

**Webis Holdings plc**  
**Global Gaming Group**

**Interim Report and Financial Statements for the period ended 30 November 2016**

London AIM Stock Code: WEB

# Webis Holdings plc

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# Webis Holdings plc

## Group at a Glance

Webis Holdings plc, headquartered on the Isle of Man, operates two primary segments within its Group 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 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 France 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 - 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 Webis Holdings plc’s Isle of Man licence, client funds for the Isle of Man licensed Group companies are held in fully protected client accounts within an Isle of Man regulated bank.

# Webis Holdings plc

## Chairman's Statement

### Introduction

This period reflects the performance of our principal subsidiary, WatchandWager.com Limited ("WatchandWager"), which operates a fully licensed global pari-mutuel business and also manages a racetrack facility within the USA.

I am pleased to report further significant growth for WatchandWager compared to the same period in the previous financial year. We have seen a substantial increase in turnover during the period, and more importantly an improvement in gross profit, resulting in a further reduction in the losses incurred by WatchandWager which were reported in the Financial Year 2015/16. This growth reduced the loss for the period to US\$ 0.22 million (2015: loss of US\$ 0.72 million).

### Half Year Results Review

Group turnover increased by 118.2% to US\$ 148.08 million (2015: US\$ 67.88 million) with Group gross profit increasing by 44.8% to US\$ 2.07 million (2015: US\$ 1.43 million). The increases in turnover were due both to growth in our business to consumer sector, notably the *watchandwager.com* website and mobile product, and business trading activity in international markets.

Operating expenses were US\$ 2.26 million (2015: US\$ 2.12 million) reflecting our investment in our USA operations in Lexington, Kentucky as previously reported. These operational costs have largely stabilised into the second half of the year. In addition, one-off reorganizational costs were minimal, as the relocation and establishment of operations in the United States is now deemed complete.

The Board are encouraged by these results, which show a further marked improvement in trading from our USA operations. The increase in turnover further cements WatchandWagers' position as a credible provider within those USA markets in which it operates, and places the business in the Top Six (ranked by turnover) of licensed USA operators. Most importantly, the increase in gross profit demonstrate the effectiveness of our marketing tactics which delivered good levels of growth. However, the sector is increasingly competitive with high volumes but low gross margins becoming the norm. Notwithstanding, the improvement in gross profit is a positive indicator and building on that success remains the major focus for the second half of the year and beyond.

In respect of the Condensed Consolidated Statement of Financial Position, our net assets have decreased to US\$ 1.72 million (year end 31 May 2016: US\$ 1.93 million). Total cash balances stand at US\$ 10.74 million (year end 31 May 2016: US\$ 6.45 million).

### WatchandWager Advanced Deposit Wagering ("ADW")

*Business-to-Consumer sector* - through the *watchandwager.com* website, mobile product and Call Centre, continued to grow during the period. Our Lexington sales, marketing and customer service teams remain focused on developing these areas. The principle emphasis remains on providing good value through targeted promotions and bonuses. In addition, we have seen further increases in deposit levels from USA players during the period. We heavily promoted the website/mobile product in the lead up to the Breeders' Cup in early November. The bonusing and promotional costs were rewarded with a record number of active players on our website and mobile platforms on Breeders' Cup day itself on 3 November 2016. We derive an enhanced margin from Business-to-Consumer play and developing this business is a major factor in our strategy going forward which will increasingly focuses on this sector.

*Business Trading sector* – the provision of wagering services to high-roller player groups, made a significant contribution to our turnover during the period, primarily due to an increase in high volume wagering into international jurisdictions, particularly from wagering activity into Hong Kong Jockey Club ("HKJC") pools, who raced more frequently during the period. In addition, there were significant increases into French PMU pools, together with other international activity into domestic USA, Australian, UK and Irish pools. Most importantly, we experienced a good spread of activity over a wider variety of world-wide racetracks from an increased trading database. This is significant as we become less reliant on one particular content provider or group of players, which is important in what can be a volatile business sector.

### Cal Expo

In October, WatchandWager re-commenced harness racing at the Cal Expo racetrack in Sacramento for the fifth successive season. Our efforts at horse recruitment over the summer period were successful and we started the season with over 300 plus heads of horse in the barns. Against that, initial wagering on the first two months of the new season have been a little below expectation as a result of the unexpectedly poor weather in the Sacramento area. We incurred some significant pre-season expenses, both in horse recruitment, purse payments and operational costs at the track. These have resulted in a loss for the track operation over the period, but we expect to return to profitability during the remainder of the meet, finishing in early May 2017.

