

BESTGAMES HOLDINGS LIMITED

**Company Registration No 5796787 (England and Wales)**

# **BESTGAMES HOLDINGS LIMITED**

## **Interim Unaudited Financial Statements**

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for the six months ended 30 June 2010

# Interim Unaudited Financial Statements

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For the six month period ended 30 June 2010

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## Company Information

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<b>Directors</b>	Henrik Magnusson Claes Magnusson	Chief Executive Officer Finance Director and Chairman
<b>Secretary</b>	Loizos Yerolemou	
<b>Registration office</b>	Crown House 72 Hammersmith Road London W14 8TH	
<b>Solicitors</b>	Mathew Arnold & Baldwin 85 Fleet Street London EC4Y 1AE	
<b>Auditors</b>	BSG Valentine Lynton House 7-12 Tavistock Square London WC1H 9BQ	
<b>Banker</b>	The Royal Bank of Scotland 180 Brompton Road London SW3 1HL	
<b>Registrars</b>	Share Registrars Limited Suite E, 1 <sup>st</sup> Floor 9 Lion & Lamb Yard Farnham Surrey GU9 7LL	
<b>Company number</b>	Incorporated in England and Wales with registered number 5796787	

## Chief Executive's Review

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### Introduction

The Group offers Poker, Casino, Bingo and Sports Betting gaming.

BestPoker.com is an established online poker-room within its markets, with a genuine focus on customer service, player retention and technical development. BestBingo.com offers its customers online bingo and various casino games. BestCasino.com offers its customers an extensive range of casino games. BestBet.com offers its customers an extensive range of sportsbetting events.

### Regulations

Gaming operates in a regulated environment in most of the EU member states (as in many domiciles outside EU) but we believe that the ongoing discussions within the EU will result in a more liberalised regulatory environment in many EU member states.

### Results

The Interim Unaudited Financial statements for the six months ended 30 June 2010 comply with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under IFRS 3, the acquisition of Bestpoker by BestGames constitutes a reverse acquisition and consequently, the group financial information has been prepared under reverse acquisition accounting rules.

The Group's total revenue was "2.54 million, delivering an operating profit before goodwill impairment of "101,000 compared with the loss of "239,000 in the previous twelve months ended 31 December 2009.

### Business strategy

The Group is focused on continuing to grow its business through a combination of innovative marketing, product development and by providing an excellent customer experience. At the same time, the Group is seeking to broaden its geographic spread to reduce further the Group's dependence on the Scandinavian market.

During 2010 the Group's marketing approach continued to be focused on driving new poker sign-ups through a series of highly targeted and effective campaigns as well as similar activities within the casino, bingo and betting area.

The Brazilian establishment has made important progress, and represents 36% of the Group's registered players. We believe our chosen strategy will generate superior returns for shareholders over the long-term.

Bestbet.com is our new contribution to the group and offers its customers an extensive range of sports betting. Bestbet.com will be launched throughout our current poker markets during 2010. An important part of our marketing budget will be allocated to promote sports betting in Brazil as we believe that this is a market to pursue, especially with the World Cup 2014 and Olympic Games 2016 coming up in Brazil.

The launch of sports betting enable us to offer players a complete poker, casino, bingo and sports betting which now gives the Group a balanced product portfolio of revenue streams and superior growth and business opportunities.

## Chief Executive's Review - continued

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### Business development - continued

The Group's player statistics are as follows:

- total number of registered players as at 30 June 2010 were 135,000 (31 December 2009: 123,000 registered players); and
- total active player base across all countries increased during the period from 6,874 in the fourth quarter of 2009 to 7014 in the second quarter 2010.

Further enhancements of our systems infrastructure continue this year due to the continued effort to add new features, systems upgrades and generally improve the overall customer experience.

The Group's affiliate network continues to be a differentiating factor compared with many of its competitors and through the BestPartners Affiliate Programme the Group rewards affiliates for driving real money sign-ups to the Group's product portfolio. Other important elements of the marketing mix include online and offline marketing, as well as the popular Bestpoker VIP shop.

