

webisholdings^{plc}



Global Gaming Group

Interim Report and Financial Statements for the period ended 30 November 2014
Stock Code: WEB

CALEXPO
HARNESS RACING

betinternet

watch and wager

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Group at a Glance

Webis Holdings plc operates two businesses within its Group structure:

Sportsbook

betinternet.com

m.betinternet.com (mobile)

betinternet.com (IOM) Limited

betinternet.com NV

The betinternet.com sportsbook offers betting opportunities on sports, casinos, poker and games to a growing global customer base through both its website and mobile platforms. The sports betting coverage continues to grow particularly within In Play, where customers place bets on sports events in real time, and this area now accounts for a substantial part of betinternet’s turnover and margin. 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 and poker. The company operates under licences issued by the gaming regulatory bodies in the Isle of Man, United Kingdom and Curacao.

Pari-Mutuel and Racetrack Operations

watchandwager.com

Cal Expo Harness Racetrack

WatchandWager.com Limited

WatchandWager.com LLC

WatchandWager.com Ltd has its operational base in San Francisco, 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 Advanced Deposit Wagering (“ADW”), issued by North Dakota and California. The business provides wagering opportunities predominantly on horse and greyhound racing and has contracted with a significant number of prestigious racetrack partners within the United States, Hong Kong, Canada, United Kingdom, Ireland, Australia and Sweden amongst others. It provides wagering facilities to customers through its website, watchandwager.com, as well as offering a business-to-business wagering product and a telephone call centre.

WatchandWager.com LLC 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 US continues to provide leverage for our related global pari-mutuel operations.

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

Chairman's Statement

Introduction

I am pleased to announce the Interim results for Webis Holdings plc ("Webis" or the "Group" or the "Company") for the period ended 30 November 2014. Both divisions, being our sportsbook ("betinternet" or "Sportsbook") which includes: casino, games and poker operations, betinternet.com (IOM) Limited and betinternet.com NV; and our pari-mutuel and racetrack operations contained within WatchandWager.com Limited ("WatchandWager"), have continued to achieve top-line growth when compared to the same period in the previous financial year. However, our United States operations in particular have continued to see an increasing cost base, and this, combined with a tightening of our gross margin, together with an adverse foreign exchange valuation loss of US\$0.22 million and some volatility within our high-roller activity, combine to result in a Total Comprehensive Loss of US\$0.30 million (2013: profit of US\$0.46 million).

Half Year Results Review

Group turnover increased by 14.6% to US\$142.5 million (2013: US\$124.4 million) and Group gross profit increased by 12.2% to US\$4.6 million (2013: US\$4.1 million).

Operating expenses increased to US\$4.6 million (2013: US\$3.8 million) reflecting our continuing investment in website enhancements and customer acquisition for the *watchandwager.com* website. As I mentioned in my statement in last year's Annual Report, we are experiencing higher levels of duty, licensing and

compliance costs as a result of operating in a fully licensed and hence legitimate manner together with the investment expense of further establishing our operations within the US market. Thus whilst we have seen an increase in turnover and gross margin within this division of the Group, these additional costs are yet to normalise against income.

The Total Comprehensive Loss for the Group was US\$0.30 million (2013: profit of US\$0.46 million) which includes the adverse foreign exchange valuation of US\$0.22 million which I refer to above.

In respect of the Statement of Financial Position, our Net Assets have decreased to US\$4.9 million (2013: US\$5.2 million).

Cash generated from operations was US\$0.01 million (2013: US\$1.2 million).

WatchandWager

WatchandWager ("WAW") grew its Advanced Deposit Wagering ("ADW") turnover by 1.2% to US\$37.8 million (2013: US\$33.8 million) during the period primarily due to an increase in high-roller wagering into international jurisdictions. The previously announced award of a two year contract with the Hong Kong Jockey Club ("HKJC"), which restarted its racing season in early September, has been a key factor in this growth. Although activity in Hong Kong returns a low margin, it is nonetheless a fundamental component of our move to supply the very best in global racing content to our players.

Wagering activity through the *WatchandWager.com* website and mobile product showed lower growth than we had hoped as we scaled back part of our marketing activity where the return achieved was below our expectations. We plan to continue with more focussed marketing activity concentrating on player acquisition and we are in the process of recruiting to fill a key senior position to oversee this initiative.

