raising equity finance at a price that is more favourable than would be achieved in the market, where the Company's shares currently trade at a modest discount to their nominal value.

Resolution 6 is proposed as an Ordinary Resolution. Presently, the rules of the Company's 2005 Share Option Plan stipulate that the Option Price shall not be less than the greater of the market value of a share on the date of grant and where shares are to be subscribed, the nominal value. It is proposed that the Board of Directors should have the ability to grant future Options under the Company's 2005 Share Option Plan at an Option Price equal to the nominal value of a share, irrespective of whether the market value is higher. It is currently proposed that Options may be granted over up to 60,000,000 shares at an Option Price equal to nominal value.

Resolution 8 is proposed as a Special Resolution and relates to the renewal of the Directors' authority to issue shares without first offering those shares to existing shareholders of the Company. Authority is being sought to issue a sufficient number of shares in this manner so as to facilitate the Loan Cancellation described above, to enable future equity issuance and accommodate future executive and staff share option awards.

The board believes that Resolution 8 to be proposed at the AGM is in the best interests of the Company and shareholders as a whole. Accordingly, the board recommends that shareholders vote in favour of the Resolution as the directors intend to do in respect of their own holdings of Ordinary Shares, totalling 200,000 Ordinary Shares and representing 0.1% of the Company's issued share capital.

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.

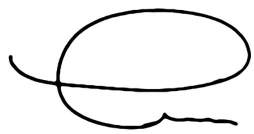
Political and charitable contributions

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



G Knowles
28 September 2012

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 two 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 throughout the 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 12 and 13 of the report and financial statements.

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 4 and 5 and the Directors' Report on pages 7 and 8. 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 11.

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 financial statements.
- 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 Subsequent to the year end, Sir James Mellon has been appointed chairman.

Going Concern

As more fully explained in note 1.1 to the accounts on page 19, 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
As an Isle of Man company there is no requirement to produce a Directors' remuneration report. However, this report has been prepared to accord as far as possible with rules and regulations for UK public companies in relation to the disclosure of directors' remuneration. 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. Subsequent to the year end, Sir James Mellon has been appointed chairman

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
It is anticipated that an annual bonus 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 one share option scheme, being the 2005 Share Option Plan. 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 contracts of Mr G R Knowles and Mr E Comins provided for a notice period of six months.

Aggregate Directors' Remuneration

The total amounts for directors' remuneration were as follows:

		2012 £000	2011 £000
Emoluments	— salaries, bonuses and taxable benefits	**323**	336
	— fees	**38**	36
		361	372

Directors' Emoluments

	Basic salary £000	Fees £000	Bonus £000	Termination payments £000	Taxable benefits £000	**2012 Total £000**	2011 Total £000
Executive							
D Waddington	89	—	—	—	1	**90**	100
G R Knowles	125	—	—	—	1	**126**	133
E Comins	106	—	—	—	1	**107**	103
Non-executive							
D H N Eke*	—	24	—	—	—	**24**	24
J Mellon	—	8	—	—	—	**8**	12
Sir James Mellon	—	6	—	—	—	**6**	—
Aggregate emoluments	320	38	—	—	3	**361**	372

* Paid to Burnbrae Limited.

Details of the options outstanding at 27 May 2012 are as follows:

Name of director	29 May 2011	(Lapsed)/ granted in period	**27 May 2012**	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
	14,000,000	—	**14,000,000**			

The market price of the shares at 25 May 2012 (the last closing price prior to the period end) was 0.88p. The range during the period was 1.375p to 0.55p.

Approval

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

Donald Eke

D H N Eke
Chairman
28 September 2012

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

We have audited the financial statements of Webis Holdings plc for the period ended 27 May 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 27 May 2012 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs; and
- have been properly prepared in accordance with the provisions of Companies Acts 1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Parent Company and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's statement of financial position and statement of comprehensive income are not in agreement with the books of account and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

KPMG Audit LLC

KPMG Audit LLC
Chartered Accountants
Heritage Court, 41 Athol Street
Douglas, Isle of Man, IM99 1HN
28 September 2012

Consolidated Statement of Comprehensive Income

For the period ended 27 May 2012

	Note	2012 £000	2011 £000
Turnover	2	**113,751**	105,546
Cost of sales		**(110,531)**	(102,470)
Betting duty paid		**(40)**	(36)
Gross Profit		**3,180**	3,040
Administration expenses		**(2,999)**	(2,891)
Earnings before interest, tax, depreciation and amortisation		**181**	149
Depreciation and amortisation		**(189)**	(248)
Share-based payment expense	3	**—**	(9)
Total operating loss	4	**(8)**	(108)
Net finance cost	5	**(33)**	(2)
Taxation	7	**—**	—
Total comprehensive loss for the period attributable to owners		**(41)**	(110)
Basic and diluted loss per share (pence)	8	**(0.02)**	(0.05)

The notes on pages 19 to 33 form part of these financial statements.

