

DEVILFISH GAMING plc
FINANCIAL STATEMENTS

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008

Company Registration Number: 6400833

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

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DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

COMPANY INFORMATION

Directors	:	Paul J Barnes – Chief Executive Officer David Boden - Executive Chairman Andrew J A Flitcroft – Chief Financial Officer Karl Hutson – Chief Operating Officer Kevin R Leech – Non Executive Director John Mulcahy – Non Executive Director	
Secretary	:	Andrew Flitcroft	
Company Number	:	6400833	
Registered Office	:	PO Box 666 84 Talbot Road Old Trafford Manchester M16 0PG	
Auditors	:	Hart Shaw LLP Europa Link Sheffield Business Park Sheffield S9 1XU	
Solicitors	:	City Law Pellipar House 9 Cloak Lane London EC4R 2RU	
Business Address	:	PO Box 666 84 Talbot Road Old Trafford Manchester M16 0PG	
Bankers	:	Barclays Private Clients International Limited PO Box 8 39-41 Broad Street St Helier Jersey JE4 8PU	
Corporate Advisor and Broker:		Hichens Harrison & Co. Plc Bell Court House 11 Bloomfield Street London EC2M 1LB	:

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

DIRECTORS' REPORT

The directors present their report and financial statements of the company and the Group for the period ended 30 June 2008.

Incorporation

The company was incorporated on 16 October 2007 and on 12 November 2007 purchased 100% of the share capital of Devil Fish Poker Limited, which was incorporated on 5 August 2005 and began trading in December 2005.

Principal activities and review of the business

The principal activity of the Group is to promote the website devilfish.com and associated websites through which members can participate in multi-player poker and other online gaming products via the internet.

On 5 March 2008 the Company, as part of the placing of shares, issued 12,000,000 ordinary shares at 10p per share raising £1,200,000 before expenses. The Placing raised approximately £1,030,000 for the Company net of expenses to be used to fund the existing business, promote its expansion and develop the requisite technical and personnel infrastructure to grow revenues; to help place the Company in a stronger position to carry out due diligence on potential acquisitions; and to provide working capital for the Company's initial operations in line with its marketing and growth strategy.

On 18 March 2008 we announced that the Company had signed a Marketing Agreement ("Turnkey Partner") with Entraction (www.entraction.com), the publicly-quoted gaming software and services provider traded on the Swedish exchange, First North. Entraction's gaming licenses are held in Malta allowing the Company to promote itself freely, inter alia, in the UK, one of its primary markets. The Agreement with Entraction provides Devilfish Gaming with two poker rooms as well as two online casinos offering a comprehensive range of popular gaming products. The Agreement enables us to outsource significant operating costs usually associated with operating a gaming platform.

Following a short development and integration project, on 19 May 2008 we successfully transferred our operations from the existing UltimateBet platform to the Entraction platform, thus successfully re-launching the Devilfish Gaming product offering under devilfish.com, and implemented a brand-building, promotions, advertising and PR campaign.

Gross Turnover for the period ended 30 June 2008 was £21,763. It should be noted that the Company only started to actively promote the "Devilfish" brand and associated products from the date of re-launch on Entraction. The Company thus saw significant increases in revenue following the move to Entraction. Cost of sales in this period includes a large one off, up front expense associated with the transfer of our operations to the Entraction network, contributing to a gross loss of £17,292. Prior to this the Company had incurred significant expense to prepare for flotation and build the infrastructure for future growth resulting in a loss before taxation of £424,414.

Devilfish.com now offers over 170 different Poker and Casino games including the most popular Poker game variations and tournaments, Caribbean Stud, several table games such as Roulette and Blackjack, as well as a wide variety of slots with progressive jackpot, giving the on-line gamer a wide range of product choice. We are now generating significant growth in gaming activity in the short time that we have been promoting the Devilfish brand on the Entraction platform. Trading in the second half year to date has been very encouraging, comparing like for like data of June 2008 and September 2008,

- Average daily net gaming revenue more than trebled from €455 to €1,512
- Average daily deposits almost trebled from €879 to €2,656
- Yield per active cash game player rose from €12 to €38 per day

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

DIRECTORS' REPORT (Continued)

We have also seen strong growth in new player registrations during this period. We expect strong growth to continue for the foreseeable future, especially as some of our marketing and brand building activities are only now coming on stream.

