Webis Holdings plc

Global Gaming Group

Annual Report and Consolidated Financial Statements for the year ended 31 May 2018

AIM Stock Code: WEB

www.webisholdingsplc.com
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 Group structure: -

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

**WatchandWager.com LLC
– Cal Expo Harness Racetrack**

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 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, 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 a business-to-business wagering product and a telephone call centre.

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 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.

Chairman's Statement

Introduction

I am pleased to report a continued improved performance from our core USA based business, WatchandWager.com LLC ("WatchandWager") over the financial year reported, with a further substantial increase in the amount wagered and an increase in profit being returned.

The Board is also pleased with the performance over the year reported for our three core business units, namely "Business-to-Consumer", "Business-to-Business" and our racetrack operation at "Cal Expo" in Sacramento, California, and these three sectors are commented upon in more detail below.

Equally importantly, and as shareholders are aware, the company still occupies a significant first mover advantage in the USA, with our array of USA licenses, banking settlement and general business operational skills. These, coupled with the operation of Cal Expo racetrack in Sacramento, California are significant assets in what is regarded as the land of opportunity in regulated gambling globally, especially regarding sports betting. The company stands very well positioned in particular in California, a gaming market that will dwarf other USA states in size when regulated.

The above positive factors noted, shareholders should continue to note our announcement of 19th October 2018 regarding the effective de-facto termination of business with a wagering syndicate, and the likely short-term impact on performance.

Year End Results Review

Shareholders should note the revised definition of Amounts wagered and Turnover in the Report.

The Group Amounts wagered (previously defined as Turnover) for the year ended 31 May 2018 was US$ 461.2 million (2017: US$371.9 million) – a growth of over 23% on prior year. Gross Profit increased by just over 3% to US$5.5 million (2017: US$5.3 million). This, in turn, led to a small profit on the year, and another positive trend following the return to breakeven in 2017.

Operating costs were US$5.4 million: up 3% on 2017 (2017: US$5.3 million). The slight increase in costs mainly reflecting the cost of licensing in the USA and other markets, a core strategy for the Group.

As a result, our Profit from operations was US$103 thousand, an increase from 2017 and a more positive trend from the losses incurred in 2016 and before.

Shareholder equity was slightly up at US$2.0 million (2017: US$1.9 million). Total cash stands at US$13.3 million (2017: US$15.0 million), which includes a ring-fenced amount of US$1.4 million (2017: US$1.2 million) held as protection against our player liability as required under Isle of Man gambling legislation. An amount of US$3.0 million (2017: US$3.0 million) was held during the year as bonds and deposits with other regulatory authorities on behalf of other players.

Approach to Risk and Corporate Governance

As part of the adoption of the Quoted Companies Alliance Corporate Governance code, the Board has completed an assessment of the risks inherent in the business and has defined and adopted a statement of risk appetite, being the amount and type of risk, it is prepared to seek, accept or tolerate in pursuit of value. This being: -

"The Group's general risk appetite is a moderate, balanced one that allows it to maintain appropriate growth, profitability and scalability, whilst ensuring full regulatory compliance."

The Group's primary risk drivers include: -

Strategic
Reputational
Credit
Operational
Market
Liquidity, Capital and Funding
Regulatory and Compliance
Conduct

Our risk appetite has been classified under an "impact" matrix defined as Zero, Low, Medium and High. Appropriate steps are underway to ensure the prudential control monitoring of risks to the Group and a suitable committee and reporting structure, under the Chairmanship of the Group Managing Director, will be formed to undertake this essential requirement. Further details of the Corporate Governance Statement will be found on pages 9 and 10 of this report.

The Board is currently refining the Group's business plan which will incorporate the risk and compliance framework.

Performance by Sector

WatchandWager
Business-to-Consumer
www.watchandwager.com/mobile

This sector continues to be our principal focus, and our key strategy for growth within the USA, of course in conjunction with our growing number of licenses and our land-based operations at Cal Expo in Sacramento, California.

During the year, our website and mobile continued to perform to plan, and we saw an increase in players using the platform and amounts wagered. The site also performed well on key race days around the world, with good feedback from customers.

Chairman's Statement continued

Business-to-Consumer continued

Our Business-to-Consumer operation continues to show growth under a prudent marketing strategy. We are pleased to report we showed record player numbers across the platform at the recent Breeders' Cup in Kentucky in early November, with a 14% growth in player numbers. Our strategy in this area is to continue to improve the platform, increase player numbers and prepare ourselves for the expansion of licensed wagering in the USA, as either an operator or licensed provider.

We continued to be conservative in new player acquisition, having experienced some high costs of acquisition in prior years. We continue to do well reactivating our lapsed database, and we have seen good growth from this initiative. Importantly, we were approved for both Facebook and Google AdWords for advertising purposes during the period, something many operators have found difficult to achieve in the USA. In addition, we continue to make improvements in USA based payment processing, banking and settlements. All of these developments, whilst already assisting operations and performance with customers and track partners, will be equally important assets in the expanding world of USA licensed gaming.

Our sub-brand named "WatchandWager Worldwide" continued to grow. This initiative is aimed at promoting international racing to our USA player base. This provides a unique selling proposition for our USA players, and also stands us in good stead with our international content providers whom we are contracted with.

Business-to-Business

This sector is the provision of pari-mutuel (pool) wagering to high-roller clients, many of whom specialize in algorithmic or computer assisted trading on a wide range of global racetracks.

The amounts wagered and turnover for the full year were boosted by significant high-volume player activity through its access into pools, primarily with the Hong Kong Jockey Club and the French PMU, but also other markets in the USA, Canada, Australia, UK and Ireland.

Our network of direct players (being those not operating through agents), continued to grow both in terms of player sign-ups. We have also assisted existing player groups in many areas of their activity, including regulatory support.

That said and as previously notified, the Business-to-Business high volume wagering sector has become increasingly competitive over the years, with other operators and player agents providing third-party services, and increased racetrack fees being charged in return for access to racetrack wagering and video streaming rights. The entire sector remains volatile, being subject to changes in player or aggregator activities, as well as changes in the policies of key content providers.

Post Year, Strategy and Regulatory Developments

As shareholders are aware and as announced on 19th October 2018, we continue to assume that a contract with a large volume wagering syndicate has ceased. As reported, this will impact our ongoing operations, with a loss in commissions of up to US$800,000 during 2018/19. This was a commercial decision, but on a positive note allows management to grow new player relationships and focus on much more important growth opportunities in the USA.

Cal Expo

We resumed racing on 10th November 2018 and initial signs for our performance are good. Following approval from the California Horseracing Board and our Horsemen partners we will be running a slightly reduced number of race days. We are confident that this will help horse numbers, which is the key factor in generating wagering handle.

It should also be reported that the new International Racing Bill approved in California, which Management heavily lobbied for in Sacramento, will commence in January 2019, and will also add additional revenues to the track from that date. This ruling allows for a slightly increased commission back to the Cal Expo operation derived from California residents wagering on international races (non-USA races). The estimated benefit of this ruling is expected to be an additional US$100,000 in commissions back to Cal Expo over an entire annual Racing season.