Consolidated Statement of Financial Position

As at 27 May 2012

	Note	2012 Group £000	2012 Company £000	2011 Group £000	2011 Company £000
Non-current assets					
Intangible Assets — goodwill	9	**111**	**—**	111	—
Intangible Assets — other	10	**194**	**—**	231	2
Property, equipment and company car	11	**31**	**—**	34	—
Investments	12	**—**	**705**	—	705
Total non-current assets		**336**	**705**	376	707
Current assets					
Trade and other receivables	14	**621**	**30**	838	29
Cash and cash equivalents	13	**2,683**	**1,695**	1,470	8
Total current assets		**3,304**	**1,725**	2,308	37
Current liabilities					
Trade and other payables	15	**(3,046)**	**(2,235)**	(2,049)	(549)
Total current liabilities		**(3,046)**	**(2,235)**	(2,049)	(549)
Net assets		**594**	**195**	635	195
Equity					
Called up share capital	16	**2,302**	**2,302**	2,302	2,302
Share premium account		**10,049**	**10,049**	10,049	10,049
Share option reserve		**116**	**116**	116	116
Retained losses		**(11,873)**	**(12,272)**	(11,832)	(12,272)
Total equity		**594**	**195**	635	195

The financial statements were approved by the Board of directors on 28 September 2012

D H N Eke
Director

G R Knowles
Director

The notes on pages 19 to 33 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the period ended 27 May 2012

Group

	Called up share capital £000	Share premium £000	Share option reserve £000	Retained earnings £000	Total equity £000
Balance as at 30 May 2010	2,068	9,927	107	(11,722)	380
Loss for the period	—	—	—	(110)	(110)
Transactions with owners:					
Arising on shares issued in the year	234	122	—	—	356
Share-based payment expense	—	—	9	—	9
Balance as at 29 May 2011	2,302	10,049	116	(11,832)	635
Loss for the period	—	—	—	(41)	(41)
Transactions with owners:					
Arising on shares issued in the year	—	—	—	—	—
Share-based payment expense	—	—	—	—	—
Balance as at 27 May 2012	**2,302**	**10,049**	**116**	**(11,873)**	**594**

Company

	Called up share capital £000	Share premium £000	Share option reserve £000	Retained earnings £000	Total equity £000
Balance as at 30 May 2010	2,068	9,927	107	(12,263)	(161)
Loss for the period	—	—	—	(9)	(9)
Transactions with owners					
Arising on shares issued in the year	234	122	—	—	356
Share-based payment expense	—	—	9	—	9
Balance as at 29 May 2011	2,302	10,049	116	(12,272)	195
Loss for the period	—	—	—	—	—
Transactions with owners:					
Arising on shares issued in the year	—	—	—	—	—
Share-based payment expense	—	—	—	—	—
Balance as at 27 May 2012	**2,302**	**10,049**	**116**	**(12,272)**	**195**

The notes on pages 19 to 33 form part of these financial statements.

Consolidated Statement of Cash Flows

For the period ended 27 May 2012

	2012 £000	2011 £000
Net cash inflow/(outflow) from operating activities	**1,396**	607
Cash flows from investing activities		
Interest received	**10**	—
Purchase of intangible assets	**(126)**	(183)
Purchase of property, equipment and company car	**(24)**	(12)
Net cash outflow from investing activities	**(140)**	(195)
Cash flows from financing activities		
Interest paid	**(43)**	(2)
Issue of equity shares	**—**	356
Net cash inflow/(outflow) from financing activities	**(43)**	354
Net increase/(decrease) in cash and cash equivalents	**1,213**	766
Cash and cash equivalents at beginning of period	**1,470**	704
Net cash and cash equivalents at end of period	**2,683**	1,470
Cash and cash equivalents comprise		
Cash and deposits	**2,683**	1,470
Bank overdraft	**—**	—
	2,683	1,470
Cash generated from operations		
Loss from operations	**(8)**	(108)
Adjusted for:		
Depreciation and amortisation	**190**	248
Share-based payment expense	**—**	9
(Increase)/decrease in receivables	**217**	(4)
Increase/(decrease) in payables	**997**	462
Net cash inflow/(outflow) from operating activities	**1,396**	607

The notes on pages 19 to 33 form part of these financial statements.

