

Webis Holdings plc

Global Gaming Group

Interim Report and Financial Statements for the period ended 30 November 2018

London AIM Stock Code: WEB

Webis Holdings plc

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Webis Holdings plc

Group at a Glance

Webis Holdings plc (the “Group”) operates two primary segments within its operational 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 wagering, or pool-betting, 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, including a multi-jurisdictional licence issued by the States of North Dakota, and individual licences for the States of California, Maryland, Colorado, Minnesota, New York, Washington and Kentucky. Three further individual State licences are in the process of negotiation. The operation 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, France, Canada, United Kingdom, Ireland and Australia amongst others. It provides wagering facilities to customers through its interactive website, *watchandwager.com*, as well as offering an international 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 segregated client accounts within an Isle of Man regulated bank.

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Chairman's Statement

Introduction

It has been a challenging first six months for WatchandWager.com, with a reduction in both amounts wagered and gross profit over the period. There have, however, been some very positive developments for the business in the USA, which are commented upon below.

Primarily due to the loss of a large syndicate wagering into international pools, as reported to shareholders on 19 October 2018, we experienced a reduction in amounts wagered through our platform, with total amounts wagered at US\$ 61.15 million (2017: US\$ 209.31 million). This also impacted gross profit which resulted in an overall loss for the period under review.

Aside from this, our other sectors of the business generally performed well. The remaining international business-to-business trading was stable and our on-line business-to-consumer Advanced Deposit Wagering operations also performed as expected.

Our racetrack operation at Cal Expo, Sacramento, California, experienced increased costs largely due to the adverse weather conditions in the early part of the new racing season. Subsequent performance has much improved in recent weeks.

In summary, whilst the loss in the international business is not ideal, there are many positives, not least in that it has enabled us to refocus our business in the USA. As a result, we are operating a more stable business with fewer commercial risks, allowing senior executives to concentrate on demonstrable growth in player numbers, and by positioning ourselves for the expansion of licensed and regulated sports book gaming in the USA, where we remain very well placed, and is commented on below.

Half Year Results Review

Group turnover decreased to US\$ 5.38 million (2017: US\$ 10.30 million) with gross profit also decreasing to US\$ 1.70 million (2017: US\$ 2.22 million). This resulted in an overall loss of US\$ 0.59 million (2017: loss of US\$ 0.02 million) for the period. As stated, these changes in performance were mainly due to the reduction of betting activity in our international business-to-business sector. The other sectors performed satisfactorily.

Despite the above, the gross margin percentage derived from wagering activity actually increased over the period. This improved figure reflected the low margins previously derived from international business-to-business wagering. The operation now has a much wider spread of higher margin turnover, with less reliance on any single customer, or small group of customers or even tracks.

Operating expenses showed a decrease to US\$ 2.09 million (2017: US\$ 2.23 million) and reflected our policy of controlling costs and generally streamlining the operation. This policy will continue into the second half of the year.

WatchandWager Advanced Deposit Wagering

Business-to-consumer – as previously stated this sector remains our principal focus for growth. We have been encouraged by activity through all channels over the period, particularly an increase in “non-rebate” players using the platform. Non-rebate is defined as regular US players who do not hold contractual rewards based on their betting handle, receiving instead controllable *ad hoc* bonuses. The benefit of these players is that we derive a higher margin on their betting activity. We continue this growth through a more precisely targeted use of promotional bonuses and offers and are constantly refining our approach by these tactics. Maintaining margin is critical to growth in this area.

Business-to-business – aside from the reported loss of certain high-volume business, activity elsewhere in this sector was in line with expectations. Most importantly, we now have a wider spread of players betting a wider range of content (racetracks) globally. The effect of this reduces our reliance on one particular player group or racetrack jurisdiction. This is important in this sector which is subject to considerable volatility. Equally importantly, we enjoy good commercial relationships with our remaining customers, and as a consequence, we anticipate further growth from working with them.