Licenses

The Board can confirm the recent renewal of its core multi-jurisdictional license for wagering with the North Dakota Racing Commission for 2019. In addition, our strategically important license in California is due to be heard by the California Horseracing Board on November 29th. The Board anticipates that this license will be approved and is hopeful that it will be awarded for a two-year term (2019/2020). We are also currently in the process of renewing or have renewed licenses in New York, Kentucky, Washington, and Minnesota. Management and the Board continue to assess other new licensing opportunities in the USA to further improve its scope and assets within the USA.

USA regulated gaming

Following the Supreme Court's positive judgement on Sports betting in May, the company is clearly excellently positioned to benefit from expanded e-gaming and of course sports betting. The Board is encouraged by initial results reported in New Jersey. As previously advised the Board believes its key opportunities lie in the State of California with its unique physical presence at Cal Expo and online advanced deposit wagering license. It should be recognized California will be a little slow to adopt regulation, but we are very encouraged by the certainty that only California land-based operations will be licensed in the State. This is of course critical in what is the true State of opportunity, which will dwarf other States in terms of final revenues earned.

Chairman’s Statement continued

USA regulated gaming continued

The Management and Executive highest priority is now to assess strategic opportunities in the USA, and particularly in California. This includes potential software deals, or even potential mergers or acquisitions. At present the Board expects to announce more details in relation to progress on this in early 2019.

Corporate Governance

One of the Group Board’s primary responsibilities is to ensure the provision of effective corporate governance. To this end, the Board undertook a full review of every aspect of governance in the light of the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) and I am pleased to report that the Group is fully compliant in all aspects.

Outlook

In summary, the Board are encouraged by the increase in betting activity, amounts wagered and most importantly a reversal of previous losses into a profit, albeit small, as well as creating an excellent strategic position in the USA. The Board remains excited and committed to developing its effective “land grab” within the USA. In pursuit of this, the Board continues to seek and evaluate opportunities for strategic partnerships to develop all aspects of the business.

The Board is also pleased to note the confidence that our major shareholder continues to place in our strategy of positioning the Group in such a way to take the maximum advantage of the anticipated changes to gaming legislation in the USA.

Finally, I would like to thank all our staff, our customers and our shareholders for their continued support throughout the year.

Denham Eke
Non-executive Chairman
27 November 2018

The Board of Directors

Denham Eke, aged 67

Non-executive Chairman

Denham Eke began his career in stockbroking before moving into corporate planning for a major UK insurance broker. He is a director of many years' standing of both public and private companies involved in the mining, leisure, manufacturing and financial services sectors.

Denham Eke was appointed Non-executive Chairman in April 2003.

Ed Comins, aged 49

Managing Director

Ed Comins has 22 years' experience in the betting and gaming industry with Coral, Ladbroke Casinos, the Tote and GameAccount. At the Tote he had overall responsibility for developing Totepool's pari-mutuel business as General Manager of Tote Direct and Development Director for Totepool. He was Commercial Director for GameAccount, a provider of online skill games, where he managed betting partner relationships with key sportsbooks.

Ed Comins joined the Board in May 2010.

Nigel Caine, aged 48

Non-executive Director

Nigel Caine is the Chief Financial Officer for Burnbrae Group Limited. He is a Fellow of the Association of Chartered Certified Accountants and a Member of both the Chartered Institute of Securities and Investments and the Institute of Chartered Secretaries and Administrators. He also holds an MBA from the University of Wales. Nigel began his career in audit and transaction services with KPMG and Deloitte. Before joining Burnbrae Group Limited in 2014, Nigel was the Chief Financial Officer for Speymill Deutsche Immobilien Company Plc.

Nigel Caine joined the Board in June 2015.

Sir James Mellon, aged 89

Non-executive Director

Sir James Mellon is a former diplomat who began his career with the Department of Agriculture for Scotland before moving on to several varied roles including Head of Trade Relations and Export Dept (TRED); FCO; UK Ambassador to Denmark; Director-General for Trade and Investment, United States; and Consul-General, New York. He has many years of corporate experience having been a director of both public and private companies.

Sir James Mellon joined the Board in January 2012.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 May 2018.

Principal activities
The Group operates:

- a pari-mutuel service to individual and business customers; and
- a racetrack under a licence issued in California, USA.

Business review
The Group operates on a worldwide basis and provides online and offline facilities in respect of a wide variety of pari-mutuel events.

A more detailed review of the business, its results and future developments is in the Chairman's Statement on pages 3 to 5.

Proposed dividend
The directors do not propose the payment of a dividend (2017: $Nil).

Policy and practice on payment of creditors
It is the policy of the Group to agree appropriate terms and conditions for its transactions with suppliers by means of standard written terms to individually negotiated contracts. The Group seeks to ensure that payments are always made in accordance with these terms and conditions.

At the year-end there were 12 days (2017: 15 days) of purchases in trade creditors.

Financial risks
Details relating to financial risk management are shown in note 20 to the financial statements.

Directors and directors' interests
The Directors who held office during the year and to date were as follows:

Denham Eke	Non-executive Chairman
Ed Comins	Managing Director
Nigel Caine	Non-executive Director
Sir James Mellon	Non-executive Director

The Directors retiring by rotation are Ed Comins and Sir James Mellon who, being eligible, offer themselves for re-election.

The Directors who held office at the end of the year had the following interests in the ordinary shares of the Company and options to purchase such shares arising from incentive schemes:

Directors' interests

	Ordinary shares		Options	
	Interest at end of year 2018	Interest at start of year 2017	**Interest at end of year 2018**	Interest at start of year 2017
Denham Eke [1]	**—**	—	—	—
Ed Comins	**—**	—	14,000,000	14,000,000
Nigel Caine	**—**	—	—	—
Sir James Mellon	**—**	—	—	—

[1] Denham Eke is Managing Director of Burnbrae Limited which holds 248,204,442 ordinary shares representing 63.10% of the issued capital of the Company.

Further details of the options issued to the executive directors are contained in the Report of the Remuneration Committee on pages 13 and 14.

Directors' Report continued

Substantial interests
On 23 July 2018, the following interests in 3% or more of the Company's ordinary share capital had been reported:

	%	Number of ordinary shares
Burnbrae Limited	63.10	248,204,442
BBHISL Nominees Ltd	7.54	29,651,666

Annual General Meeting
Shareholders will be asked to approve at the Annual General Meeting certain resolutions as special business. Some of these resolutions have become routine business at the Annual General Meetings of most public companies, including your Company, and relate to the renewal of the authority for the directors to allot relevant securities and the renewal of the powers for the directors to allot equity securities for cash.

Employees
The Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees, and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, race or religion.

The Group recognises the importance of ensuring employees are kept informed of the Group's performance, activities and future plans.

Political and charitable contributions
The Group made no political contributions during the year.

As part of the obligations of the pari-mutuel business in the United States, the Group made charitable contributions of $40,711 during the year (2017: $42,928).