Since re-launch we have been offering a range of innovative "on-brand" promotions including regular "Devilfish" bounties and other unique value-added tournaments, for example, the popular "Devilympics" league, as well as network wide guaranteed prize pool tournaments. The Company endeavours to "punch above its weight" by a marketing mix which makes optimal use of affiliates, PR, innovative high-value promotions, multi-media exposure and viral marketing, to promote the Devilfish "street-wise" brand attributes of wit, fun, irreverence and success. With active player numbers and gaming revenue showing strong growth we are very encouraged by the current trend and expect this growth to continue during the remainder of 2008.

We are also delighted to welcome David Boden to the Board of Devilfish Gaming PLC as Executive Chairman. David, formerly a Main Board Director with The Rank Group PLC was responsible for the Gaming Division, including Grosvenor Casinos, Mecca Bingo, and Blue Square online gaming business.

He also has experience of the wider leisure industry including being a former Director of Business in Sport & Leisure and thus brings a wealth of experience and knowledge of both the gaming and leisure sectors. His appointment further strengthens the 'Devilfish Team' and his input will be invaluable to further develop the Group's activities in both its existing and new product portfolio. Kevin Leech has stepped down as Chairman but remains a non-executive member of the board, Kevin is very pleased that David, with his vast experience of the gaming sector, has accepted the position of Chairman and Kevin looks forward to the progress and future of the company under David's guidance. The board extends their gratitude to Kevin for his role as chairman up to David's appointment.

The results for the year are set out on page 8.

The directors do not recommend payment of an ordinary dividend.

Future developments

It is our intention to launch online bingo in Q4 2008. We believe this is a positive move into a growth market which will attract an additional player demographic to Devilfish. We also have the option to offer our players a Sportsbook gaming product although the timings of this are yet to be decided. In addition we are investigating other innovative niche high-yield gaming products where we see an optimal mix of high brand value and low competition.

We are actively recruiting and signing up capable affiliate partners to assist our growth. In order to attract the strongest companies in this area we are in the process of investing in a fully integrated affiliate management system which we believe will be invaluable to our future success.

As we stated in our Admission Document we are and will be reviewing the market for potential acquisitions to add shareholder value.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

DIRECTORS' REPORT (Continued)

Going concern

The directors believe that the group has adequate resources to continue its operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Directors

The following directors have held office since the date of incorporation of the company 16 October 2007:

Paul J Barnes	appointed 24 January 2008
David Boden	appointed 28 July 2008
Andrew J A Flitcroft	appointed 12 November 2007
Karl Hutson	appointed 24 January 2008
Kevin R Leech	appointed 12 November 2007
John Mulcahy	appointed 24 January 2008

Directors' interests

As at 30 June 2008 the following directors held shares in the company:

	Ordinary Shares 30 June 2008	Share Options 30 June 2008	
Paul Barnes	-	688,000	
		1,052,632 *	
David Boden	-	650,000	Granted 28 July 2008
Andrew Flitcroft	50,000	720,000	
Karl Hutson	36,000	320,000	
Kevin Leech	5,820,300	640,000	
John Mulcahy	-	-	

The 5,820,300 shares held by Kevin Leech are held in a trust, through La Vignette Ventures Ltd, of which Kevin Leech is a discretionary beneficiary.

All above share options, other than those separately identified, have an exercise price of 10p.

* Paul J Barnes additional options of 1,052,632 entitles Mr Barnes to subscribe for shares at 1p per share at any time from the second anniversary of Admission (5 March 2008) until the third anniversary of Admission.

Further details in respect of the share options are disclosed in note 21 to the accounts.

Substantial shareholders

The following shareholders hold more than 3% of the total issued shares of 32,000,000 of Devilfish Gaming plc

	Number of shares	Percentage
Kevin Leech	5,820,300	18%
David Ulliott	8,895,200	28%
Channel Hotels & Properties Ltd	4,118,200	13%
Forest Nominess Ltd	10,335,000	32%
Pershing Keen Nominees Ltd	1,065,000	3%

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

DIRECTORS' REPORT (Continued)

Payment of trade payables

It is the Group's current policy to establish payment terms with suppliers when agreeing terms of supply, to ensure that suppliers are made aware of the terms of payment, and to adhere to those terms.