Cal Expo

In early November, WatchandWager re-commenced harness racing at the Cal Expo racetrack in Sacramento for the seventh successive season. The “dark” period before racing went well, and we had some success in attracting new horses. In addition, we

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Chairman's Statement continued

have a new racing schedule, which has received license approval from both the California Horse Racing Board and, equally importantly, our own Californian Horsemen Association. Early racing was disrupted by the much reported wild-fire crisis in California and followed by the subsequent flooding. This resulted in significant disruption for all participants, with three meetings abandoned in early season for Health and Safety reasons. Since then, however, we have been very pleased with performance in terms of field sizes and wagering and we are optimistic for the remainder of the season, ending late April 2019.

Licenses

During the period, we have concentrated on obtaining important licence applications and renewals. I am pleased to report that all licences applications were successful, and include the key strategic states of California, New York and Kentucky. As announced last week, we were also approved by the California Horse Racing Board for a further two-year license renewal into 2021. This is particularly important as it will ensure that we remain an incumbent fully licensed racetrack and online operator as California continues to pave the way for expanded sports gaming.

Outlook

Performance has been steady for the new period during a normally quiet time of year for weather and lack of quality content. Overall, we continue to focus on growing player numbers, whilst keeping a close control on costs and implementing further cost efficiencies across the business.

Business-to-consumer – this continues to be our core focus, and we have an excellent development strategy going forward across the platform. This includes further improvements to our payment systems to ensure faster loading into the consumer's account wallet. In addition, the improvements to our batch wagering module on our website is proving popular with those regular players who want to send through large volumes of wagers. We are also planning additional upgrades to our mobile product. For the first time, player numbers on our mobile product now exceeds 50% of all business and we expect this trend to continue.

In line with our strategy for expanded gaming in the USA, we continue to diversify our offer. Of particular note is that, in conjunction with a tournament provider, we have recently launched a licenced tournament-based product on our site. This gives players the ability to bet "head-to-head" with other players on various races, appealing to recreational players on our platform. Whilst the majority of this gaming is currently free-to-play, there is clear evidence that this feature helps increase player numbers and active sessions. We plan to roll out further products in this area and indeed other forms of diversified gaming on the platform in 2019.

Business-to-business – we continue to be encouraged by the wide spread of players using our content over a wider range of tracks. We remain aware of the volatility of this sector but are now more comfortable with our product mix in this area. This sector remains largely a relationship business and it should be noted that we continue to be in good contractual terms with the key major racetracks and rights operators around the world, and maintaining this is critical to growth. Many of these groups appreciate our approach to increasing regular player numbers, a central facet of growing in the industry globally and we are confident we can develop these positive relationships both now and in the future.

Cal Expo – following a period of poor weather, racing operations continued in December and January and we are pleased with recent performance. Attendances have improved and wagering levels are also increasing. As explained in last year's Annual Report, we are also receiving a better share of international wagering monies, which will help year end performance. Cal Expo remains central to our strategy for USA expanded gaming and we are in active discussions with our landlord and Sacramento lobbyists for a significant lease extension.

USA Expanded Gaming

Following the much-documented repeal of the Professional and Amateur Sports Protection Act ("PASPA") in May 2018, the Board continues to be very encouraged by progress in the expansion of licensed sports gaming in the USA. Of particular encouragement is the performance of sports betting at racetracks such as the Meadowlands and Monmouth Park in New Jersey. These two venues are leading the way in sports handle in New Jersey, proving that horse bettors have a far higher affinity to wager on sports, compared to casino players. This is relevant as our planned model for Cal Expo in California is based on similar lines.

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Chairman's Statement continued

There is, however, a formal political process to undergo in California, suggesting that a 2021 launch is realistic. California remains the principal goal for USA expanded gaming and we are doing all we can to help fast-track the process and ensure that we remain well positioned. We will keep shareholders fully informed as to progress as it develops.

As well as concentrating on Californian legislation, we are also analysing entry into other States, not just in sports betting but other forms of expanded gaming in the USA, both on-line and land-based. Again, this remains a work in progress, but we expect to issue an update in this area in the first half of this calendar year.

It should also be noted that the recent Department of Justice revised opinion on its interpretation of the Wire Act will have no negative effect on the company's operations. Indeed, it actually strengthens our position as a licensed pari-mutuel provider in the USA, with our status clearly confirmed as legal within the USA. We have taken regulatory advice and are confident it will not jeopardise our own expansion plans, unlike those of many European operators who may well be negatively impacted, especially those relying upon casino gaming as a foothold to offer sports betting across various States.

