

Webis Holdings plc

Global Gaming Group

Interim Report and Financial Statements for the period ended 30 November 2017

London AIM Stock Code: WEB

Webis Holdings plc

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Webis Holdings plc

Group at a Glance

Webis Holdings plc (the “Group”), headquartered on the Isle of Man, operates two primary segments within its structure:

WatchandWager.com Ltd and WatchandWager.com LLC – Advanced Deposit Wagering (“ADW”)

WatchandWager.com Ltd is regulated in the Isle of Man and operates a totalisator wagering hub through its United States Tote supplier, which enables it to conduct its ADW business by passing wagers directly into global racetrack betting pools in real time.

WatchandWager.com LLC has its operational base in Lexington, Kentucky, with its head office in Larkspur, California, and provides pari-mutuel, or pool-betting, wagering services through a number of distribution channels to a global client base. The company holds United States pari-mutuel licences for its ADW business in the USA, issued by the States of North Dakota, California, Maryland, Colorado, Minnesota, New York, Washington and Kentucky, providing wagering opportunities predominantly on horse and greyhound racing. Contracts are held with a significant number of prestigious racetrack partners within the United States, Hong Kong, Canada, United Kingdom, Ireland, Australia and France amongst others. Wagering facilities are provided to customers through its website, *watchandwager.com*, as well as via a business-to-business wagering product and a telephone call centre.

WatchandWager.com LLC - Cal Expo Harness Racetrack

WatchandWager.com LLC also operates Cal Expo Harness Racetrack in Sacramento, California, under a licence issued by the California Horse Racing Board. This ‘bricks and mortar’ presence in the largest state economy in the USA continues to provide leverage for our related global pari-mutuel operations.

As part of the requirements for the Group’s Isle of Man licence, client funds for the Isle of Man licensed companies are held in fully protected client accounts within an Isle of Man regulated bank.

Webis Holdings plc

Chairman's Statement

Introduction

Although we incurred a small loss for the period, I am pleased to report a further significant growth in turnover of 41% to US\$ 209 million (2016: US\$ 148 million), thus continuing the positive trend highlighted in my previous Chairman's Statement for the Financial Year 2017. In addition, we increased activity on our website/mobile product - *watchandwager.com* - reporting a record number of users across the platform for the Breeders' Cup races at Del Mar, California on November 4th, 2017.

Our on-line ADW operations had a robust period of increased handle and consistent profitability, both through our website/mobile platform and through our business-to-business trading.

Our racetrack operation at Cal Expo, Sacramento, California, experienced a challenging first half, reflecting the costs of starting our new season of racing, coupled with a weak initial wagering handle in the early part of the season.

Half Year Results Review

Group turnover increased by 41.4% to US\$ 209.30 million (2016: US\$ 148.08 million) with gross profit increasing by 7.1% to US\$ 2.22 million (2016: US\$ 2.07 million). The increase in turnover was largely due to growth in our business-to-business activity in international markets, as well as an increase in business-to-consumer within the US, notably via the *watchandwager.com* website and mobile product.

Operating expenses showed a small decrease to US\$ 2.23 million (2016: US\$ 2.26 million). Despite some savings, these were largely offset by increased costs of maintaining and growing our range of licences and also ensuring regulatory compliance within the industry and the various jurisdictions within which we operate. These costs are effectively mandatory and we consider being fully compliant to be absolutely vital to our future growth.

Overall, the Board are encouraged by these results. We are now ranked within the Top Five (ranked by turnover) of licensed USA operators and further cements WatchandWager's position as a credible provider within the USA.

We continue to push forward with our strategy of diversifying our product offering to ensure the stability of our business performance. Despite generating significant turnover, business-to-business trading is inherently volatile and is high risk in terms of a reducing margin returned. The decisions of key content groups or player groups are largely outside our control. In addition, the performance of our racetrack at Cal Expo has been hampered by low horse numbers, which has created smaller fields and fewer races, hence generating lower betting handle.