Auditors
KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

On behalf of the Board

Ed Comins
Managing Director
27 November 2018

Corporate Governance Statement

Corporate Governance Report

The Webis Holdings Board (the "Board") is committed to best practice in corporate governance and Webis Holdings plc (the "Group"). Directors have agreed to comply with the provisions of the Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations. This report illustrates how the Group complies with those principles.

Remuneration Committee

The Remuneration Committee meet at least twice a year and comprises of two Non-executive Directors. It is chaired by Sir James Mellon and is responsible for determining the remuneration of the Executive Director, the Company Secretary and other members of the management. Committee members do not take part in discussions concerning their own remuneration.

Nomination Committee

The Nomination Committee is comprised of the whole Board. It is chaired by the Chairman of the Board and is responsible for making recommendations to the Board on matters relating to the composition of the Board, including Executive and Non-executive Director succession planning, the appointment of new Directors and the election and re-election of Directors. The Nomination Committee only meets as matters arise.

Group Audit, Risk and Compliance Committee

The Group Audit, Risk and Compliance Committee (the "ARCC") meet at least two times each year and comprises two Non-executive Directors, currently Sir James Mellon (Chairman) and Denham Eke. The external auditors attend by invitation. Its role is to be responsible for reviewing the integrity of the financial statements and the balance of information disclosed in the accompanying Directors' Report, to review the effectiveness of internal controls and risk management systems and recommend to the Board (for approval by the members) the appointment or re-appointment of the external auditor. The ARCC reviews and monitors the external auditor's objectivity, competence, effectiveness and independence, ensuring that if it or its associates are invited to undertake non-audit work it will not compromise auditor objectivity and independence.

Further information can be found within the Group Audit, Risk and Compliance Report contained within this Annual Report.

The Role of the Board

The Board is collectively responsible for the long-term success of the organisation. Its principal function is to determine the strategy and policies of the Group within an effective control framework which enables risk to be assessed and managed.

The Board ensures that the necessary financial and human resources are in place for the Group to meet its objectives and that business and management performances are reviewed. Furthermore, the Board ensures that the Group operates within its constitution, relevant legislation and regulation and that proper accounting records and effective systems of business control are established, maintained, documented and audited.

There are at least four formal Board meetings each year. All Board members have the benefit, at the Group's expense, of liability insurance in respect of their responsibilities as Directors and have access to independent legal or other professional advice if required. The Board has a formal schedule of matters which are reserved for its consideration and it has established three committees to consider specific issues in greater detail, being the Group Audit, Risk and Compliance, Remuneration and Nomination Committees. The Terms of Reference for each of these Committees are published on the Group's website.

Division of Responsibilities

The offices of Chairman and Managing Director are distinct and held by different people. The role of each is set out in their respective job descriptions.

The Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role, promoting a culture of openness of debate and communicating with the Group's members on behalf of the Board. The Chairman sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution of Non-executive Directors and ensuring constructive relations between Executive and Non-executive Directors. The Chairman also ensures that Directors receive accurate, timely and clear information. In doing so, this fosters a positive corporate governance culture throughout the Group.

The Managing Director

The Managing Director is responsible for managing the Group's business and operations within the parameters set by the Board.

Non-executive Directors

The Non-executive Directors are responsible for bringing independent judgement to the discussions held by the Board, using their breadth of experience and understanding of the business. Their key responsibilities are to constructively challenge and contribute to strategic proposals, and to monitor performance, resources, and standards of conduct, compliance and control, whilst providing support to executive management in developing the Group.

The Composition of the Board

At the year end, the Board is made up of four directors, comprising three Non-executive Directors and one Executive Director. At least one Non-executive Director is considered by the Board to be independent in character and judgement and to have an appropriate balance of skills and experience. They are also considered to be free of any relationship or circumstances which could materially interfere with the exercise of their judgement, impede the provision of constructive challenge to management and provide assistance with the development of strategy.

Appointments to the Board

The principal purpose of the Nomination Committee is to undertake the assessment of the balance of skills, experience, independence and knowledge on the Board against the requirements of the business, with a view to determining whether any shortages exist. Having completed

the assessment, the Committee makes recommendations to the Board accordingly. Appointments to the Board are made on merit, with due regard to the benefits of diversity. Within

Corporate Governance Statement continued

Appointments to the Board continued

this context, the paramount objective is the selection of the best candidate, irrespective of background, and it is the view of the Board that establishing quotas or targets for the diversity of the Board is not appropriate.

All Director appointments must be approved by the Company's Nominated Adviser, as required under the AIM Rules, before they are appointed to the Board.

Prior to appointment, Non-executive Directors are required to demonstrate that they are able to allocate sufficient time to undertake their duties.

Information and Support

The Chairman ensures that the Board receives accurate, timely and clear information in a form and of sufficient quality to enable it to fulfil its responsibilities.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring compliance with all Board procedures and advising the Board on governance matters.

Evaluation

An internal process exists to evaluate, on an annual basis, the performance and effectiveness of individual Directors and of the Board and its Committees.

Re-election

The Group's Rules require that all Directors are submitted for election at the AGM following their first appointment to the Board. Thereafter all directors will submit themselves for re-election at least once every three years, irrespective of performance.

Board and committee attendance

The number of formal scheduled Board and committee meetings held and attended by Directors during the year was as follows: -

	Board	Audit	Remuneration	Nomination
Denham Eke	4/4	2/2	2/2	-
Sir James Mellon	4/4	2/2	2/2	-
Ed Comins	3/4	-	-	-
Nigel Caine	4/4	-	-	-

Financial and Business Reporting

The Board confirms that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. The responsibilities of the Directors in relation to the preparation of the Group's accounts are set out on page 12. The Chairman's Statement on pages 3 to 5 provides a detailed review of the Group's business activities and future prospects.

Risk Management and Internal Control

The Board is responsible for determining a framework for risk management and control, including the Group's risk appetite and tolerance. Senior management are responsible for designing, operating and monitoring risk management and internal control processes in line with the risk appetite and tolerance while the ARCC, on behalf of the Board, is responsible for reviewing the adequacy and effective operation of these processes. The role of the ARCC is described previously and provides the Board with independent assurance that the Group is operating specifically in accordance with the risk appetite parameters determined and approved by the Board. It also ensures that the outcomes for the Group's various activities are in line with those parameters.

The system of internal control overall is designed to enable the Group to achieve its corporate objectives within the Board's predetermined risk appetite, not to eliminate risk.

The directors have reviewed the need for an internal audit function and believe that the Group is not of sufficient size and complexity to require such a function.

Remuneration

The Report on Directors' Remuneration, prepared by the Chairman of the Group's Remuneration Committee, is to be found on pages 13 and 14 and explains how the Group complies with the Code Principles relating to remuneration. Details of Directors' Emoluments during 2017-18 can be found on page 14.

Dialogue with Shareholders

The Group is owned by both individual and institutional shareholders. All shareholders are kept informed of developments and feedback is encouraged both at the AGM and through communication via the Group's website.

Constructive use of the AGM

Each year the Group sends details of the AGM, including appointment of proxy and voting forms, to members who are eligible to vote.