Auditors

Hart Shaw LLP were appointed auditors to the company during the year and in accordance with section 385 of the Companies Act 1985, a resolution confirming their appointment will be put to the Annual General Meeting.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

- a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

.....
Andrew Flitcroft
Finance Director
Dated: 20 October 2008

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DEVILFISH GAMING plc

We have audited the Group's and parent company's financial statements for the period ended 30 June 2008 set out on pages 8 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 the directors and auditors

As described in the Statement of Directors' responsibilities on page 5, the company's directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS's) as adopted by the European Union are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and, whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DEVILFISH GAMING plc

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union, of the state of the Group's and parent company's affairs as at 30 June 2008 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Hart Shaw LLP

Chartered Accountants
Registered Auditor

22 October 2008

Europa Link
Sheffield Business Park
Sheffield
S9 1XU

DEVILFISH GAMING plc

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008

	Notes	30 June 2008 Group £
Revenue	4	21,763
Cost of sales	5	(39,055)
Gross profit		<u>(17,292)</u>
Other income		7,788
Administrative expenses	5	(421,910)
Loss before taxation	6	<u>(431,414)</u>
Taxation expense	9	-
Loss for the period		<u>(431,414)</u>
 Earnings per share for profit attributable to the equity shareholders		
Basic earnings per ordinary share (p)	11	(0.019)
Diluted earnings per ordinary share (p)	11	(0.016)

The accounting policies and notes set out on pages 12 to 27 form an integral part of these consolidated financial statements. There are no recognised gains and losses other than those passing through the income statement.

The above income statement includes acquired activities.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 JUNE 2008

	Notes	30 June 2008 Group £	30 June 2008 Company £
Assets			
Non-current assets			
Property, plant and equipment	12	2,436	-
Goodwill	13	2,049,689	-
Investment in subsidiary	14	-	1,950,000
Other intangibles	13	11,862	-
		<u>2,063,987</u>	<u>1,950,000</u>
Current assets			
Trade and other receivables	15	56,558	26,247
Amounts receivable from subsidiary undertakings		-	406,609
Cash and cash equivalents		573,072	513,059
		<u>629,630</u>	<u>945,915</u>
Total assets		<u>2,693,617</u>	<u>2,895,915</u>
Equity and liabilities			
Equity			
Issued share capital	18	320,000	320,000
Share premium		2,709,362	2,709,362
Retained earnings	17	(431,414)	(182,721)
		<u>2,597,948</u>	<u>2,846,641</u>
Current liabilities			
Trade and other payables	16	95,669	49,274
Total current liabilities		<u>95,669</u>	<u>49,274</u>
Total equity and liabilities		<u>2,693,617</u>	<u>2,895,915</u>

Amounts receivable from subsidiary undertakings amount to £406,609 for the company are due after more than 1 year.

Approved by the Board for issue on 20 October 2008

Andrew Flitcroft
Finance Director

The accounting policies and notes set out on pages 12 to 27 form an integral part of these consolidated financial statements.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2008

	Number of shares	Nominal Value £	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 16 October 2007	-	-	-	-	-	-
Loss for period	-	-	-	-	(431,414)	(431,414)
Total recognised income and expense for the period	-	-	-	-	(431,414)	(431,414)
Issue of share capital:						
Initial issue at incorporation	2	0.10	0.20	-	-	0.20
Conversion of debt to equity	499,998	0.10	49,998.80	-	-	49,998.80
Reclassification of shares to 1p nominal value	5,000,000	0.01	50,000	-	-	50,000
Share swap for acquisition of Devilfish Poker	15,000,000	0.01	150,000	1,800,000	-	1,950,000
IPO share issue	12,000,000	0.01	120,000	909,362	-	1,029,362
Balance at 30 June 2008	32,000,000	0.01	320,000	2,709,362	(431,414)	2,597,948

Transaction costs of £170,638 were incurred during the IPO share issue which have been deducted from the share premium account

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CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008