In respect of the Condensed Consolidated Statement of Financial Position, our net assets show a small decrease to US\$ 1.92 million (year-end 31 May 2017: US\$ 1.94 million). Total cash balances stand at US\$ 13.65 million (year-end 31 May 2017: US\$ 15.07 million).

WatchandWager Advanced Deposit Wagering

Business-to-consumer – activity through all channels increased during the period, and we were rewarded with a record number of active players on our website and mobile platforms on Breeders' Cup day in November 2017. We also managed to continue this growth through a more precisely targeted use of promotional bonuses and offers. We enjoy an enhanced margin from business-to-consumer play and developing this business segment is a key part of our US strategy.

Business-to-business – the supply of wagering services to high-roller player groups provided a significant contribution to our overall turnover during the period, primarily due to an increase in high volume wagering into international jurisdictions, particularly France, but also North America, UK/Ireland and the Hong Kong Jockey Club pools, despite the latter having their usual break from racing in mid-July to early September. We continue to increase our spread of activity over a broader variety of world-wide racetracks from a larger business trading database. We are, however, aware of the various issues inherent in this business as the sector continues to consolidate.

Cal Expo

In October, WatchandWager re-commenced harness racing at the Cal Expo racetrack in Sacramento for the sixth successive season under new contractual terms with both our landlord and management team. We spent much of the summer months focused on horse recruitment and had some success in attracting new horses. Overall, however, horse numbers have reduced. The trainers who have regularly supported our meeting are generally trying to cut back, mainly citing economic factors. Thus, initial wagering on the first two months was below expectations, and this is an area that we are looking to address in the remaining months of the season.

Webis Holdings plc

Chairman's Statement continued

Summary and Outlook

The Board is pleased to report a generally further positive performance during the start of the second half in what is normally a quieter time of year for quality content. This is especially so in our on-line operations, but less so at Cal Expo. Handle and player numbers have generally held up well during December 2017 and January 2018.

Business-to-consumer – despite growth, it was very disappointing to be informed at the end of 2017 that the USA media rights company, Monarch Content Management, were not renewing our contract for wagering and streaming rights into 2018. In total, this decision affects seventeen tracks in the USA, some of which are owned by the Stronach Group. Following this news, we have been in active negotiations with those tracks who are willing to enter into separate arrangements with some success and we expect this to continue. The loss of wagering on these tracks has had a minimal impact on our website and player numbers – simply put, our player base has limited loyalty to these tracks and we have successfully transferred activity to other tracks who are more willing to work with us. However, the Board would like to record our disappointment at the motives behind Monarch's decision, which is, in our opinion, clearly anti-competitive in nature and of no benefit to the US horseracing industry.

During the end of 2017, we successfully renewed our multiple wagering licences within the US and continue to be in good regulatory status.

We remain focused on growing our business-to-consumer activity, and have recently signed agreements with a marketing agency in Kentucky and consultant in California to accelerate this strategy.

Business-to-business – growth in handle continues with high volume wagering into international markets, especially France. However, this sector does remain volatile as it is essentially a relationship business, requiring the management of both content providers and player groups. As a result, the Board is aware of the need to minimise this risk as much as possible, both by recruiting new players and by, providing new content and negotiating better rates on existing arrangements with suppliers. This is an on-going process to diminish any concentration risk from a reliance on individual players or player groups.

Cal Expo – racing operations have continued in December and January, but the handle and revenues derived from operations is below our expectations. There are many reasons for this downturn with the most important being a lack of horse numbers, along with a general downturn in wagering on horses, especially in California. We race until early May and our principal objective is to minimise current losses at the track and start advanced planning for a return to profitability.