Approval

This report was approved by the Board of Directors on 27 November 2018 and signed on its behalf by:

Denham Eke

Non-executive Chairman

27 November 2018

Audit, Risk and Compliance Committee Report

The Directors have agreed to comply with the provisions of the Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations.

This report illustrates how the Group complies with those principles in relation to its Group Audit, Risk and Compliance Committee (the "Committee").

Membership

The Committee comprises of two Non-executive Directors and the members are Sir James Mellon (Chairman) and Denham Eke. The composition of the Committee has been reviewed during the year and the Board is satisfied that the Committee members have recent relevant financial experience and the expertise to resource and fulfil its responsibilities effectively, including those relating to risk and controls.

Meetings

The Committee meets two times a year, including the review of the interim and full year results. Other Directors and representatives from the external auditors attend by invitation.

Duties

The Committee carries out the duties below for the Company and the Group as a whole, as appropriate:

- Monitors the integrity of the financial statements of the Company, including annual and half-yearly reports, interim management statements, and any other formal announcement relating to financial performance, reviewing significant financial reporting issues and judgements which they contain.
- Reviews and challenges the consistency the information presented within the financial statements, compliance with stock exchange or other legal requirements, accounting policies and the methods used to account for significant or unusual transactions.
- Keeps under review the effectiveness of the Group's internal controls and risk management systems.
- Reviews the Group's arrangements for its employees to raise, in confidence, possible wrongdoing in financial reporting or other matters, the procedures for detecting fraud, prevention of bribery and adequacy and effectiveness of the Group's anti-money laundering systems and control.
- KPMG Audit LLC was appointed as auditor in 2002 and the Committee oversees the relationship with them including regular meetings to discuss their remit and review the findings and any issues with the annual audit. It also reviews their terms of appointment, meets them once a year independent of management and considers and makes recommendations to the Board, to be put to the Company for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. There are no contractual restrictions in place in respect of the auditor choice.
- The Committee is governed by a Terms of Reference and a copy of this is available on www.webisholdingsplc.com - the Company's website.

2018 Annual Report

During the year the Committee held two meetings and can confirm that it has received sufficient, reliable and timely information from management and the external auditors to enable it to fulfil its responsibilities.

The Committee has satisfied itself that there are no relationships between the auditor and the Group which could adversely affect the auditor's independence and objectivity and regular meetings have been held with them at both the planning stage prior to the audit and after the audit at the reporting stage.

All internal control and risk issues that have been brought to the attention of the Committee by the external auditors have been considered and the committee confirms that it is satisfied that management has addressed the issues or has plans to do so.

The Group has a number of policies and procedures in place as part of its internal controls and these are subject to continuous review and as a minimum are reviewed by the Committee on an annual basis.

- The Committee has reviewed and discussed together with management and the external auditor the Company's financial statements for the year ended 31 May 2018 and reports from the external auditor on the planning for and outcome of their reviews and audit. The key accounting issues and judgements considered relating to the Group's financial statements and disclosures were as follows:
- Revenue recognition – the Committee considered the conditions of revenue recognition, including that of being recognised on an accrual basis. The Committee agreed that the current method of revenue recognition is appropriate for the market that the Group operates within and that revenue satisfied the necessary criteria to be recognised. Disclosures are included in note 1; and
- Going concern – the Committee reviewed the going concern position of the Group, taking into account the 12-month cash flow forecasts and the continued support of the ultimate parent. The Committee is satisfied that preparing the financial statements on a going concern basis is appropriate. Disclosures are included in note 1;
- Cash balances – the Committee reviewed the cash position to ensure that it is able to meet its ongoing requirements and also has sufficient cash reserves to cover the relevant player liabilities. The Committee is satisfied that there are sufficient cash balances to meet its ongoing expenses and cover the player balances in full if required. Disclosures are included in note 12.

Denham Eke

Non-executive Chairman

27 November 2018

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU), as applicable to an Isle of Man company and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Acts 1931-2004. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Remuneration Committee

Directors' Remuneration Report

As an Isle of Man registered company there is no requirement to produce a Directors' Remuneration Report. However, the Board follows best practice and therefore has prepared such a report.

The Directors have agreed to comply with the provisions of the Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations.

This report illustrates how the Group complies with those principles in relation to directors' remuneration.

The Level and Components of Executive Director Remuneration

The Group's Remuneration Policy reflects the Group's business strategy and objectives as well as sustained and long-term value creation for shareholders. In addition, the policy aims to be fair and provide equality of opportunity, ensuring that: -

- the Group is able to attract, develop and retain high-performing and motivated employees in the competitive local and wider US markets;
- employees are offered a competitive remuneration package to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contribution to the success of the Group;
- it reflects our culture and values; and
- there is full transparency of the Group's Remuneration Policy.

In line with the Board's approach, which reflects that adopted within other comparable organisations, the Group's Remuneration Policy provides for the reward of the Executive Director through salary and other benefits.

Executive Director's Emoluments

The remuneration for the Executive Director reflects their responsibilities. It comprises basic salary, eligibility to participate in an annual bonus scheme when this is considered appropriate, private healthcare and share option incentives.

Annual bonus scheme payments are not pensionable and are not contracted.

As with staff generally, whose salaries are subject to annual reviews, the basic salary payable to the Executive Director is reviewed each year with reference to jobs carrying similar responsibilities in comparable e-gaming organisations, market conditions generally and local employment competition in view of the Group's geographical position.

It is anticipated that an annual bonus scheme will operate when Group profitability and cash flow allow. Bonuses for the executive director are calculated with reference to the profit before tax as disclosed in the audited accounts of the Group, together with an assessment by the Committee of the director's performance against agreed personal targets. Bonus payments are not pensionable.

The Committee believes that share ownership by executives strengthens the link between their personal interests and those of shareholders. Options are granted to executives periodically at the discretion of the Remuneration Committee. The grant of share options is not subject to fixed performance criteria. This is deemed to be appropriate as it allows the Committee to consider the performance of the Group and the contribution of the individual executives and, as with annual bonus payments, illustrates the relative importance placed on performance-related remuneration.

The Group does not intend to contribute to the personal pension plans of directors in the forthcoming year.

Executive Directors' Contractual Terms

The service contract of the Executive Director provides for a notice period of six months.

Non-executive Directors' Remuneration

Non-executive Directors do not receive any benefits other than their fees and travelling expenses for which they are reimbursed. The level of fees payable to Non-executive Directors is assessed using benchmarks from a group of comparable e-gaming organisations.

The Procedure for Determining Remuneration

The Remuneration Committee, comprising two Non-executive Directors, is responsible for setting the remuneration of the Executive Director and is chaired by Sir James Mellon. Committee members do not take part in discussions concerning their own remuneration. The basic Non-executive Director fee is set by the Group Chairman. The Chairman of the Committee reports at the Board meeting following a Committee meeting.