Notes to the Financial Statements

For the period ended 27 May 2012

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 27 May 2012 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").

The Group has continued to apply the accounting policies used in the 29 May 2011 annual report.

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 27 May 2012, 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 – Amendments to revise the way other comprehensive income is presented	1 July 2012
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 19	Employee Benefits – Amendment resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Financial Instruments Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	1 January 2013
IFRS 7	Financial Instruments: Disclosures – Amendments requiring disclosures about the initial application of IFRS 9	1 January 2015
IFRS 9	Financial Instruments – Classification and measurement of financial assets	1 January 2015
IFRS 9	Financial Instruments – Accounting for financial liabilities and derecognition	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

IFRIC Interpretation

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The directors do not expect the adoption of the other standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

1 Reporting entity 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 the 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 financial statements.

Going concern

The directors have prepared projected cash flow information for the next 12 months and are satisfied that the Group has adequate resources to meets its obligations as they fall due. The directors consider that it is appropriate that these 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 out 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.

1 **Reporting entity** continued

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 assess its performance, and for which discrete financial information is available.

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 at least 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, 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 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%
Software licences	33.33%
Trademarks	33.33%

Notes to the Financial Statements continued

For the period ended 27 May 2012

1 Reporting entity continued

Property, equipment and company car

Items of property, equipment and company car are stated at historical cost less accumulated depreciation (see below) and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets are depreciated over their expected useful lives as follows:

Equipment	33.33%
Fixtures & fittings	33.33%
Company car	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 payment expense

For all the employee share options granted after 7 November 2002 and vesting on or after 29 May 2006, an expense is recognised in the income statement with a corresponding credit to equity. The equity share-based payment is measured at fair value at the date of the grant. Fair value is determined by reference to option pricing models, principally the Black–Scholes model.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Leasing

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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.

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.

1 Reporting entity continued

Financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Ante-post sports bets are recognised when the Company becomes party to the contractual agreements of the instrument.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual terms of the instrument. Transaction costs are included in the initial measurement of financial instruments, except financial instruments classified as at fair value through profit and loss. The subsequent measurement of financial instruments is dealt with below.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal amounts as reduced to equal the estimated present value of their future cash flows.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in bank and in hand as well as bank deposits, money held for processors and cash balances held on behalf of players. Cash 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.

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.

Notes to the Financial Statements continued

For the period ended 27 May 2012

2 Segmental Analysis

		2012 £000	2011 £000
Turnover			
Sportsbook	Asia Pacific	**67,001**	57,863
	UK & Ireland	**10,360**	8,692
	Europe	**4,684**	4,070
	Rest of the World	**1,042**	802
Pari-mutuel	United States	**17,119**	17,694
	Caribbean	**8,921**	13,912
	Australia	**4,023**	2,513
	Asia Pacific	**601**	–
		113,751	105,546
Profit/(loss) before tax			
Sportsbook		**(214)**	1
Pari-mutuel		**173**	(102)
Group		**–**	(9)
		(41)	(110)
Net assets			
Sportsbook		**(970)**	(756)
Pari-mutuel		**1,650**	1,477
Group		**(86)**	(86)
		594	635

3 Share-based payment expense

	2012 £000	2011 £000
Share options	**–**	9
	–	9

4 Total operating loss

Group operating loss is stated after charging:

	2012 £000	2011 £000
Auditors' remuneration:		
Group — audit	**71**	73
Company — audit	**20**	43
Depreciation of property and equipment	**27**	53
Amortisation of intangible assets	**163**	195
Exchange losses	**22**	168
Operating lease rentals — other than plant and equipment	**44**	62
Directors' fees	**38**	36

5 Net finance costs

	2012 £000	2011 £000
Bank interest receivable	**10**	–
	10	–
Bank interest payable	**–**	(5)
Loan interest payable	**(43)**	3
	(43)	(2)
Net finance costs	**(33)**	(2)

6 Staff numbers and cost

	2012	2011
Average number of employees (including directors)	**32**	34

The aggregate payroll costs of these persons were as follows:

	2012 £000	2011 £000
Wages and salaries	**1,008**	1,059
Social security costs	**101**	108
Share-based costs	**–**	9
	1,109	1,176

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 (2011: £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.