Operational costs have continued to rise, many of which are turnover related. In particular, fees paid for duty, mandatory charitable contributions and racetrack contributions have all increased, as have the costs for licencing and compliance.

During the period, in addition to securing the HKJC contract, WAW also successfully renewed its North Dakota Racing Commission multi-jurisdictional licence for 2015, and its California Horse Racing Board ADW license for a further two year period.

In October, WAW also recommenced harness racing at the Cal Expo racetrack in Sacramento for the third successive season. Our position as the operator of this "bricks and mortar" facility continues to provide us with meaningful leverage in the wider gambling sector both within and outside of the US. Expected one-off costs relating to preparing the racetrack for the upcoming meeting have resulted in racetrack operations reporting a small loss during the period, although we expect this part of our business to be achieving a moderate profit for the full season.

betinternet

The sportsbook achieved an improved Net Profit during the period as turnover showed good growth and the percentage margin achieved increased. We again saw increased momentum through our In Play product, particularly on Tennis where we offer unique industry pricing on all ATP and WTA tournaments. Activity during the Grand Slam tournaments was particularly encouraging.

Despite an improved trading performance, as I reported in my last Chairman's Statement, the impact of country-by-country regulation on betinternet's operation has been significant. We withdrew from the Singapore market in early February when their Remote Gambling Act took effect making internet gaming illegal. Our sportsbook had proven very popular with Singapore customers since our very early days of operation, so it is disappointing that this market has been permanently closed to outside legitimate, licenced operators in preference to the option of a formally regulated and taxed environment, as has largely happened in other jurisdictions.

We were granted a "Continuation" licence by the UK Gambling Commission ahead of the commencement of new legislation on 1 November 2014 and this has enabled us to continue to accept bets from UK resident customers.

Summary and Outlook

For WAW, early trading in the second half of the year, has shown similar trends with further increases in turnover from high-roller betting. These increases are

despite WAW electing to terminate wagering into the Swedish racing pools, because of unrealistic pricing formulas stipulated by the pool operators.

WAW has further reviewed its operational set-up within the United States. One of the results of this review is that we have recently opened an operations office in Lexington, Kentucky and we expect to fulfil the roles of sales, marketing, customer service, financial control and compliance from this location in the future. Central to the success of this satellite office is the recruitment of a chief operating officer to manage the Lexington team and we expect this position to be filled within the next two months.

WAW continues to monitor developments in both the US racetrack and gaming market, and the progress on federal and state online gaming legislation insofar as it may impact our current or future operations. WAW is currently analysing a number of business opportunities within the US, with an aim to further extend its operations and to take advantage of any developments in legislation. The Board was also pleased to note the recent publication of a further draft of the proposed online Poker bill in California, sponsored by Assemblyman Jones-Sawyer, which would specifically allow for racetracks to apply for an online poker licence. Although the Board recognises that there are likely to be further extensive changes before the bill progresses, we will continue to closely monitor its progress in Sacramento. We view the continued operation of our

racetrack operation at Cal Expo as integral to any opportunity for the company in this area.

betinternet traded in line with the Board's expectations until its forced withdrawal from the Singapore market, with the percentage trading margin achieved continuing at a consistent level. Because of the changing circumstances regarding global regulation and as previously reported, the Board continue to review opportunities available to the Sportsbook. We have recently made some good progress in this review and I expect that the Board will be able to report a resolution in due course. Part of this review is assessing the appropriateness of a full UK licence, given the highly competitive nature of this market and the impact of the high duty rate on the likelihood of achieving a net profit in this jurisdiction.

The Board remains confident that we are continuing to make good progress as a Group, despite the relatively short-term challenges that we are experiencing, particularly with regards to the increased cost of operating in regulated markets. There are still many opportunities and a lot to be achieved in this sector and our efforts thus far in the US give us a solid framework upon which to build.



Denham Eke
Non-executive Chairman

Review report by KPMG Audit LLC to Webis Holdings plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 November 2014, which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the Group are prepared in accordance with IFRSs, as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 November 2014 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.