It is the view of the Committee that Directors' remuneration awarded across the Group for the year has been in accordance with the Group's stated Remuneration Policy and, on behalf of the Committee I recommend that you endorse this Group report. An analysis of Directors' emoluments is as follows:

		2018 US$000	2017 US$000
Emoluments	— salaries, bonuses and taxable benefits	**350**	343
	— fees	**69**	66
		419	409

Report of the Remuneration Committee continued

Directors' Emoluments

	Basic salary US$000	Fees US$000	Bonus US$000	Termination payments US$000	Benefits US$000	**2018 Total US$000**	2017 Total US$000
Executive							
Ed Comins	310	—	—	—	40	**350**	343
Non-executive							
Denham Eke*	—	27	—	—	—	**27**	26
Nigel Caine*	—	22	—	—	—	**22**	21
Sir James Mellon	—	20	—	—	—	**20**	19
Aggregate emoluments	310	69	—	—	40	**419**	409

* Paid to Burnbrae Limited.

Details of the options outstanding at 31 May 2018 are as follows:

Name of director	31 May 2017	Granted / (lapsed) in year	**31 May 2018**	Exercise price	Date from which exercisable	Expiry date
Ed Comins						
2016 Share Option Plan	**14,000,000**	**—**	**14,000,000**	1p	3 March 2019	3 March 2026
	14,000,000	**—**	**14,000,000**			

The market price of the shares at 31 May 2018 was 4.55p. The range during the year was 7.675p to 0.775p.

Approval
The report was approved by the Board of directors and signed on behalf of the Board.

Denham Eke
Non-executive Chairman
27 November 2018

Report of the Independent Auditors, KPMG Audit LLC, to the members of Webis Holdings plc

1 Our opinion is unmodified

We have audited the financial statements of Webis Holdings plc ("the Company" or "the Group") for the year ended 31 May 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Statements of Financial Position, Consolidated and Parent Company Statements of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 May 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), as applicable to an Isle of Man company; and
- the financial statements have been prepared in accordance with the requirements of the Companies Acts 1931-2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2017):

Key audit matter	The risk	Our response
Revenue recognition Consolidated Statement of Comprehensive Income: Turnover US$54,466,000 (2017: US$57,432,000) Refer to note 1.2 (Accounting Policy for Turnover) and note 2 (Segmental analysis)	**Revenue recognition- occurrence** The Group enters into high volumes of revenue-generating transactions each day. Given the complexity of the systems relied upon, we identified the occurrence of revenue as a significant risk.	Our procedures included: **Outsourcing controls:** - We considered the control environment of the service organisation by obtaining the latest System and Organisation Controls (SOC) reports and assessing the design and operating effectiveness of their controls. - We assessed the objectivity, competence and the nature of work performed by the Independent Service Auditor who provides the SOC reports. **Tests of detail:** - Tested a sample of bets placed during the year to verify that the revenue relating to the bet was recognised in the correct period, and that in the case of winning bets, the payout was correctly calculated and recorded in the customer's accounts.

Report of the Independent Auditors, KPMG Audit LLC, to the members of Webis Holdings plc continued

		- We agreed total revenues recorded by the Group to the reports extracted from the third-party service organisation's system. **Expectation vs Outcome** - We re-performed the calculation of the total pay-out for a sample of race tracks based on the rates specified within the signed agreements and compared our expectation to the amount recorded by the Group.
Going concern Refer to note 1.1 (Going concern)	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. The financial statements also refer to the cessation of wagering services to a large syndicate subsequent to the year-end, resulting in a refund of player balances of approximately US$10 million. The going concern assessment is based on the Board's plans to broaden the Group's customer base and the undertaking of financial support received from the Company's principal shareholder, via Galloway Limited, a related party. The risk for our audit was whether or not subjectivities in the going concern assessment were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: **Funding assessment:** - We inspected the available cash balance and compared with the projected expenditure. We also assessed the reasonableness of the projected expenditure by comparing it against the actual expenditures in the current year which have been agreed to invoices and agreements. - We inspected the letter of financial support from the Company's principal shareholder, via Galloway Limited, a related party, confirming their financial support for the 12 months after the signing of the financial statements. We also assessed the ability and intent of that company to provide financial support. **Sensitivity analysis:** We performed stress testing by assessing the effect of a reasonable increase in projected expenditure and a decrease in the projected revenue on the Group's available cash balance. **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing the disclosures in the financial statements against the requirements of relevant guidance.
Cash balances (Group and Parent Company) Consolidated Statement of Financial Position: Cash US$13,392,000 (2017: US$15,072,000)	**High value, non-subjective** The cash balances comprise 71% of the Group's Total Assets (by value) and 97% of the Company's Total Assets (by value). We do not consider	Our procedures included: **Control design:** Documented and assessed the processes in place in reconciling bank to book balances.

Report of the Independent Auditors, KPMG Audit LLC, to the members of Webis Holdings plc continued

Parent Company Statement of Financial Position: Cash US$2,961,000 (2017: US$2,414,000) Refer to note 1.2 (Accounting Policy for Cash and cash equivalents) and note 12 (Note disclosure for Cash and cash equivalents)	these cash balances to be subject to significant level of judgment because they are liquid assets. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	**Tests of detail:** - Agreed the bank balances to the independent bank confirmations. - Inspected the credit rating of the banks to assess their ability to meet its contractual obligations.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at US$220,000, determined with reference to a benchmark of the Group's total revenue, of which it represents 0.4%. We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax.

In the prior year, Group materiality was set at US$2,502,000, determined with reference to a benchmark of total amount wagered, of which it represented 1%. In addition, we applied materiality of US$213,000, determined with reference to a benchmark of total assets of the Group, of which it represented 1%. This was applied to operating costs, cash and cash equivalents, trade and other receivables, bonds and deposits and trade and other payables for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

The benchmark used for materiality was changed as a result of a reassessment of the benchmark which was most relevant to users of the accounts.

Materiality for the parent Company financial statements as a whole was set at US$76,000 (2017: US$62,000), determined with reference to a benchmark of Parent Company's total assets, of which it represents 2.5% (2017: 2.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding US$11,000 (2017: US$125,000 for the financial statement as a whole and US$ 11,000 for operating costs, cash and cash equivalents, trade and other receivables, bonds and deposits and trade and other payables) for Group and US$4,000 (2017: US$3,000) for Parent Company financial statements, in addition to other identified misstatements that warranted reporting on qualitative grounds.

All of the Group's subsidiaries were subjected to full scope audit by the Group audit team and in accordance with the Group's materiality, or a lower level of materiality based on their individual financial statements.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Report of the Independent Auditors, KPMG Audit LLC, to the members of Webis Holdings plc continued

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Acts 1931-2004, we are required to report to you if, in our opinion:

- proper books of account have not been kept by the Parent Company and proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 12, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

27 November 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2018

	Note	**2018 US$000**	2017 US$000
Amounts wagered		**461,154**	371,938
Turnover	2	**54,466**	57,432
Cost of sales		**(48,027)**	(51,589)
Betting duty paid		**(884)**	(497)
Gross profit		**5,555**	5,346
Operating costs		**(5,458)**	(5,295)
Operating profit	3	**97**	51
Other gains - net		**132**	—
Re-organisational costs, impairments and one-off costs		**(86)**	(36)
Finance income	4	—	—
Finance costs	4	**(40)**	(10)
Finance costs - net		**(40)**	(10)
Profit before income tax		**103**	5
Income tax expense	6	—	—
Profit for the year		**103**	5
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences on disposal of foreign subsidiaries		**—**	**—**
Other comprehensive income for the year		—	—
Total comprehensive income for the year		**103**	5
Basic earnings per share for profit attributable to the equity holders of the Company during the year (cents)	7	**0.03**	0.00
Diluted earnings per share for profit attributable to the equity holders of the Company during the year (cents)	7	**0.03**	0.00

The notes on pages 23 to 39 form part of these financial statements.