	30 June 2008 Group £
Cash flow from operating activities	
Loss before taxation	(431,414)
Adjustments for:	
Depreciation	712
Investment income	(7,788)
Increase in trade and other receivables	(47,979)
Increase in trade and other payables	61,087
Net cash outflow from operating activities	<u>(425,382)</u>
Cash flows from investing activities	
Purchase of non-current assets	(4,617)
Net cash acquired in acquisitions	(34,079)
Interest received	7,788
Net cash outflow from investing activities	<u>(30,908)</u>
Cash flow from financing activities	
Proceeds from issue of share capital	<u>1,029,362</u>
Net cash inflow from financing activities	<u>1,029,362</u>
Net increase in cash in the year	573,072
Cash and cash equivalents at the end of the period	<u><u>573,072</u></u>

The accounting policies and notes set out on pages 12 to 27 form an integral part of these consolidated financial statements.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

Notes to the financial information

1 General information

The principal activities of Devilfish Gaming plc (“the company”) and its subsidiary (together “the group”) are earning commissions through signed up members gained by advertising and promoting the company's website.

The company is a public limited company incorporated and domiciled in the United Kingdom, having a registered office at PO Box 666, 84 Talbot Road, Manchester, M16 0XB.

The registered number of the company is 6400833

2 Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards [IFRS] as developed and published by the International Accounting Standards Board [IASB] as adopted by the European Union [EU], IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods, but the group has not early adopted them:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it is not expected to be significant based on current operations.

The financial information has been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through the income statement.

The preparation of financial information in conformity with IFRS requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in the summary of significant accounting policies below.

For the purposes of these financial statements, the period ended 30 June 2008 represents the period from 16 October 2007 to 30 June 2008. The company's accounting period was shortened from 31st October to 30th June to bring the accounting period in line with Devil Fish Poker Limited. The company was incorporated on the 16 October 2007; therefore there is no previous period for the group to prepare financial statements.

3 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 periods presented, unless otherwise stated.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired, including separately identifiable intangible assets, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Acquired intangible assets - business combinations

Intangible assets that are acquired as a result of a business combination and that can be separately measured at fair value on a reliable basis are separately recognised on acquisition at their fair value. Amortisation is charged on a straight-line basis to the income statement over their expected useful economic lives.

Amortisation of intangible assets

Intangible assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Devilfishpoker.com URL	Infinite
Website design	1 year

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

Impairment of intangible assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows (cash generating units 'CGUs').

Property, plant and equipment

All property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is attributable to the acquisition of the items. Depreciation is provided at rates to write off the cost less estimated residual value of each asset over its estimated useful life, as follows:

Computer equipment	100%	straight line
Office equipment	33%	straight line
Motor vehicles	100%	straight line

The residual values and lives of assets are reviewed and adjusted, if appropriate, at each balance sheet date.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of any provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

Foreign currency translation

(a) Functional and presentation currency

The consolidated financial information is presented in pounds sterling, which is the group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Revenue recognition

Revenue from services is derived primarily by marketing online gaming products available by the groups associated websites. These online games comprise of Poker and Casino, with the revenue recognised in the accounting periods in which the underlying gaming transactions occur. Revenue represents the commission charged or tournament entry fees where the player has concluded his or her participation in the tournament. Casino revenue represents net house win. All revenue is calculated gross before any promotional bonuses.

Segmental reporting

A business segment is a group of assets or operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that is subject to different risks and returns from other segments in other economic environments.

Expenses

All expenses are accounted for on an accruals basis.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 income tax asset is realised or the deferred income tax liability is settled.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

Deferred income 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that optimises the cost of capital. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital comprises all components of equity; share capital, share premium, and retained earnings.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

4 Segmental analysis

Based on risks and returns, the directors consider that the primary reporting format is by business segment. The directors consider that there is only one business segment, being the commission earned through signed up members gained by advertising and promoting the company's website. Therefore, the disclosures for the primary segment have already been given in this financial information.