US Gaming

The Board continues to monitor developments in the progress of Federal and State US online gaming legislation and, like much of the rest of the industry, is very encouraged by the Supreme Court review of the Professional and Amateur Sports Protection Act legislation which effectively outlaws fixed odds betting, the result of which is now expected at the latest by June 2018. Most significantly, there appears to be a general view that live operating racetracks should be permitted to conduct land-based sports betting, which adds strategic advantage and value to our various licences and live racing at Cal Expo. We have not spent significant funds in lobbying this area, which has proved a correct decision given the overall slow progress. There does, however, seem to be significant progress in recent months and we are now actively developing a strategy for sports betting and how to best utilise our US licensed assets, in conjunction with a consultant in California.

Summary

The Board is encouraged by our continued impressive top line growth, although recognising that there are ongoing challenges to our business-to-business trading and our racetrack operation.

Our strategy of building brand value, with our increasing suite of US licences, together with our US established operations and business relationships, has created a significant asset. The barriers to entry into the US market become ever greater and the Board will look for further opportunities to build on this asset for the benefit of shareholders. Ultimately, we work to position the Group as a stable and diversified business and remain positive regarding our current overall position.

Denham Eke
Non-executive Chairman

Webis Holdings plc

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 November 2017

	Note	Period to 30 November 2017 (unaudited) US\$000	Period to 30 November 2016 (unaudited) US\$000
Turnover	2	209,308	148,077
Cost of sales		(206,693)	(145,688)
Betting duty paid		(399)	(320)
Gross profit		2,216	2,069
Operating costs		(2,228)	(2,257)
Operating loss		(12)	(188)
Other gains/(losses) – net		14	(26)
Share based costs		(1)	(1)
Finance income		—	—
Finance costs		(20)	—
Finance (costs)/income - net	3	(20)	—
Loss before income tax		(19)	(215)
Income tax expense	4	—	—
Loss for the period		(19)	(215)
Other comprehensive income for the period		—	—
Total comprehensive income for the period		(19)	(215)
Basic and diluted earnings per share for loss attributable to the equity holders of the Company during the period (cents)	5	(0.00)	(0.05)

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

Webis Holdings plc

Condensed Consolidated Statement of Financial Position

As at 30 November 2017

	Note	As at 30 November 2017 (unaudited) US\$000	Year to 31 May 2017 (audited) US\$000
Non-current assets			
Intangible assets	6	132	105
Property, equipment and motor vehicles		97	109
Bonds and deposits		101	103
Total non-current assets		330	317
Current assets			
Bonds and deposits		2,856	2,863
Trade and other receivables		1,232	3,071
Cash and cash equivalents	7	13,650	15,072
Total current assets		17,738	21,006
Total assets		18,068	21,323
Equity			
Called up share capital		6,334	6,334
Share option reserve		3	—
Retained losses		(4,416)	(4,397)
Total equity		1,921	1,939
Current liabilities			
Trade and other payables		15,647	18,884
Total current liabilities		15,647	18,884
Non-current liabilities			
Loans	8	500	500
Total non-current liabilities		500	500
Total liabilities		16,147	19,384
Total equity and liabilities		18,068	21,323

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

Webis Holdings plc

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 November 2017

	Called up share capital US\$000	Share option reserve US\$000	Retained earnings US\$000	Total equity US\$000
Balance as at 31 May 2016 (audited)	6,334	—	(4,402)	1,932
Total comprehensive income for the period:				
Loss for the period	—	—	(215)	(215)
Transactions with owners:				
Share-based payment expense	—	1	—	1
Balance as at 30 November 2016 (unaudited)	6,334	1	(4,617)	1,718

Balance as at 31 May 2017 (audited)	6,334	2	(4,397)	1,939
Total comprehensive income for the period:				
Loss for the period	—	—	(19)	(19)
Transactions with owners:				
Share-based payment expense	—	1	—	1
Balance as at 30 November 2017 (unaudited)	6,334	3	(4,416)	1,921

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

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Condensed Consolidated Statement of Cash Flows