Webis Holdings plc

Statements of Financial Position

As at 31 May 2018

	Note	**31.05.18 Group US$000**	**31.05.18 Company US$000**	31.05.17 Group US$000	31.05.17 Company US$000
Non-current assets					
Intangible assets	8	**166**	**13**	105	—
Property, equipment and motor vehicles	9	**60**	**19**	109	16
Investments	10	**—**	**8**	—	7
Bonds and deposits	11	**101**	**—**	103	—
Total non-current assets		**327**	**40**	317	23
Current assets					
Bonds and deposits	11	**2,846**	**—**	2,863	—
Trade and other receivables	13	**2,300**	**57**	3,071	35
Cash and cash equivalents	12	**13,392**	**2,961**	15,072	2,414
Total current assets		**18,538**	**3,018**	21,006	2,449
Total assets		**18,865**	**3,058**	21,323	2,472
Equity					
Called up share capital	16	**6,334**	**6,334**	6,334	6,334
Share option reserve	16	**4**	**4**	2	2
Retained losses		**(4,294)**	**(5,282)**	(4,397)	(5,374)
Total equity		**2,044**	**1,056**	1,939	962
Current liabilities					
Trade and other payables	14	**16,321**	**1,502**	18,884	1,010
Total current liabilities		**16,321**	**1,502**	18,884	1,010
Non-current liabilities					
Loans	15	**500**	**500**	500	500
Total non-current liabilities		**500**	**500**	500	500
Total liabilities		**16,821**	**2,002**	19,384	1,510
Total equity and liabilities		**18,865**	**3,058**	21,323	2,472

The financial statements were approved by the Board of directors on 27 November 2018

Denham Eke	**Ed Comins**
Non-executive Chairman	**Managing Director**

The notes on pages 23 to 39 form part of these financial statements.

Statements of Changes in Equity
For the year ended 31 May 2018

Group	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	6,334	—	(4,402)	1,932
Total comprehensive income for the year:				
Profit for the year	—	—	5	5
Transactions with owners:				
Share-based payment expense	—	2	—	2
Balance as at 31 May 2017	6,334	2	(4,397)	1,939
Total comprehensive income for the year:				
Profit for the year	—	—	103	103
Transactions with owners:				
Share-based payment expense (note 16)	—	2	—	2
Balance as at 31 May 2018	**6,334**	**4**	**(4,294)**	**2,044**

Company	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	6,334	—	(5,352)	982
Total comprehensive income for the year:				
Loss for the year	—	—	(22)	(22)
Transactions with owners:				
Share-based payment expense	—	2	—	2
Balance as at 31 May 2017	6,334	2	(5,374)	962
Total comprehensive income for the year:				
Profit for the year	—	—	92	92
Transactions with owners:				
Share-based payment expense (note 16)	—	2	—	2
Balance as at 31 May 2018	**6,334**	**4**	**(5,282)**	**1,056**

The notes on pages 23 to 39 form part of these financial statements.

Webis Holdings plc

Consolidated Statement of Cash Flows

For the year ended 31 May 2018

	Note	**2018 US$000**	2017 US$000
Cash flows from operating activities			
Profit before income tax		**103**	5
Adjustments for:			
- Depreciation of property, equipment and motor vehicles	9	**74**	71
- Amortisation of intangible assets	8	**70**	66
- Finance costs - net		**40**	10
- Share based payment expense		**2**	2
- Other foreign exchange movements		**(691)**	508
Changes in working capital:			
- Decrease / (increase) in receivables		**771**	(400)
- (Decrease) / increase in payables		**(2,563)**	8,823
Cash flows from operations		**(2,194)**	9,085
Finance income		**—**	—
Bonds and deposits placed in the course of operations	11	**19**	(362)
Net cash (used) / generated from operating activities		**(2,175)**	8,723
Cash flows from investing activities			
Purchase of intangible assets	8	**(130)**	(60)
Purchase of property, equipment and motor vehicles	9	**(24)**	(26)
Net cash used in investing activities		**(154)**	(86)
Cash flows from financing activities			
Interest paid		**(40)**	(10)
Loans received	15	**—**	500
Net cash generated (used in) / from financing activities		**(40)**	490
Net (decrease) / increase in cash and cash equivalents		**(2,369)**	9,127
Cash and cash equivalents at beginning of year		**15,072**	6,445
Exchange gains / (losses) on cash and cash equivalents		**689**	(500)
Cash and cash equivalents at end of year		**13,392**	15,072

The notes on pages 23 to 39 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 May 2018

1 Reporting entity (the "Company")
Webis Holdings plc 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 consolidated financial statements as at and for the year ended 31 May 2018 consolidate those of the Company and its subsidiaries (together referred to as the "Group").

1.1 Basis of preparation
(a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as adopted by the European Union.

Adoption of new and revised IFRS
During the current year the Group adopted all the new and revised IFRS that are relevant to its operation and are effective for accounting periods beginning on 1 June 2017. This adoption did not have a material effect on the accounting policies of the Group.

Standards and interpretations in issue not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the year, and have not been applied in preparing these consolidated financial statements:

New/revised International Accounting Standards / International Financial Reporting Standards ("IAS/IFRS")	**Effective date** (accounting periods commencing on or after)
IFRS 15 Revenue from Contracts with Customers	*1 January 2018*
IFRS 9 Financial Instruments	*1 January 2018*
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	*1 January 2018*
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	*1 January 2018*
Transfers of Investment Property (Amendments to IAS 40)	*1 January 2018*
Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)	*1 January 2018*
IFRIC 22 Foreign Currency Transactions and Advance Consideration	*1 January 2018*
IFRS 16 Leases	*1 January 2019*
IFRS 17 Insurance Contracts	*1 January 2021*

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Group's financial statements in the period of initial application, including for IFRS 16 Leases. This specific standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is less than 12 months, or the underlying asset is of an immaterial value.

There has been no material impact on the Group financial statements of new standards/interpretations that have come into effect during the current reporting period.

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.

(b) Basis of measurement
The Group consolidated financial statements are prepared under the historical cost convention except where assets and liabilities are required to be stated at their fair value.

(c) Use of estimates and judgement
The preparation of the Group financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge and experience of current events and expected economic conditions, actual results may differ from these estimates.

Notes to the Financial Statements continued

1.1 Basis of preparation continued

(c) Use of estimates and judgement continued

The Directors believe the models and assumptions used to calculate the fair value of the share-based payments, outlined in note 16, are the most appropriate for the Group.

The Directors consider the only critical judgement areas to be revenue recognition, as disclosed in note 1, income tax, as disclosed in note 6 and the valuation of share options, as disclosed in note 16.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Going concern

As noted within the Chairman's Statement and note 22, post 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 taking into account the profits generated in the last two 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.