Geographical segment

	2008
	£
Revenue from services:	
UK	11,471
Other European	9,700
Rest of the world	592
Total	<u>21,763</u>

	2008
	£
Non current assets – additions at cost	
UK	2,078,485
Other European	-
Rest of the world	-
Total	<u>2,078,485</u>

	2008
	£
Balance sheet – Net book value of segment assets	
UK	2,063,987
Other European	-
Rest of the world	-
Total	<u>2,063,987</u>

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

5 Expenses

The following material expenses are included in cost of sales:

	2008
	£
Extraction - set up fee	31,600

The following material expenses are included in administrative expenses:

	2008
	£
Advertising and marketing	61,200
PR costs	27,751
Directors' emoluments	148,980
Hotel and travel	31,960
Professional fees	72,650

6 Loss before tax

Loss before tax, all of which arises from the group's principal activities, is stated after charging:

	2008
	£
Auditors' remuneration:	
- Audit services	3,500
- Other services	7,500
Depreciation expense	712

7 Loss attributable to the parent company

As permitted by S230(4) of the Companies Act 1985, the company has not presented its own separate income statement. The loss for the period dealt with in the accounts of the parent company is £182,721.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

8 Key management and directors emoluments

	2008
	£
Directors' emoluments	148,890

There are no employees of the group except for the directors

9 Taxation expense

The taxation provision for the period is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2008
	£
Loss before tax	(431,414)
Taxation at the UK corporation tax rate of 30%	(129,424)
Effects of:	
Loss during the year	129,424
Tax expense	-

No deferred tax asset has been provided in respect of tax losses as their crystallisation is no certain. The subsidiary has pre acquisition tax losses brought forward and the deferred tax asset not provided for at 31% amounts to approximately £275,000. The amount of deferred tax not provided for in respect of post acquisition losses at 31% amounts to approximately £31,000.

10 Dividends

No dividends have been proposed by the company for the period ended 30 June 2008 or the prior period.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

11 Earnings per 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 year.

The calculations of diluted earnings per share are based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options.

Reconciliation of the earnings and weighted average number of shares in the calculations are set out below.

Continuing operations

	2008		
	Earnings	Weighted average number of shares	Per share amount (pence)
	£		
Basic earnings per share	(431,414)	23,294,120	(0.019)
Dilutive effect of share options		4,265,632	
Diluted earnings per share	(431,414)	27,559,752	(0.016)

The additional 650,000 share options granted on 28th July 2008 (see note 21) have not been included in the above diluted earnings per share as their inclusion has an insignificant effect.

DEVILFISH GAMING plc**FINANCIAL STATEMENTS
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12 Property, plant and equipment

	Website £	Office equipment £	Total £
Cost			
Additions via acquisitions of subsidiary	11,000	3,179	14,179
Additions	-	2,755	2,755
At 30 June 2008	11,000	5,934	16,934
Accumulated depreciation			
Additions via acquisition of subsidiary	11,000	2,786	13,786
Charge for the period	-	712	712
At 30 June 2008	11,000	3,498	14,498
Net book amount			
At 30 June 2008	-	2,436	2,436

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

13 Intangible assets – goodwill

Goodwill on consolidation	2008
	£
Cost	<hr/>
Recognised on acquisition of subsidiary (note 19)	2,049,689
At end of period	<hr/> 2,049,689
Impairment	
Recognised in the year	-
At end of period	<hr/> -
Net book value at end of period	<hr/> 2,049,689

Goodwill arising on consolidation represents the excess of the acquisition cost over the fair value of the group's share of the identifiable net assets of subsidiary acquired at the date of the acquisition. Under IFRS, goodwill is not amortised but is included at its net book value at date of acquisition and tested annually for impairment.

Intangible assets – other

	URL's
	£
Cost	<hr/>
Additions via acquisition of subsidiary	10,000
Additions	1,862
At 30 June 2008	<hr/> 11,862
Net book value at 30 June 2008	<hr/> 11,862

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

14 Investments - unquoted equity investments

	2008 Company £
Cost of investments purchased during the period	1,950,000
Change in fair value during the period	<hr/>
At 30 June 2008	<hr/> 1,950,000 <hr/>

Significant equity investments

Company	Class of shares held	% held	Country of Incorporation	Nature of business	Capital and reserves at 30 June 2008	Loss for year
Devilfish Poker Ltd	Ordinary	100%	UK	Earning commission through signed up members on company's website	(348,381)	(476,101)

The subsidiary undertaking is consolidated.