	2012 £000	2011 £000
Loss for the period	**(41)**	(110)

	No.	No.
Weighted average number of ordinary shares in issue	**230,171,644**	212,902,757
Diluted number of ordinary shares	**230,171,644**	230,171,644
Basic earnings/(loss) per share	**(0.02)**	(0.05)
Diluted earnings/(loss) per share	**(0.02)**	(0.05)

9 Intangible assets — goodwill

Group	Goodwill £000
Cost	
Balance at 29 May 2011	111
Additions during the period	–
Balance at 27 May 2012	111
Amortisation and Impairment	
At 29 May 2011	–
Amortisation for the period	–
At 27 May 2012	**–**
Net book value	
At 27 May 2012	**111**
At 29 May 2011	111

The goodwill relates to the acquisition of the pari-mutuel business which is both a cash generating unit and a reportable segment, including goodwill arising on the acquisition in 2010 of WatchandWager.com LLC, a US registered entity licenced for pari-mutuel wagering in North Dakota.

The Group tests intangible assets annually for impairment, or more frequently if there are indications that the intangible assets may be impaired. The recoverable amount of goodwill on both pari-mutuel business units has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Directors.

The key assumptions on which the Directors have based their three year discounted cash flow analysis are a pre-tax discount rate of 15% and growth rate in pari-mutuel business of 2%. The assumption of growth rate in pari-mutuel business has been based on the historic performance of the business as well as forecast performance based on the Board's plan to invest further in this business. In respect of the value in use calculations, cash flows have been considered for both the conservative and the full forecast potential of future cash flows with no impact to the valuation of goodwill.

10 Intangible assets — other

	Software & development costs	
	Group £000	Company £000
Cost		
Balance at 29 May 2011	2,632	33
Additions during the period	126	–
At 27 May 2012	**2,758**	**33**
Amortisation and Impairment		
At 29 May 2011	2,401	31
Amortisation for the period	163	2
At 27 May 2012	**2,564**	**33**
Net book value		
At 27 May 2012	**194**	**–**
At 29 May 2011	231	2

11 Property, equipment and company car

Group	Computer Equipment £000	Fixtures & Fittings £000	Company Car £000	Total £000
Cost				
At 29 May 2011	1,253	281	–	1,534
Additions	3	4	17	24
Disposals	–	–	–	–
At 27 May 2012	**1,256**	**285**	**17**	**1,558**
Depreciation				
At 29 May 2011	1,221	279	–	1,500
Charge for the period	23	3	1	27
At 27 May 2012	**1,244**	**282**	**1**	**1,527**
Net book value				
At 27 May 2012	**12**	**3**	**16**	**31**
At 29 May 2011	32	2	–	34

Company	Computer Equipment £000	Fixtures & Fittings £000	Total £000
Cost			
At 29 May 2011	263	79	342
Additions	–	–	–
Disposals	–	–	–
At 27 May 2012	**263**	**79**	**342**
Depreciation			
At 29 May 2011	263	79	342
Charge for the period	–	–	–
At 27 May 2012	**263**	**79**	**342**
Net book value			
At 27 May 2012	**–**	**–**	**–**
At 29 May 2011	–	–	–

12 Investments

Company	Investment in subsidiary companies £000
As at 29 May 2011 & 27 May 2012	705

Details of investments at 27 May 2012 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.com NV	Netherlands Antilles	Licence holder for games and casinos	100
WatchandWager.com LLC	United States of America	Operation of interactive wagering totaliser hub	100
B.E. Global Services Limited	Isle of Man	Non-trading	100

13 Cash and cash equivalents

A security assignment over all monies held with AIB Bank (CI) Limited, Isle of Man Branch, in the name of Betinternet (IOM) Limited is registered with the Isle of Man Companies Registry.