23 February 2015

KPMG Audit LLC

Chartered Accountants

41 Athol Street

Douglas

Isle of Man

IM99 1HN

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 November 2014

		Restated (refer Note 1)
	Period to 30 November 2014 (unaudited) US\$000	Period to 30 November 2013 (unaudited) US\$000
	Note	
Turnover	2	124,435
Cost of sales		(120,274)
Betting duty paid		(80)
Gross profit		4,081
Operating costs		(3,801)
Operating profit		280
Other (losses)/gains – net		230
Finance income	3	6
Finance costs	3	(55)
(Loss)/profit before income tax		461
Income tax expense	4	–
(Loss)/profit for the period		461
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences on translation of foreign subsidiaries		(41)
Other comprehensive income for the period		(41)
Total comprehensive (loss)/income for the period		420
Basic and diluted (loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period (US cents)		
	5	0.12

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

Condensed Consolidated Statement of Financial Position

As at 30 November 2014

	Note	Period to 30 November 2014 (unaudited) US\$000	Year to 31 May 2014 (audited) US\$000
Non-current assets			
Intangible assets — goodwill	6	178	186
Intangible assets — other		278	303
Property, equipment and motor vehicles		136	183
Bonds and deposits		203	704
Total non-current assets		795	1,376
Current assets			
Bonds and deposits		1,396	1,298
Trade and other receivables		1,134	2,325
Cash and cash equivalents	7	8,092	8,402
Total current assets		10,622	12,025
Total assets		11,417	13,401
Equity			
Called up share capital		6,334	6,334
Share premium account		16,978	16,978
Share option reserve		156	156
Foreign currency translation reserve		7	(4)
Retained losses		(18,594)	(18,295)
Total equity		4,881	5,169
Current liabilities			
Trade and other payables		6,530	8,215
Bank loans		6	17
Total current liabilities		6,536	8,232
Total liabilities		6,536	8,232
Total equity and liabilities		11,417	13,401

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

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 November 2014

	Ordinary share capital US\$000	Share premium US\$000	Share option reserve US\$000	Foreign currency translation reserve US\$000	Retained losses US\$000	Total equity US\$000
Balance as at 31 May 2013 (audited)	6,334	16,978	187	54	(18,808)	4,745
Total comprehensive income for the period:						
Profit for the period	–	–	–	–	461	461
Other comprehensive income	–	–	–	(41)	–	(41)
Transactions with owners:						
Share-based payment expense	–	–	–	–	–	–
Balance as at 30 November 2013 (unaudited) (Restated – refer Note 1)	6,334	16,978	187	13	(18,347)	5,165
Balance as at 31 May 2014 (audited)	6,334	16,978	156	(4)	(18,295)	5,169
Total comprehensive income for the period:						
Loss for the period	–	–	–	–	(299)	(299)
Other comprehensive income	–	–	–	11	–	11
Transactions with owners:						
Share-based payment expense	–	–	–	–	–	–
Balance as at 30 November 2014 (unaudited)	6,334	16,978	156	7	(18,594)	4,881

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

Condensed Consolidated Statement of Cash Flows

For the period ended 30 November 2014

	Period to 30 November 2014 (unaudited) US\$000	Restated (refer Note 1) Period to 30 November 2013 (unaudited) US\$000
Cash flows from operating activities		
(Loss)/profit before income tax	(299)	461
Adjustments for:		
– Depreciation of property, equipment and motor vehicles	47	30
– Amortisation of intangible assets	78	71
– Finance costs – net	38	49
– Foreign exchange losses/(gains) on revaluation	230	(297)
Changes in working capital:		
– Decrease in receivables	1,191	301
– (Decrease)/increase in payables	(1,685)	1,218
Cash flows from operations	(400)	1,833
Finance income	10	6
Bonds and deposits placed in the course of operations	403	(595)
Net cash generated from operating activities	13	1,244
Cash flows from investing activities		
Purchase of intangible assets	(60)	(38)
Purchase of property, equipment and motor vehicles	(3)	(42)
Disposal of property, equipment and motor vehicles	–	3
Net cash used in investing activities	(63)	(77)
Cash flows from financing activities		
Interest and charges paid	(48)	(55)
Loans repaid	(11)	(10)
Net cash used in financing activities	(59)	(65)
Net (decrease)/increase in cash and cash equivalents	(109)	1,102
Cash and cash equivalents at beginning of period	8,402	7,790
Exchange (losses)/gains on cash and cash equivalents	(201)	222
Cash and cash equivalents at end of period	8,092	9,114

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

Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2014

1 Significant accounting policies

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 May 2014.

Change in functional and presentational currency

As detailed in the Group's 2014 Annual Report, the Group changed its functional and presentational currency from Sterling to US Dollars with effect from 1 June 2013.