# Webis Holdings plc

## Chairman's Statement continued

### Summary and Outlook

The Board is pleased to report a further positive performance during the start of the second half, with record levels of turnover and some improvements in margin and cost reductions.

*Business-to-Consumer sector* – encouragingly, this area has continued to trade well during a traditionally quiet period of the winter. We are also heavily involved in two key projects: firstly, the relaunch of a new and improved website/mobile platform, with the first stage scheduled to launch in April 2017 and the second stage completed in the summer 2017; and the relaunch of our Player Management System, again scheduled for April 2017. Both these key initiatives are expected to provide a better wagering product for our users, together with enhanced customer service. Once these two projects are completed, our next key marketing campaign will begin in the summer of 2017.

The renewal and expansion of key US licenses is central to the development of our Business-to-Consumer strategy. We have renewed key licenses in North Dakota and California, plus several State licences. In addition, we were approved and opened our Kentucky license in December 2016. We are also working on a number of additional applications where the cost benefit merits. At present, we are licenced in the following US states: California, North Dakota, Maryland, Minnesota, Kentucky and Washington; as well as having international licences: principally in Hong Kong, United Kingdom, Australia, France, and Canada. The majority of these licences now require to be supported by cash-backed Bonding Agreements. As a result, we secured a term loan of US\$ 500,000 on 24 February 2017 from our majority shareholder in support of further licence acquisition. This loan carries a coupon 7.75% for a term of five years and is secured against the unencumbered assets of Webis. Together with the proceeds of the new loan, Webis now holds approximately US\$ 2.5 million of its own cash held for security deposits.

*Business Trading sector* – growth in turnover continues through high volume wagering into international markets. We now have a better spread of player and player groups. That said, this sector does remain volatile as it is essentially a relationship business, managing content providers, many of whom are State owned or operated. Relationships with player groups also require careful management. As a result of this, the Board is aware of the need to spread its risk as much as possible, through recruitment of new players, new content and/or negotiating better rates on existing arrangements with suppliers. As a result, we are planning to establish a higher profile at industry events in 2017 with a concerted sales/business development message. We anticipate that this will open new windows of opportunity in this area.

*Cal Expo* – racing operations have continued but the handle derived from operations in the period has continued to be below expectations following a period of very poor weather, which has reduced attendance, hence wagering and increased some operational costs. The team remain focused on returning to profitability by the end of May 2017.

The Board continues to monitor developments in the progress on Federal and State USA online gaming legislation, but progress has been especially slow as might be expected during the Election year. We anticipate that progress will speed up in 2017, but that State by State developments are more likely than Federal changes in 2017.

The Board is very aware that consolidation and the increasing benefits of economies of scale are the watchwords of the online gambling market. In addition, such consolidation could be beneficial to the WatchandWager business, which has demonstrated significant growth but operates under a heavier burden of fixed costs in proportion to its larger competitors. The Board is also aware that its USA licences, together with its established operations and business relationships, are a significant asset to any business, notwithstanding the improved financial performance. As a result, the Board continues to assess all strategic opportunities for the Group's future for the benefit of shareholders.

**Denham Eke, Non-executive Chairman**

# Webis Holdings plc

## Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 November 2016

	Note	Period to 30 November 2016 (unaudited) US\$000	Period to 30 November 2015 (unaudited) US\$000
<b>Continuing operations</b>			
Turnover	2	148,077	67,877
Cost of sales		(145,688)	(66,312)
Betting duty paid		(320)	(136)
<b>Gross profit</b>		<b>2,069</b>	<b>1,429</b>
Operating costs		(2,257)	(2,124)
<b>Operating loss</b>		<b>(188)</b>	<b>(695)</b>
Other (losses)/gains – net		(26)	3
Share based costs		(1)	—
Finance income		—	—
Finance costs		—	(23)
Finance income/(costs) - net	3	—	(23)
<b>Loss before income tax</b>		<b>(215)</b>	<b>(715)</b>
Income tax expense	4	—	—
<b>Loss for the period</b>		<b>(215)</b>	<b>(715)</b>
<b>Other comprehensive income for the period</b>		<b>—</b>	<b>—</b>
<b>Total comprehensive income for the period</b>		<b>(215)</b>	<b>(715)</b>
<b>Basic and diluted earnings per share for loss attributable to the equity holders of the Company during the period (cents)</b>	5	<b>(0.05)</b>	(0.18)

The notes on pages 9 to 12 are an integral part of these condensed consolidated interim financial statements.