Notwithstanding operating cash outflows for the year of US$2,369,000 and the loss of a player syndicate after the year end, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, including through funding from its principal shareholder if necessary, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Galloway Limited not seeking repayment of the amounts currently due by the Group, which at 31 May 2018 amounted to US$500,000, and providing additional financial support during that period if required. Galloway Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other parties for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

1.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the results of the Group. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue until the date that such control ceases. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

1.2 Summary of significant accounting policies continued

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US Dollars, which is also the Group's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'Finance income' or 'Finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other gains/(losses) - net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Revenue Recognition and Turnover

Turnover from the racetrack represents the amounts wagered in respect of bets placed by customers on racing events which occurred during the period. Cost of sales represents pay-out to customers, together with amounts payable to purses, stakeholders and relevant track fees and fund contributions.

Turnover from the ADW operations represents the amounts wagered online on pari-mutuel events offered during the period, less pay-outs to customers and associated cost of sales.

Amounts wagered comprises gross wagers in respect of all individual bets placed on wagering products in the period.

Segmental reporting

Segmental reporting is based on the business areas in accordance with the Group's internal reporting structure. The Group determines and presents segments based on the information that internally is provided to the Board and Managing Director, the Group's chief operating decision maker.

An operating segment is a component of the Group and engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by the Board and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from

Notes to the Financial Statements continued

1.2 Summary of significant accounting policies continued

Current and deferred income tax continued

the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred income tax liability, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference is the liability not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes, assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Intangible assets — goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets — other

(a) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of three years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

(b) Website design and development costs

Costs associated with maintaining websites are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique websites controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the website so that it will be available for use;
- management intends to complete the website and use it;
- there is an ability to use the website;
- it can be demonstrated how the website will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the website are available; and
- the expenditure attributable to the website during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the website include the website employee costs and an appropriate portion of relevant overheads.

Notes to the Financial Statements continued

1.2 Summary of significant accounting policies continued
Intangible assets — other continued
Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Website development costs recognised as assets are amortised over their estimated useful lives, which do not exceed three years.

Property, equipment and motor vehicles
Items of property, equipment and motor vehicles are stated at historical cost less accumulated depreciation (see below) and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Depreciation is calculated using the straight-line method to allocate the cost of property, equipment and motor vehicles over their estimated useful lives of three years.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) – net' in the income statement.

Impairment of assets
Goodwill arising on acquisitions and other assets that have an indefinite useful life and are not subject to amortisation are reviewed at least annually for impairment.

Other intangible assets, property, plant and equipment are reviewed for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. Recoverable amount is the higher of fair value less costs to sell and value in use.

If at the financial position date there is any indication that an impairment loss is recognised in prior periods for an asset other than goodwill that no longer exists, the recoverable amount is reassessed, and the asset is reflected at the recoverable amount.

Share-based payment expense
The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price); and
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time-period).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group is not party to any leases that are classified as finance leases.

Notes to the Financial Statements continued

1.2 Summary of significant accounting policies continued

Equity

Share capital is determined using the nominal value of shares that have been issued.

Equity settled share-based employee remuneration is credited to the share option reserve until related stock options are exercised. On exercise or lapse, amounts recognised in the share option reserve are taken to retained earnings.

Retained earnings include all current and prior period results as determined in the income statement and any other gains or losses recognised in the Statement of Changes in Equity.

Financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Ante-post sports bets are recognised when the Company becomes party to the contractual agreements of the instrument.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual terms of the instrument. Transaction costs are included in the initial measurement of financial instruments, except financial instruments classified as at fair value through profit and loss. The subsequent measurement of financial instruments is dealt with below. The carrying value of all financial instruments is deemed to equate to their fair value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in bank and in hand as well as bank deposits, money held for processors and cash balances held on behalf of players. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Borrowings

Interest-bearing borrowings and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are charged on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Trade and other payables

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

Employee benefits

(a) Pension obligations

The Group does not operate any post-employment schemes, including both defined benefit and defined contribution pension plans.

(b) Short-term employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period in which employees have provided services in the year. All expenses related to employee benefits are recognised in the Statement of Comprehensive Income in operating costs.

(c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 Segmental analysis

		2018 US$000	2017 US$000
Turnover			
Pari-mutuel and Racetrack Operations	North America	**51,496**	55,095
	Asia Pacific	**2,947**	2,249
	British Isles	**23**	46
	Europe	**–**	42
		54,466	57,432
Total comprehensive income			
Pari-mutuel and Racetrack Operations		**118**	34
Group		**(15)**	(29)
		103	5

	2018 US$000	2017 US$000
Net assets		
Pari-mutuel and Racetrack Operations	**995**	877
Group	**1,049**	1,062
	2,044	1,939

In order to present prior year comparative figures in a consistent manner to those for the year ended 31 May 2018, turnover from ADW operations has been adjusted in order to set off pay-outs to customers and associated cost of sales. This presentation is consistent with market practice in other companies operating in the same sector. There is no net impact to gross profit arising from this presentational change. Gross amounts wagered is disclosed in the statement of comprehensive income.

3 Operating profit

Operating profit is stated after charging:	2018 US$000	2017 US$000
Auditors' remuneration — audit	**64**	87
Depreciation of property, equipment and motor vehicles	**74**	71
Amortisation of intangible assets	**70**	66
Exchange (gains) / losses	**(132)**	–
Operating lease rentals — other than plant, equipment and Harness Racetrack	**29**	–
Operating lease rentals — Harness Racetrack	**89**	86
Directors' fees	**69**	66

Notes to the Financial Statements continued

4 Finance costs - net

	2018 US$000	2017 US$000
Bank interest receivable	–	–
Finance income	–	–
Bank interest payable	–	–
Loan interest payable	**(40)**	**(10)**
Finance costs	**(40)**	**(10)**
Finance costs - net	**(40)**	**(10)**

5 Staff numbers and cost

	2018	2017
Average number of employees – Pari-mutuel and Racetrack Operations	**59**	68

The aggregate payroll costs of these persons were as follows:

Pari-mutuel and Racetrack Operations	2018 US$000	2017 US$000
Wages and salaries	**1,866**	1,939
Social security costs	**132**	132
	1,998	2,071

6 Income tax expense

	2018 US$000	2017 US$000
Profit before tax	**103**	5
Tax charge at IOM standard rate (0%)	–	–
Adjusted for:		
Tax credit for US tax losses (at 15%)	**(97)**	(62)
Add back deferred tax losses not recognised	**97**	62
Tax charge for the year	–	–

The maximum deferred tax asset that could be recognised at year end is US$644,000 (2017: US$547,000). The Group has not recognised any asset.

7 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 year.

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.

Notes to the Financial Statements continued

7 Earnings per ordinary share continued

	2018 US$000	2017 US$000
Profit for the year	**103**	5

	No.	No.
Weighted average number of ordinary shares in issue	**393,338,310**	393,338,310
Dilutive element of share options if exercised (note 16)	**14,000,000**	14,000,000
Diluted number of ordinary shares	**407,338,310**	407,338,310
Basic earnings per share	**0.03**	**0.00**
Diluted earnings per share	**0.03**	**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.