Bestpoker's customer support team is available almost 24/7, helping customers to resolve any issues they may have with the games that they are playing as well as issues regarding payments to and from their account. Our bingo and casino players are being assisted 24/7.

### Current trading and outlook

The directors are of the opinion that the company and group is a going concern.

The activities since 31 December 2009 have overall been in line with management's expectations.

The Group's marketing function continues to be the primary driver behind the continued growth in the Group's global customer base. The total number of registered players as at 30 June 2010 has reached 135,000 (31 March 2010: 129,000), from more than 80 nations around the world.

We remain confident about the Group's prospects for the latter part of 2010.

### Note

This report contains statements about possible future developments that have been made on the basis of information currently available. These statements reflect the present opinion of the Board with respect to such future events, and should not be taken as a guarantee of future performance, since they entail risks and uncertainties that are difficult to predict. For many different reasons, actual events or circumstances may differ significantly from the assumptions made for such statements.

Henrik Magnusson

## Unaudited Consolidated Income Statement

For the six month period ended 30 June 2010

	Six Month Ended 30 June 2010	Year Ended 2009
	€	"
<b>Continuing operations</b>		
<b>Income from operations</b>	<b>2,543,665</b>	<b>5,576,349</b>
Operating costs	(1,715,748)	(3,533,036)
<b>Gross profit</b>	<b>827,917</b>	<b>2,043,313</b>
Administrative expenses before goodwill impairment	(95,413)	(217,344)
Goodwill impairment	-	-
Total administrative expenses	(95,413)	(217,344)
Selling and distribution expenses	(631,966)	(2,064,896)
Profit/ (Loss) from operations before goodwill impairment	100,538	(238,927)
Goodwill impairment	-	-
<b>Profit/ (Loss) from operations</b>	<b>100,538</b>	<b>(238,927)</b>
Finance income	52	1,255
Finance costs	5,346	(48,298)
<b>Profit/ (Loss) before taxation</b>	<b>105,936</b>	<b>(285,970)</b>
Taxation	-	22,639
<b>Profit/ (Loss) for the period</b>	<b>105,936</b>	<b>(263,331)</b>
<b>Profit/ (Loss) per share</b>		
	<b>Cents</b>	<b>Cents</b>
- Basic and diluted	<b>0.19</b>	<b>(0.48)</b>

## Unaudited Consolidated Balance Sheet

As at 30 June 2010

	Six Month Ended 30 June 2010 €	Year Ended 2009 "
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,565	7,761
Intangible assets . Goodwill	-	-
Intangible assets - Other	221,921	228,681
Deferred tax asset	60,370	60,370
	<hr/> 289,856	<hr/> 296,812
<b>Current assets</b>		
Trade receivables	1,678,198	1,286,092
Current tax assets	26,568	49,464
Other current assets	72,644	87,410
Cash and cash equivalents	1,433,208	1,846,309
	<hr/> 3,210,618	<hr/> 3,269,275
<b>Total assets</b>	<hr/> 3,500,474	<hr/> 3,566,087
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	809,823	809,823
Share premium	1,048,059	1,048,059
Merger reserve	21,179,999	21,179,999
Reverse acquisition reserve	(19,458,303)	(19,458,303)
Other reserve	(5,994)	(10,950)
Retained earnings	(2,821,107)	(2,927,043)
	<hr/> 752,477	<hr/> 641,585
<b>Current Liabilities</b>		
Trade and other payables	2,747,997	2,924,502
Current tax liabilities	-	-
	<hr/> 2,747,997	<hr/> 2,924,502
<b>Total equity and liabilities</b>	<hr/> 3,500,474	<hr/> 3,566,087