# Webis Holdings plc

## Condensed Consolidated Statement of Financial Position

As at 30 November 2016

	Note	As at 30 November 2016 (unaudited) US\$000	Year to 31 May 2016 (audited) US\$000
<b>Non-current assets</b>			
Intangible assets	6	127	113
Property, equipment and motor vehicles		138	160
Bonds and deposits		104	105
<b>Total non-current assets</b>		<b>369</b>	<b>378</b>
<b>Current assets</b>			
Bonds and deposits		2,442	2,499
Trade and other receivables		8,439	2,671
Cash and cash equivalents	7	10,743	6,445
<b>Total current assets</b>		<b>21,624</b>	<b>11,615</b>
<b>Total assets</b>		<b>21,993</b>	<b>11,993</b>
<b>Equity</b>			
Called up share capital		6,334	6,334
Share option reserve		1	—
Retained losses		(4,617)	(4,402)
<b>Total equity</b>		<b>1,718</b>	<b>1,932</b>
<b>Current liabilities</b>			
Trade and other payables		20,275	10,061
<b>Total current liabilities</b>		<b>20,275</b>	<b>10,061</b>
<b>Total liabilities</b>		<b>20,275</b>	<b>10,061</b>
<b>Total equity and liabilities</b>		<b>21,993</b>	<b>11,993</b>

The notes on pages 9 to 12 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 2016

	Called up share capital US\$000	Share premium US\$000	Share option reserve US\$000	Foreign currency translation reserve US\$000	Retained earnings US\$000	Total equity US\$000
<b>Balance as at 31 May 2015 (audited)</b>	6,334	—	—	—	(3,160)	3,174
<b>Total comprehensive income for the period:</b>						
Loss for the period	—	—	—	—	(715)	(715)
<b>Balance as at 30 November 2015 (unaudited)</b>	<b>6,334</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3,875)</b>	<b>2,459</b>

<b>Balance as at 31 May 2016 (audited)</b>	6,334	—	—	—	(4,402)	1,932
<b>Total comprehensive income for the period:</b>						
Loss for the period	—	—	—	—	(215)	(215)
<b>Transactions with owners:</b>						
Share-based payment expense	—	—	1	—	—	1
<b>Balance as at 30 November 2016 (unaudited)</b>	<b>6,334</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>(4,617)</b>	<b>1,718</b>

The notes on pages 9 to 12 are an integral part of these condensed consolidated interim financial statements.

# Webis Holdings plc

## Condensed Consolidated Statement of Cash Flows

For the period ended 30 November 2016

	Period to 30 November 2016 (unaudited) US\$000	Period to 30 November 2015 (unaudited) US\$000
<b>Cash flows from operating activities</b>		
Loss before income tax	(215)	(715)
Adjustments for:		
- Depreciation of property, equipment and motor vehicles	35	29
- Amortisation of intangible assets	31	57
- Finance (income)/costs - net	—	23
- Foreign exchange movements on revaluation	172	12
Changes in working capital:		
- Increase in receivables	(5,768)	(356)
- Increase in payables	10,214	2,844
<b>Cash flows from operations</b>	<b>4,469</b>	<b>1,894</b>
Finance income	—	—
Bonds and deposits utilised in the course of operations	58	38
<b>Net cash generated from operating activities</b>	<b>4,527</b>	<b>1,932</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(48)	(19)
Purchase of property, equipment and motor vehicles	(18)	(115)
<b>Net cash used in investing activities</b>	<b>(66)</b>	<b>(134)</b>
<b>Cash flows from financing activities</b>		
Interest and charges paid	—	(23)
<b>Net cash used in financing activities</b>	<b>—</b>	<b>(23)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,461</b>	<b>1,775</b>
Cash and cash equivalents at beginning of year	6,445	6,103
Exchange losses on cash and cash equivalents	(163)	(12)
<b>Cash and cash equivalents at end of period</b>	<b>10,743</b>	<b>7,866</b>

The notes on pages 9 to 12 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 2016

### 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 2016.

#### Functional and presentational currency

These financial statements are presented in US Dollars which is the Group's primary functional currency and its presentational currency. Financial information presented in US Dollars has been rounded to the nearest thousand. All continued operations of the Group have US Dollars as their functional currency.

#### Going Concern

The Group has experienced a continued tightening of margins, but has increased revenues significantly, while 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 statements are prepared on a going concern basis.