For the period ended 30 November 2017

	Period to 30 November 2017 (unaudited) US\$000	Period to 30 November 2016 (unaudited) US\$000
Cash flows from operating activities		
Loss before income tax	(19)	(215)
Adjustments for:		
- Depreciation of property, equipment and motor vehicles	37	35
- Amortisation of intangible assets	30	31
- Finance costs/(income) - net	20	—
- Other Foreign exchange movements	10	172
Changes in working capital:		
- Decrease/(increase) in receivables	1,839	(5,768)
- (Decrease)/increase in payables	(3,237)	10,214
Cash flows (used in)/from operations	(1,320)	4,469
Finance income	—	—
Bonds and deposits utilised in the course of operations	9	58
Net cash (used in)/generated from operating activities	(1,311)	4,527
Cash flows from investing activities		
Purchase of intangible assets	(57)	(48)
Purchase of property, equipment and motor vehicles	(25)	(18)
Net cash used in investing activities	(82)	(66)
Cash flows from financing activities		
Interest and charges paid	(20)	—
Net cash used in financing activities	(20)	—
Net (decrease)/increase in cash and cash equivalents	(1,413)	4,461
Cash and cash equivalents at beginning of year	15,072	6,445
Exchange losses on cash and cash equivalents	(9)	(163)
Cash and cash equivalents at end of period	13,650	10,743

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

Webis Holdings plc

Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2017

1 General information and basis of preparation

Webis Holdings plc (the "Company") 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 Webis Holdings plc unaudited condensed consolidated financial statements as at and for the period ended 30 November 2017 consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The unaudited condensed consolidated financial statements of the Group (the "Financial Information") are prepared in accordance with Isle of Man law and International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("EU"). The financial information in this report has been prepared in accordance with the Group's accounting policies. Full details of the accounting policies adopted by the Group are contained in the consolidated financial statements included in the Group's annual report for the year ended 31 May 2017 which is available on the Group's website: www.webisholdingsplc.com.

The accounting policies and methods of computation and presentation adopted in the preparation of the Financial Information are consistent with those described and applied in the consolidated financial statements for the year ended 31 May 2017. There are no new IFRSs or interpretations effective from 1 June 2017 which have had a material effect on the financial information included in this report.

The unaudited condensed consolidated financial statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 May 2017, extracts of which are included in these unaudited condensed consolidated financial statements, were prepared under IFRS as adopted by the EU and have been filed at Companies Registry. The auditors' report on those financial statements was unqualified and did not contain an emphasis of matter paragraph.

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing the Financial Information, the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 May 2017 as set out in those financial statements.

The Financial Information is presented in US Dollars, rounded to the nearest thousand, which is the functional currency and also the presentation currency of the Group.

Going Concern

The Group has increased revenues significantly, whilst controlling operating costs as much as possible. This has resulted in significantly reduced losses being incurred. Achieving economies of scale and controlling costs are key priorities for the Group in achieving its goal of profitability and maintaining adequate liquidity in order to continue its operations. The Directors continue to assess all strategic options in this regard, albeit that the ultimate success of strategies adopted is difficult to predict. Notwithstanding the losses incurred, the Directors have prepared projected cash flow information for the next 12 months and believe that the Group has adequate resources to meet its obligations as they fall due. Accordingly, the Directors consider that it is appropriate that the Financial Information is prepared on a going concern basis.