Summary

In summary, although we have seen a significant loss of short-term trading in our international business-to-business sector, this has allowed the Board and senior management to restructure the operation. This process of ensuring immediate cost efficiencies whilst focusing on our core assets is now well underway. Overall, we are more confident that now and will, in the future, have a more stable platform, with a wider spread of business, and consequently less commercial risk.

In terms of strategy, the repeal of PASPA in May 2018 was something of a game changer for Webis Holdings plc. As expected, there is a huge focus on the USA as the land of opportunity for expanded gaming, especially with very tough competitive conditions for operators in many other jurisdictions, especially in the UK. As a result, the company has had no shortage of informal offers from other interested parties in the space, specifically in the areas of software deals, strategic alliances and, at the operating company level only, mergers and even acquisition. The Board continues to assess all these avenues for the benefit of shareholders but is aware that the increasing suite of USA licences, together with our USA established operations and relationships, have created a significant asset, and one that should not be undervalued. We will keep shareholders fully informed on developments in this area in line with market regulations.

Denham Eke
Non-executive Chairman
26 February 2019

Webis Holdings plc

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 November 2018

	Note	Period to 30 November 2018 (unaudited) US\$000	Period to 30 November 2017 (unaudited) US\$000
Amounts wagered		61,150	209,308
Turnover	2	5,382	10,300
Cost of sales		(3,581)	(7,685)
Betting duty paid		(100)	(399)
Gross profit		1,701	2,216
Operating costs		(2,091)	(2,228)
Operating loss		(390)	(12)
Other (losses)/gains – net		(163)	14
Share based costs		(18)	(1)
Finance income		—	—
Finance costs		(20)	(20)
Finance (costs)/income - net	3	(20)	(20)
Loss before income tax		(591)	(19)
Income tax expense	4	—	—
Loss for the period		(591)	(19)
Other comprehensive income for the period		—	—
Total comprehensive income for the period		(591)	(19)
Basic and diluted earnings per share for loss attributable to the equity holders of the Company during the period (cents)	5	(0.15)	(0.00)

The notes on pages 10 to 14 are an integral part of these condensed consolidated interim financial statements.

Webis Holdings plc

Condensed Consolidated Statement of Financial Position

As at 30 November 2018

	Note	As at 30 November 2018 (unaudited) US\$000	Year to 31 May 2018 (audited) US\$000
Non-current assets			
Intangible assets	6	131	166
Property, equipment and motor vehicles		42	60
Bonds and deposits		101	101
Total non-current assets		274	327
Current assets			
Bonds and deposits		884	2,846
Trade and other receivables		799	2,300
Cash and cash equivalents	7	2,801	13,392
Total current assets		4,484	18,538
Total assets		4,758	18,865
Equity			
Called up share capital		6,334	6,334
Share option reserve		22	4
Retained losses		(4,885)	(4,294)
Total equity		1,471	2,044
Current liabilities			
Trade and other payables		2,787	16,321
Total current liabilities		2,787	16,321
Non-current liabilities			
Loans	8	500	500
Total non-current liabilities		500	500
Total liabilities		3,287	16,821
Total equity and liabilities		4,758	18,865

The notes on pages 10 to 14 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 2018

	Called up share capital US\$000	Share option reserve US\$000	Retained earnings US\$000	Total equity US\$000
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

Balance as at 31 May 2018 (audited)	6,334	4	(4,294)	2,044
Total comprehensive income for the period:				
Loss for the period	—	—	(591)	(591)
Transactions with owners:				
Share-based payment expense	—	18	—	18
Balance as at 30 November 2018 (unaudited)	6,334	22	(4,885)	1,471

The notes on pages 10 to 14 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 2018