### 2 Segmental analysis

		Period to 30 November 2016 (unaudited) US\$000	Period to 30 November 2015 (unaudited) US\$000
<b>Turnover</b>			
Pari-mutuel and Racetrack Operations	Asia Pacific	113,787	18,913
	United States	28,912	45,476
	Europe	4,519	2,665
	British Isles	767	758
	Rest of the World	92	65
		<b>148,077</b>	<b>67,877</b>
<b>Total comprehensive income</b>			
Pari-mutuel and Racetrack Operations		<b>(229)</b>	(625)
Group		<b>14</b>	(90)
		<b>(215)</b>	<b>(715)</b>
		<b>30 November 2016 (unaudited) US\$000</b>	<b>31 May 2016 (audited) US\$000</b>
<b>Net assets</b>			
Pari-mutuel and Racetrack Operations		<b>614</b>	843
Group		<b>1,104</b>	1,089
		<b>1,718</b>	<b>1,932</b>

# Webis Holdings plc

## Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2016

### 3 Finance income/(costs) - net

	Period to 30 November 2016 (unaudited) US\$000	Period to 30 November 2015 (unaudited) US\$000
Bank interest receivable	—	—
<b>Finance income</b>	<b>—</b>	<b>—</b>
Bank interest payable	—	—
Bank charges payable	—	(23)
<b>Finance costs</b>	<b>—</b>	<b>(23)</b>
<b>Finance income/(costs) - net</b>	<b>—</b>	<b>(23)</b>

### 4 Income tax expense

	Period to 30 November 2016 (unaudited) US\$000	Period to 30 November 2015 (unaudited) US\$000
Losses before tax	(215)	(715)
Tax charge at IOM standard rate (0%)	—	—
Adjusted for:		
Tax credit for US tax losses (at 15%)	(58)	(112)
Add back deferred tax losses not recognised	58	112
Tax charge for the period	—	—

### 5 Earnings per ordinary share

#### A. Basic earnings per share

##### (i) Loss attributable to ordinary shareholders (basic)

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.

	Period to 30 November 2016 (unaudited) US\$000	Period to 30 November 2015 (unaudited) US\$000
Loss for the period, attributable to the owners of the Company	(215)	(715)
<b>Loss attributable to ordinary shareholders</b>	<b>(215)</b>	<b>(715)</b>

# Webis Holdings plc

## Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2016

### 5 Earnings per ordinary share continued

#### A. Basic earnings per share continued

##### (ii) Weighted-average number of ordinary shares (basic)

	Period to 30 November 2016 (unaudited)	Period to 30 November 2015 (unaudited)
Issued ordinary shares at 1 June	393,338,310	393,338,310
<b>Weighted-average number of ordinary shares at 30 November</b>	<b>393,338,310</b>	<b>393,338,310</b>

#### B. Diluted earnings per share

##### (i) Loss attributable to ordinary shareholders (diluted)

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.

	Period to 30 November 2016 (unaudited) US\$000	Period to 30 November 2015 (unaudited) US\$000
Loss for the period, attributable to the owners of the Company (basic)	(215)	(715)
<b>Loss attributable to ordinary shareholders (diluted)</b>	<b>(215)</b>	<b>(715)</b>

##### (ii) Weighted-average number of ordinary shares (diluted)

	Period to 30 November 2016 (unaudited)	Period to 30 November 2015 (unaudited)
Weighted-average number of ordinary shares (basic)	393,338,310	393,338,310
<b>Weighted-average number of ordinary shares (diluted) at 30 November</b>	<b>393,338,310</b>	<b>393,338,310</b>

At 30 November 2016, 14,000,000 share options (2015: nil) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

### 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.

# Webis Holdings plc

## Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2016

### 7 Cash and cash equivalents

	<b>30 November 2016 (unaudited) US\$000</b>	31 May 2016 (audited) US\$000
Cash and cash equivalents – company and other funds	<b>9,875</b>	5,538
Cash and cash equivalents – protected player funds	<b>868</b>	907
<b>Total cash and cash equivalents</b>	<b>10,743</b>	6,445

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 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\$ 22,757 (2015: US\$ 28,562) and directors' fees of US\$ 24,292 (2015: US\$ 25,090) were charged in the period by Burnbrae Ltd of which Denham Eke and Nigel Caine are common directors.

#### Transactions with other related parties

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

### 9 Events after the Balance Sheet Date

On 24 February 2017, the Group secured a term loan from a related party, Galloway Limited, for US\$ 500,000. The loan attracts a coupon of 7.75 per cent for a term of five years and secured on the unencumbered assets of the Group.

### 10 Approval of interim statements

The interim statements were approved by the Board on 27 February 2017. The interim report is expected to be available for shareholders on 28 February 2017 and will be available from that date on the Group's website [www.webisholdingsplc.com](http://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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