## Unaudited Consolidated Statement of Changes in Equity

For the six month period ended 30 June 2010

	Share Capital €	Share Premium €	Merger Reserve €	Reverse Acquisition Reserve €	Other Reserve €	Retained Earnings €	Total €
<b>Balance as at 31 December 2006</b>	<b>64,119</b>	<b>602,641</b>	-	<b>533,018</b>	-	<b>(790,254)</b>	<b>409,524</b>
<b>Changes in equity for the period to 31 December 2007</b>							
Loss for the period	-	-	-	-	-	(1,901,226)	(1,901,226)
Other recognised income and expenses - exchange differences	-	-	-	-	(1,478)	-	(1,478)
Total recognised income and expense for the period	-	-	-	-	(1,478)	(1,901,226)	(1,902,704)
Issue of new shares prior to acquisition	15,359	445,418	-	-	-	-	460,777
Issue of new shares on reverse acquisition	730,345	-	21,179,999	-	-	-	21,910,344
Legal entity adjustment arising from reverse acquisition of Company	-	-	-	(19,991,321)	-	-	(19,991,321)
<b>Balance as at 31 December 2007</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(19,458,033)</b>	<b>(1,478)</b>	<b>(2,691,480)</b>	<b>886,620</b>
<b>Changes in equity for the period to 31 December 2008</b>							
Profit for the period	-	-	-	-	-	27,768	27,768
Other recognised income and expenses - exchange differences	-	-	-	-	(12,964)	-	(12,964)
Total recognised income and expense for the period	-	-	-	-	(12,964)	27,768	14,804
<b>Balance as at 31 December 2008</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(19,458,033)</b>	<b>(14,442)</b>	<b>(2,663,712)</b>	<b>901,424</b>
<b>Changes in equity for the period to 31 December 2009</b>							
Loss for the period	-	-	-	-	-	(263,331)	(263,331)
Other recognised income and expenses - exchange differences	-	-	-	-	3,492	-	3,492
Total recognised income and expense for the period	-	-	-	-	3,492	(263,331)	(259,839)
<b>Balance as at 31 December 2009</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(19,458,303)</b>	<b>(10,950)</b>	<b>(2,927,043)</b>	<b>641,585</b>
<b>Changes in equity for the period to 30 June 2010</b>							
Profit for the period	-	-	-	-	-	105,936	105,936
Other recognised income and expenses - exchange differences	-	-	-	-	4,956	-	4,956
Total recognised income and expense for the period	-	-	-	-	4,956	105,936	110,892
<b>Balance as at 30 June 2010</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(19,458,303)</b>	<b>(5,994)</b>	<b>(2,821,107)</b>	<b>752,477</b>
Attributable to:							
Equity holders of the Company	809,823	1,048,059	21,179,999	(19,458,303)	(5,994)	(2,821,107)	752,477

The merger reserve arises as a result of the acquisition of Bestpoker by BestGames and represents the difference between the market value of the shares issued, for the purpose of this transaction, and the nominal value of the shares issued.

The acquisition of Bestpoker by BestGames constitutes a reverse acquisition and consequently, group accounts have been prepared under reverse acquisition accounting rules which gives rise to a reverse acquisition reserve.

Foreign exchange differences arising from conversion from the functional currency to presentational currency forms part of the movement in equity and is disclosed separately under other reserve.

## Unaudited Consolidated Cash Flow Statement

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For the six month period ended 30 June 2010

	Six Month Ended 30 June 2010 €	Year Ended 2009 "
<b>Net cash used in operating activities</b>	<b>(413,153)</b>	<b>649,790</b>
<b>Investing activities</b>		
Interest received	52	1,255
Purchases of property, plant and equipment	-	(9,727)
<b>Net cash used in investing activities</b>	<b>52</b>	<b>(8,472)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(413,101)</b>	<b>641,318</b>
Cash and cash equivalents at beginning of period	1,846,309	1,204,991
<b>Cash and cash equivalents at end of period</b>	<b>1,433,208</b>	<b>1,846,309</b>