	Period to 30 November 2018 (unaudited) US\$000	Period to 30 November 2017 (unaudited) US\$000
Cash flows from operating activities		
Loss before income tax	(591)	(19)
Adjustments for:		
- Depreciation of property, equipment and motor vehicles	18	37
- Amortisation of intangible assets	42	30
- Finance costs/(income) - net	20	20
- Share based payment expense	18	1
- Other foreign exchange movements	524	9
Changes in working capital:		
- Decrease in receivables	1,501	1,839
- Decrease in payables	(13,534)	(3,237)
Cash flows used in operations	(12,002)	(1,320)
Finance income	—	—
Bonds and deposits utilised in the course of operations	1,962	9
Net cash used in operating activities	(10,040)	(1,311)
Cash flows from investing activities		
Purchase of intangible assets	(6)	(57)
Purchase of property, equipment and motor vehicles	—	(25)
Net cash used in investing activities	(6)	(82)
Cash flows from financing activities		
Interest and charges paid	(20)	(20)
Net cash used in financing activities	(20)	(20)
Net decrease in cash and cash equivalents	(10,066)	(1,413)
Cash and cash equivalents at beginning of year	13,392	15,072
Exchange movements on opening cash and cash equivalents	(525)	(9)
Cash and cash equivalents at end of period	2,801	13,650

The notes on pages 10 to 14 are an integral part of these condensed consolidated interim financial statements.

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Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 November 2018

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 2018 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 2018 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 2018. There are no new IFRSs or interpretations effective from 1 June 2018 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 2018, 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 2018 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

As noted within the statutory financial statements for the year ended 31 May 2018, during this current period the Group has seen a reduction in wagering levels following the cessation of activity from one syndicate of players. Further broadening its client base and expanding its business to customer base 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 in previous years and considering the profits generated in the last two financial years, along with the continued support of the Company's principal shareholder, via Galloway Limited, a related party, the Directors believe that the Group has adequate resources to meet its obligations as they fall due.

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Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2018

2 Segmental analysis

		Period to 30 November 2018 (unaudited) US\$000	Period to 30 November 2017 (unaudited) US\$000
Turnover			
Pari-mutuel and Racetrack Operations	United States	4,797	8,870
	Asia Pacific	583	1,405
	British Isles	1	23
	Europe	1	2
		5,382	10,300
Total comprehensive income			
Pari-mutuel and Racetrack Operations		(512)	(1)
Group		(79)	(18)
		(591)	(19)

		30 November 2018 (unaudited) US\$000	31 May 2018 (audited) US\$000
Net assets			
Pari-mutuel and Racetrack Operations		483	995
Group		988	1,049
		1,471	2,044

3 Finance (costs)/income - net

		Period to 30 November 2018 (unaudited) US\$000	Period to 30 November 2017 (unaudited) US\$000
Bank interest receivable		—	—
Finance income		—	—
Loan interest payable		(20)	(20)
Bank charges payable		—	—
Finance costs		(20)	(20)
Finance (costs)/income - net		(20)	(20)

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Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2018

4 Income tax expense

	Period to 30 November 2018 (unaudited) US\$000	Period to 30 November 2017 (unaudited) US\$000
Losses before tax	(591)	(19)
Tax charge at IOM standard rate (0%)	—	—
Adjusted for:		
Tax credit for US tax losses (at 15%)	(100)	(58)
Add back deferred tax losses not recognised	100	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 2018 (unaudited) US\$000	Period to 30 November 2017 (unaudited) US\$000
Loss for the period, attributable to the owners of the Company	(591)	(19)

	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	(0.15)	(0.00)
Diluted earnings per share	(0.15)	(0.00)

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 2018

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 2018 (unaudited) US\$000	31 May 2018 (audited) US\$000
Cash and cash equivalents – company and other funds	1,681	11,962
Cash and cash equivalents – protected player funds	1,120	1,430
Total cash and cash equivalents	2,801	13,392

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 2018 (unaudited) US\$000	31 May 2018 (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). The loan was issued at a market rate with no issue costs and the interest is settled on a quarterly basis. At the period end there are two months outstanding interest of \$6,476, which is recorded in other payables.

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\$ 25,714 (2017: US\$ 25,613) and directors' fees of US\$ 23,562 (2017: US\$ 23,455) were charged in the period by Burnbrae Ltd of which Denham Eke and Nigel Caine are common directors. The Group also had a loan of US\$ 500,000 (2017: US\$ 500,000) from Galloway Ltd, a company related to Burnbrae Limited by common ownership and Directors (see note 8).

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Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2018

9 Related party transactions continued

Transactions with other related parties

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

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 2019. The interim report is expected to be available for shareholders on 27 February 2019 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, 10th Floor, 30 Crown Place, London EC2A 4EB.

Webis Holdings plc

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