A change in presentational currency is a change in accounting policy which is accounted for retrospectively. Financial information reported in Sterling in the Group's 2013 Interim Report has been restated into US Dollars using the procedures outlined below:

- a) assets and liabilities denominated in non-US Dollar currencies were translated into US dollars at closing rates of exchange. Non-US Dollar trading results were translated into US Dollars at average monthly rates of exchange. Differences resulting from the retranslation of the opening net assets and the results for the year of non-US trading subsidiaries have been taken to the foreign currency translation reserve; and
- b) share capital, share premium and share option reserve were translated at the historic rates prevailing at the dates of transactions.

The closing rates for each reporting period included in this report are as follows:

Exchange rates	November 2014	May 2014	November 2013
US\$/£ – period/year end	1.6052	1.6778	1.6168

Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2014

2 Segmental Analysis

		Period to 30 November 2014 (unaudited) US\$000	Period to 30 November 2013 (unaudited) US\$000
Turnover			
Sportsbook	Asia Pacific	59,567	64,100
	Europe	20,095	7,997
	UK & Ireland	10,369	5,993
	Rest of the World	3,539	2,480
Pari-mutuel and Racetrack Operations	United States	36,274	23,971
	Caribbean	4,969	6,238
	UK & Ireland	4,925	1,640
	Asia Pacific	1,073	11,542
	Europe	1,689	474
		142,500	124,435
Total comprehensive income			
Sportsbook		394	241
Pari-mutuel and Racetrack Operations		(563)	25
Group		(119)	154
		(288)	420

		Period to 30 November 2014 (unaudited) US\$000	Year to 31 May 2014 (audited) US\$000
Net assets/(liabilities)			
Sportsbook		(184)	(578)
Pari-mutuel and Racetrack Operations		2,417	2,980
Group		2,648	2,767
		4,881	5,169

3 Net finance costs

	Period to 30 November 2014 (unaudited) US\$000	Period to 30 November 2013 (unaudited) US\$000
Bank interest receivable	10	6
Finance income	10	6
Bank interest payable	(1)	(2)
Bank charges payable	(47)	(53)
Finance costs	(48)	(55)
Net finance costs	(38)	(49)

4 Income tax expense

	Period to 30 November 2014 (unaudited) US\$000	Period to 30 November 2013 (unaudited) US\$000
(Losses)/profits before tax	(299)	461
Tax charge at IOM standard rate (0%)	-	-
Adjusted for:		
Tax credit for US tax losses (at 15%)	(84)	(56)
Add back deferred tax losses not recognised	84	56
Tax charge for the year	-	-

Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2014

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 in the current or prior 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 2014 (unaudited) US\$000	Period to 30 November 2013 (unaudited) US\$000
(Loss)/profit for the period	(299)	461
	No.	No.
Weighted average number of ordinary shares in issue	393,338,310	393,338,310
Diluted number of ordinary shares	407,338,310	407,338,310
Basic and diluted (loss)/earnings per share (US cents)	(0.08)	0.12

6 Intangible assets – goodwill

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 indicators 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. As at the balance sheet date the carrying value of the goodwill was not considered to be impaired.

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.

7 Cash and cash equivalents

	30 November 2014 (unaudited) US\$000	31 May 2014 (audited) US\$000
Cash and cash equivalents – Group funds	3,483	3,657
Cash and cash equivalents – protected player funds	4,609	4,745
Total cash and cash equivalents	8,092	8,402

The Group holds funds for operational requirements, shown as “Group 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 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries, and with its directors and executive officers, with Burnbrae Ltd (common director and 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 US\$29,386 (30 November 2013: US\$25,444) and directors’ fees of US\$16,649 (30 November 2013: US\$15,650) were charged in the period by Burnbrae Ltd, of which Denham Eke is a common director. A loan of US\$6,082 was owed to Conister Bank Ltd at the period end (31 May 2014: US\$16,952).

Transactions with other related parties

Cash deposits totalling US\$Nil (31 May 2014: US\$5,697,311) were held with Conister Bank Ltd at the period end.

9 Post Balance Sheet Event

On 16 February 2015 the Isle of Man High Court of Justice approved the cancellation of the Share Premium Account in accordance with the special resolution passed at the Annual General Meeting of the Group held on 19 December 2014.

10 Approval of interim statements

The interim statements were approved by the Board on 23 February 2015. The Interim Report is expected to be available for shareholders on 25 February 2015 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.

Shareholder Notes



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