## Unaudited Company Balance Sheet

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As at 30 June 2010

	30 June 2010 €	31 December 2009 "
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,565	7,761
Investment in subsidiaries	18,814,843	16,933,054
	<hr/>	<hr/>
	<b>18,822,408</b>	<b>16,940,815</b>
<b>Current assets</b>		
Trade receivables	-	11,113
Current tax assets	5,685	6,272
Other current assets	1,536,030	1,147,992
Cash and cash equivalents	1,119,293	1,634,296
	<hr/>	<hr/>
	<b>2,661,008</b>	<b>2,799,673</b>
<b>Total assets</b>	<b>21,483,416</b>	<b>19,740,488</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	809,823	809,823
Share premium	1,048,059	1,048,059
Merger reserve	21,179,999	21,179,999
Other reserve	(3,484,591)	(5,371,336)
Retained earnings	(688,454)	(690,426)
	<hr/>	<hr/>
	<b>18,864,836</b>	<b>16,976,119</b>
<b>Current Liabilities</b>		
Trade and other payables	2,618,580	2,764,369
Current tax liabilities	-	-
	<hr/>	<hr/>
	<b>2,618,580</b>	<b>2,764,369</b>
<b>Total equity and liabilities</b>	<b>21,483,416</b>	<b>19,740,488</b>
	<hr/>	<hr/>

## Unaudited Company Statement of Changes in Equity

For the six months ended 30 June 2010

	Share Capital €	Share Premium €	Merger Reserve €	Other Reserve €	Retained Earnings €	Total €
<b>Balance as at 30 April 2007</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	-	<b>(382,999)</b>	<b>22,654,882</b>
<b>Changes in equity for the period to 31 Dec 2007</b>						
Loss for the period	-	-	-	-	(318,869)	(318,869)
Other recognised income and expenses - exchange differences	-	-	-	(1,573,090)	-	(1,573,090)
Total recognised income and expense for the period	-	-	-	(1,573,090)	(318,869)	(1,891,959)
<b>Balance as at 31 Dec 2007</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(1,573,090)</b>	<b>(701,868)</b>	<b>20,762,923</b>
<b>Changes in equity for the period to 31 Dec 2008</b>						
Profit for the period	-	-	-	-	14,878	14,878
Other recognised income and expenses - exchange differences	-	-	-	(5,083,388)	-	(5,083,388)
Total recognised income and expense for the period	-	-	-	(5,083,388)	14,878	(5,068,510)
<b>Balance as at 31 Dec 2008</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(6,656,478)</b>	<b>(686,990)</b>	<b>15,694,413</b>
<b>Changes in equity for the period to 31 Dec 2009</b>						
Profit for the period	-	-	-	-	(3,436)	(3,436)
Other recognised income and expenses - exchange differences	-	-	-	1,285,142	-	1,285,142
Total recognised income and expense for the period	-	-	-	1,285,142	(3,436)	1,281,706
<b>Balance as at 31 Dec 2009</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(5,371,336)</b>	<b>(690,426)</b>	<b>16,976,119</b>
<b>Changes in equity for the period to 30 June 2010</b>						
Profit for the period	-	-	-	-	1,972	1,972
Other recognised income and expenses - exchange differences	-	-	-	1,886,745	-	1,886,745
Total recognised income and expense for the period	-	-	-	1,886,745	1,972	1,888,717
<b>Balance as at 30 June 2010</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(3,484,591)</b>	<b>(688,454)</b>	<b>18,864,836</b>
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	<b>809,823</b>	<b>1,048,059</b>	<b>21,179,999</b>	<b>(3,484,591)</b>	<b>(688,454)</b>	<b>18,864,836</b>

The merger reserve arises as a result of the acquisition of Bestpoker by BestGames and represents the difference between the market value of the shares issued, for the purpose of this transaction, and the nominal value of the shares issued.

Foreign exchange differences arising from conversion from the functional currency to presentational currency forms part of the movement in equity and is disclosed separately under other reserve.

## Unaudited Company Cash Flow Statement

For the period ended 1 January 2010 to 30 June 2010

	<b>30 June 2010</b>	31 December 2009
	€	"
<b>Net cash used in operating activities</b>	<b>(515,055)</b>	<b>762,071</b>
<b>Investing activities</b>		
Interest received	52	201
Purchase of property, plant and equipment	-	(9,727)
<b>Net cash generated from/(used in) investing activities</b>	<b>52</b>	<b>(9,526)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(515,003)</b>	<b>752,545</b>
Cash and cash equivalents at beginning of period	1,634,296	881,751
<b>Cash and cash equivalents at end of period</b>	<b>1,119,293</b>	<b>1,634,296</b>