Webis Holdings plc

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2017

2 Segmental analysis

		Period to 30 November 2017 (unaudited) US\$000	Period to 30 November 2016 (unaudited) US\$000
Turnover			
Pari-mutuel and Racetrack Operations	Asia Pacific	188,170	113,787
	United States	18,454	28,912
	British Isles	2,431	767
	Europe	252	4,519
	Rest of the World	1	92
		209,308	148,077
Total comprehensive income			
Pari-mutuel and Racetrack Operations		(1)	(229)
Group		(18)	14
		(19)	(215)

	30 November 2017 (unaudited) US\$000	31 May 2017 (audited) US\$000
Net assets		
Pari-mutuel and Racetrack Operations	876	877
Group	1,045	1,062
	1,921	1,939

3 Finance (costs)/income - net

	Period to 30 November 2017 (unaudited) US\$000	Period to 30 November 2016 (unaudited) US\$000
Bank interest receivable	—	—
Finance income	—	—
Loan interest payable	(20)	—
Bank charges payable	—	—
Finance costs	(20)	—
Finance (costs)/income - net	(20)	—

Webis Holdings plc

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2017

4 Income tax expense

	Period to 30 November 2017 (unaudited) US\$000	Period to 30 November 2016 (unaudited) US\$000
Losses before tax	(19)	(215)
Tax charge at IOM standard rate (0%)	—	—
Adjusted for:		
Tax credit for US tax losses (at 15%)	(58)	(58)
Add back deferred tax losses not recognised	58	58
Tax charge for the period	—	—

5 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.

	Period to 30 November 2017 (unaudited) US\$000	Period to 30 November 2016 (unaudited) US\$000
Loss for the period, attributable to the owners of the Company	(19)	(215)

	No.	No.
Weighted average number of ordinary shares in issue	393,338,310	393,338,310
Dilutive element of share options if exercised	14,000,000	14,000,000
Diluted number of ordinary shares	407,338,310	407,338,310
Basic earnings per share	(0.00)	(0.05)
Diluted earnings per share	(0.00)	(0.05)

The earnings applied are the same for both basic and diluted earnings calculations per share as there are no dilutive effects to be applied.

Webis Holdings plc

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2017

6 Intangible assets

Intangible assets include goodwill which 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 indicators that the intangible assets may be impaired. The goodwill balance was fully impaired in the financial year ended 31 May 2015.

7 Cash and cash equivalents

	30 November 2017 (unaudited) US\$000	31 May 2017 (audited) US\$000
Cash and cash equivalents – company and other funds	12,364	13,827
Cash and cash equivalents – protected player funds	1,286	1,245
Total cash and cash equivalents	13,650	15,072

The Group holds funds for operational requirements and for its non-Isle of Man customers, shown as 'company and other funds' and on behalf of its Isle of Man regulated customers, shown as 'protected player funds'.

Protected player funds are held in fully protected client accounts within an Isle of Man regulated bank.

8 Loans

	30 November 2017 (unaudited) US\$000	31 May 2017 (audited) US\$000
Loan – Galloway Ltd	500	500
	500	500

A loan of US\$ 500,000 was received from Galloway Ltd in February 2017, to provide financing for cash-backed bonding agreements. The loan is for a term of five years, attracts interest at 7.75% per annum and is secured over the unencumbered assets of the company (see note 9).

9 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries, and with its directors and executive officers and with Burnbrae Ltd (common directors and significant 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 US\$ 25,613 (2016: US\$ 22,757) and directors' fees of US\$ 23,455 (2016: US\$ 24,292) were charged in the period by Burnbrae Ltd of which Denham Eke and Nigel Caine are common directors. The Group also received a loan in February 2017 of US\$ 500,000 (2016: US\$ Nil) from Galloway Ltd, a company related to Burnbrae Limited by common ownership and Directors (see note 8).

Transactions with other related parties

There were no transactions with other related parties during the period.

Webis Holdings plc

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2017

10 Events after the Balance Sheet Date

To the knowledge of the Directors, there have been no material events since the end of the reporting period that require disclosure in the accounts.

11 Approval of interim statements

The interim statements were approved by the Board on 26 February 2018. The interim report is expected to be available for shareholders on 27 February 2018 and will be available from that date on the Group's website www.webisholdingsplc.com.

The Group's nominated adviser and broker is Beaumont Cornish Limited, 2nd Floor, Bowman House, 29 Wilson Street, London EC2M 2SJ.

Webis Holdings plc

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