14 Trade and other receivables

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Trade receivables	**409**	626	**–**	–
Other receivables and prepayments	**212**	212	**30**	29
	621	838	**30**	29

15 Trade and other payables

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Trade payables	**1,679**	1,505	**18**	38
Amounts due to Group undertakings	**–**	–	**949**	59
Deferred income	**8**	5	**–**	–
Income tax and national insurance	**16**	24	**–**	–
Accruals and other payables	**1,343**	515	**1,268**	452
	3,046	2,049	**2,235**	549

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

16 Share Capital

Authorised

	No.	**2012 £000**	2011 £000
Ordinary shares of 1p each	400,000,000	**4,000**	4,000
Allotted, issued and fully paid			
At 29 May 2011: ordinary shares of 1p each	230,171,644	**2,302**	2,068
Issued during the period	–	**–**	234
At 27 May 2012: ordinary shares of 1p each	230,171,644	**2,302**	2,302

Options

Movements in share options during the period ended 27 May 2012 were as follows:

	No.
At 29 May 2011 — 1p ordinary shares	17,000,000
Options granted	–
Options lapsed	(3,000,000)
Options exercised	–
At 27 May 2012 — 1p ordinary shares	14,000,000

Details of options at 27 May 2012 were as follows:

	Price per share	Options granted	Exercisable between
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
		14,000,000	

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:

	2012 £000	2011 £000
Share options	**–**	9
	–	9

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 £8,035 (2011: £5,080) 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 15).

The maximum possible liability on deferred bets is £0.059m (2011: £0.030m).

18 Capital commitments

As at 27 May 2012, the Group had no capital commitments (2011: £Nil).

19 Operating lease commitments

At 27 May 2012, the Group was committed to making the following payments during the next period in respect of operating leases:

	2012 £000	2011 £000
Leases which expire within one year	**27**	–
Leases which expire between one and two years	**–**	–
Leases which expire between two and five years	**–**	–

20 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 12), and with its Directors and executive officers and with Burnbrae Ltd (significant shareholder) and with Conister Bank Ltd (common director and shareholder).

Transactions with and between subsidiaries

Transactions with and between the subsidiaries in the Group which have been eliminated on consolidation are considered to be related party transactions.

Transactions with entities with significant influence over the Group

Rental and service charges of £28,957 (2011: £53,790), loan interest of £42,873 (2011: £(2,781) and Directors' fees of £24,000 (2011: £24,000) were charged in the period by Burnbrae Limited of which Denham Eke is a common director. Burnbrae Limited has also provided an unsecured loan of £1,125,000 (2011: £350,000).

Transactions with other related parties

Cash deposits totalling £1,612,039 (2011: £Nil) were held with Conister Bank Ltd at the period end.

Transactions with key management personnel

See page 13 for disclosure of Directors' Emoluments.

21 Financial risk management

Capital structure

The Group's capital structure is as follows:

	2012 £000	2011 £000
Cash and cash equivalents	**(2,683)**	(1,470)
Loans and similar income	**775**	–
Net funds	**(1,908)**	(1,470)
Shareholders' equity	**594**	635
Capital employed	**(1,314)**	(835)

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables and payables that arise directly from its operations.

21 Financial risk management continued

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 short-term loans if required.

Management controls and monitors the Group's cash flow on a regular basis, including forecasting future cash flow. Banking facilities are kept under review to ensure they meet the Group's requirements. Funds equivalent to customer balances are held in designated bank accounts to ensure that GSC player protection principles are met. The directors anticipate that the business will continue to generate positive cash flow in the forthcoming period to meet its financial obligations.

The Group has an unsecured loan facility with Burnbrae Limited of £1,125,000 with an interest rate of base plus 4% (2011: £350,000).

The following are the contractual maturities of financial liabilities:

2012
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	**1,687**	**(1,687)**	**(1,687)**	**–**	**–**
Income tax and national insurance	**16**	**(16)**	**(16)**	**–**	**–**
Other creditors	**1,140**	**(1,165)**	**(1,165)**	**–**	**–**
	2,843	**(2,868)**	**(2,868)**	**–**	**–**

2011
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	1,509	(1,509)	(1,509)	–	–
Income tax and national insurance	24	(24)	(24)	–	–
Other creditors	358	(366)	(366)	–	–
	1,891	(1,899)	(1,899)	–	–

21 Financial risk management continued

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

	2012 £000	2011 £000
Cash and cash equivalents	**2,683**	1,470
Trade and other receivables	**621**	838
	3,304	2,308

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:

	2012 £000	2011 £000
Pari-mutuel	**447**	626
Sportsbook	**174**	212
	621	838

Of the above receivables, £399,000 (2011: £588,000) 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 (2011: £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 negligible interest at floating rates, based principally on short-term inter bank rates.