15 Trade and other receivables

	Group 2008 £	Company 2008 £
Trade receivables	10,832	
Prepayments	21,458	10,030
Other receivables	24,268	16,217
	<hr/> 56,558 <hr/>	<hr/> 26,247 <hr/>

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

16 Trade and other payables

	Group	Company
	2008	2008
	£	£
Trade payables	62,562	33,815
Taxation and social security	2,673	2,673
Accrued expenses and other payables	30,434	12,786
	<u>95,669</u>	<u>49,274</u>

17 Reconciliation of movements in shareholders funds

	Group	Company
	£	£
Issuance of founding shares	0.20	0.20
Shares issued for the conversion of debt to equity	49,999.80	49,999.80
Shares issued for the acquisition of Devil Fish Poker Limited	1,950,000	1,950,000
Shares issued for initial public offer	1,029,362	1,029,362
Loss for the period ended 30 June 2008	(431,414)	(182,721)
At 30 June 2008	<u>2,597,948</u>	<u>2,846,641</u>

18 Share capital

	2008
	£
Authorised	
5,000,000 ordinary shares of 1p each	500,000
Allotted, called up and fully paid	
3,200,000 ordinary shares of 1p each	320,000

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

19 Business combinations

Acquisitions of subsidiary undertakings during the period ended 30 June 2008

(a) Acquisition of Devil Fish Poker Limited

On 12 November 2007 the company acquired 100% of the share capital in Devil Fish Poker Limited at a cost of 39p per share for a total consideration of £1,950,000. The consideration was settled by the issue of 15,000,000 ordinary shares in a 3 for 1 share swap with the existing shareholders of Devil Fish Poker Limited. The company is incorporated in the United Kingdom and its principal activity is that of earning commissions through signed up members gained by advertising and promoting the company's website.

Details of the net assets acquired and goodwill arising on acquisition are as follows:

	£
Purchase consideration :	
- Value of shares issued in consideration	1,950,000
Total purchase consideration	1,950,000
Fair value of net liabilities acquired	99,689
Goodwill	2,049,689

The assets and liabilities as of 12 November 2007 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
	£	£
Non-current assets	10,393	10,393
Trade and other receivables	8,579	8,579
Current liabilities	(84,582)	(84,582)
Cash and cash equivalents	(34,079)	(34,079)
Net assets acquired	(99,689)	(99,689)
Purchase consideration settled in cash	-	-
Cash and cash equivalents in subsidiary acquired	(34,079)	(34,079)
Cash outflow on acquisition	(34,079)	(34,079)

The post acquisition loss of Devil Fish Poker Limited, which is included in the consolidated Income Statement, amounts to £248,693.

DEVILFISH GAMING plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

20 Related party transactions

The shares in the group are widely held and management does not consider the group to be controlled by any individual person or entity.

The remuneration of directors is disclosed in note 8. There were no other material transactions or balances between the group and its key management personnel or member of their close families.

At the year end there was an unsecured loan from Devilfish Gaming Plc to Devil Fish Poker Limited amounting to £406,609. There are no specific repayment terms of the loan and no interest is accruing.

21 Share options

The company has a share option scheme under which options to subscribe for the company's shares are granted to the directors and other persons. The share options currently in existence were granted and are exercisable as follows:

Date granted	Exercise price	Number of shares	Period exercisable
24 January 2008	10p	2,080,000	5 March 2010 to 5 March 2018
24 January 2008	1p	1,052,632	5 March 2010 to 5 March 2011
24 January 2008	10p	1,008,000	5 March 2010 to 5 March 2015
27 March 2008	10p	125,000	5 March 2010 to 5 March 2015
		<hr/>	
		4,265,632	
		<hr/>	

On 28 July 2008 a further 650,000 share options were granted with an exercise price of 10p. The period that the shares can be exercised is 5 March 2010 to 5 March 2018.

22 Share based payments

During the period the company issued 499,998 ordinary shares of 10p each with the purpose of settling some of the trade payables outstanding balances' in Devil Fish Poker Limited.

The shares issued along with the 2 shares already in issue had a nominal value of £50,000 and were issued to the trade payables in full settlement of their liability which totalled £50,000.

23 Operating commitments

There were no non-cancellable operating commitments as at 30 June 2008.

24 Capital commitments

There were no commitments as at 30 June 2008.

25 Contingent liabilities

There were no contingent liabilities as at 30 June 2008.

26 Post balance sheet events

There are no post balance sheet events to disclose.