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

21 Financial risk management continued

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:

2012	**HKD £000**	**GBP £000**	**EUR £000**	**USD £000**	**SGD £000**	**NOK £000**	**DKK £000**	**AUD £000**	**CAD £000**	**CHF £000**	**CNY £000**	**SEK £000**	**Total £000**
Current assets	**23**	**1,658**	**41**	**1,510**	**36**	**0**	**3**	**4**	**3**	**1**	**–**	**25**	**3,304**
Current liabilities	**(50)**	**(1,697)**	**(189)**	**(1,004)**	**(80)**	**(4)**	**(0)**	**(6)**	**(0)**	**(0)**	**(6)**	**(10)**	**(3,046)**
Short-term exposure	**(27)**	**(39)**	**(148)**	**506**	**(44)**	**(4)**	**3**	**(2)**	**3**	**1**	**(6)**	**15**	**258**

2011	HKD £000	GBP £000	EUR £000	USD £000	SGD £000	NOK £000	DKK £000	AUD £000	CAD £000	CHF £000	CNY £000	SEK £000	Total £000
Current assets	52	256	20	1,897	67	2	4	5	3	1	–	1	2,308
Current liabilities	(52)	(839)	(187)	(848)	(72)	(7)	(8)	(7)	(3)	(9)	(9)	(8)	(2,049)
Short-term exposure	–	(583)	(167)	1,049	(5)	(5)	(4)	(2)	–	(8)	(9)	(7)	259

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 27 May 2012 would have increased equity and profit and loss by the amounts shown below:

2012	**USD £000**	**EUR £000**	**SGD £000**	**Total £000**
Current assets	**80**	**2**	**2**	**84**
Current liabilities	**(50)**	**(10)**	**(4)**	**(64)**
Net assets	**30**	**(8)**	**(2)**	**20**

2011	USD £000	EUR £000	SGD £000	Total £000
Current assets	95	1	3	99
Current liabilities	(42)	(9)	(4)	(55)
Net assets	53	(8)	(1)	44

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.

22 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 57.22%.

23 Post balance sheet events

With effect from 1 September 2012, WatchandWager.com LLC has signed a five year lease agreement with the Board of the California Exposition & State Fair ("Cal Expo") in Sacramento, California to run standard-bred harness race meetings at the Cal Expo track commencing 2 November 2012. The agreement will require a staggered cash injection from the Group's pari-mutuel business of $750,000, comprising deposits, bonds and working capital, which will initially be provided from available cash flow. The Cal Expo deal is expected to at least break even at operating profit level in its first year of operation.

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 1 November 2012 at 11 am 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 27 May 2012.

2 To re-elect as a director Mr E Comins 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 Sir James Mellon who was appointed since the date of the previous annual general meeting 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 pursuant to Article 66 of the Company's Articles of Association, the authorised share capital of the Company be increased to £6,000,000 divided into 600,000,000 ordinary shares of 1p each by the creation of an additional 200,000,000 ordinary shares of 1p each to rank *pari passu* in all respects with the existing ordinary shares.

6 That the rules of the Company's 2005 Share Option Plan, in the form of the draft rules produced to the meeting and for the purposes of identification initialled by the Chairman, be amended to allow for the grant of options at an option price to be determined at the discretion of the board of directors of the Company but which shall not be less than the nominal value of a share.

7 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

8 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 5 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 50% 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

9 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 23,017,000;

(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.

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

By order of the Board

C Allen
Secretary
28 September 2012
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 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. To appoint more than one proxy you may photocopy the proxy form accompanying this notice. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

2. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority must be lodged at the offices of the Company's registrars, Capita Registrars, PXS, 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).

3. 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.

4. In the case of a corporation, the form of proxy must be executed under its common seal or the hand of an officer or attorney duly authorised.

5. A member may appoint a proxy of its own choice. If the name of the member's choice is not entered in the space provided on the form of proxy, the return of the form of proxy duly signed will authorise the chairman of the meeting to act as that member's proxy.

6. To abstain from voting on a resolution, select the relevant 'withheld' box. A vote withheld is not a vote in law and will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

7. 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 6 pm on 30 October 2012 shall be entitled to attend and vote at the meeting. Changes to the register after 6 pm on 30 October 2012 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. Where a corporation is to be represented at the meeting by a personal representative, such corporation must deposit a certified copy of the resolution of its directors or other governing body authorising the appointment of the representative at the Company's registered office: Viking House, Nelson Street, Douglas, Isle of Man, IM1 2AH not later than 48 hours before the time appointed for the holding of the meeting.

webisholdings plc

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