8 Intangible assets

	Goodwill	Software & development costs		Total	
	Group US$000	Group US$000	Company US$000	Group US$000	Company US$000
Cost					
Balance at 31 May 2017	177	1,354	50	1,531	50
Additions during the year	–	130	14	130	14
Currency translation differences	–	1	–	1	–
Balance at 31 May 2018	**177**	**1,485**	**64**	**1,662**	**64**
Amortisation and Impairment					
At 31 May 2017	177	1,249	50	1,426	50
Amortisation for the year	–	70	1	70	1
Impairment of goodwill	–	–	–	–	–
At 31 May 2018	**177**	**1,319**	**51**	**1,496**	**51**
Net book value					
At 31 May 2018	**–**	**166**	**13**	**166**	**13**
At 31 May 2017	–	105	–	105	–

The goodwill balance brought forward relates to the historical acquisition of subsidiary businesses. The goodwill balances were fully impaired during the year ended 31 May 2015. The Group tests intangible assets annually for impairment or more frequently if there are indications that the intangible assets may be impaired (see note 1).

Notes to the Financial Statements continued

9 Property, equipment and motor vehicles

Group	Computer Equipment US$000	Fixtures, Fittings & Track Equipment US$000	Motor Vehicles US$000	Total US$000
Cost				
At 31 May 2017	579	580	51	1,210
Additions during the year	24	–	–	24
Currency translation differences	1	–	–	1
At 31 May 2018	**604**	**580**	**51**	**1,235**
Depreciation				
At 31 May 2017	546	525	30	1,101
Charge for the year	21	45	8	74
At 31 May 2018	**567**	**570**	**38**	**1,175**
Net book value				
At 31 May 2018	**37**	**10**	**13**	**60**
At 31 May 2017	33	55	21	109

Company	Computer Equipment US$000	Fixtures & Fittings US$000	Total US$000
Cost			
At 31 May 2017	419	139	558
Additions	10	–	10
At 31 May 2018	**429**	**139**	**568**
Depreciation			
At 31 May 2017	403	139	542
Charge for the year	7	–	7
At 31 May 2018	**410**	**139**	**549**
Net book value			
At 31 May 2018	**19**	**–**	**19**
At 31 May 2017	16	–	16

Notes to the Financial Statements continued

10 Investments

Investments in subsidiaries are held at cost. Details of investments at 31 May 2018 are as follows:

Subsidiaries	**Country of incorporation**	**Activity**	**Holding (%)**
WatchandWager.com Limited	Isle of Man	Operation of interactive wagering totaliser hub	100
WatchandWager.com LLC	United States of America	Operation of interactive wagering totaliser hub and harness racetrack	100
Technical Facilities & Services Limited	Isle of Man	Dormant	100
betinternet.com (IOM) Limited	Isle of Man	Dormant	100
betinternet.com NV	Netherlands Antilles	Dormant (in liquidation)	100
B.E. Global Services Limited	Isle of Man	Dormant	100

11 Bonds and deposits

	Group		Company	
	2018 US$000	2017 US$000	**2018 US$000**	2017 US$000
Bonds and deposits which expire within one year	**2,846**	2,863	**–**	–
Bonds and deposits which expire within one to two years	**–**	2	**–**	–
Bonds and deposits which expire within two to five years	**101**	101	**–**	–
	2,947	2,966	**–**	–

A rent deposit of US$100,000 is held by California Exposition & State Fair and is for a term of 5 years (2017: US$100,000). Cash bonds of US$925,000 has been paid as security deposits in relation to various US State ADW licences (2017: US$925,000). Rent and other security deposits total US$10,123 (2017: US$12,081).

Under the terms of the licencing agreement with the Hong Kong Jockey Club the Company is required to hold a retention amount of US$1,911,461 / HK$15,000,000 (2017: US$1,929,285 / HK$15,000,000).

12 Cash and cash equivalents

	Group		Company	
	2018 US$000	2017 US$000	**2018 US$000**	2017 US$000
Cash and cash equivalents – company and other funds	**11,962**	13,827	**1,531**	1,169
Cash and cash equivalents – protected player funds	**1,430**	1,245	**1,430**	1,245
Total cash and cash equivalents	**13,392**	15,072	**2,961**	2,414

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.

Notes to the Financial Statements continued

13 Trade and other receivables

	Group		Company	
	2018 US$000	2017 US$000	**2018 US$000**	2017 US$000
Trade receivables	**1,635**	2,275	**–**	–
Other receivables and prepayments	**665**	796	**57**	35
	2,300	3,071	**57**	35

14 Trade and other payables

	Group		Company	
	2018 US$000	2017 US$000	**2018 US$000**	2017 US$000
Trade payables	**15,757**	18,439	**14**	11
Amounts due to Group undertakings	**–**	–	**1,451**	962
Taxes and national insurance	**16**	31	**2**	2
Accruals and other payables	**548**	414	**35**	35
	16,321	18,884	**1,502**	1,010

Amounts due to Group undertakings are unsecured, interest free and repayable on demand. Included within trade payables are amounts due to customers of US$15,656,146 (2017: US$18,324,542).

15 Loans

	Group		Company	
	2018 US$000	2017 US$000	**2018 US$000**	2017 US$000
Loan – Galloway Ltd	**500**	500	**500**	500
	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 19). The loan was issued at a market rate with no issue costs and the interest is settled on a quarterly basis. At year end there are two months outstanding interest of $6,476, which is recorded in other payables.

16 Share capital

	No.	**2018 US$000**	2017 US$000
Allotted, issued and fully paid			
At beginning and close of year: ordinary shares of 1p each	393,338,310	**6,334**	6,334
At 31 May: ordinary shares of 1p each	393,338,310	**6,334**	6,334

The authorised share capital of the Company is US$9,619,000 divided into 600,000,000 ordinary shares of £0.01 each (2017: US$9,619,000 divided into 600,000,000 ordinary shares of £0.01 each).

Notes to the Financial Statements continued

16 Share capital continued

Options
Movements in share options during the year ended 31 May 2018 were as follows:

	No.
At 31 May 2017 – 1p ordinary shares	14,000,000
Options granted	–
Options lapsed	–
Options exercised	–
At 31 May 2018 – 1p ordinary shares	14,000,000

During 2016 the Group established an equity-settled share-based option program. The fair value of options granted is recognised as an expense, with a corresponding increase in equity. The fair value is measured at grant date using a Black-Scholes model and is spread over the vesting period. The amount recognised in equity is adjusted to reflect the actual number of share options which are expected to vest. The volatility of the options is calculated at 75%, with a risk-free interest rate of 0.86%.

The options were issued on 3 March 2016 to Ed Comins, Managing Director of the Group. The fair value of each option on the grant date was estimated as being £0.0022. The options are able to be exercised from 3 March 2019 and expire on 2 March 2026. The weighted average exercise price of all options is £0.01.

The charge for share options recorded in profit and loss for the year was US$1,721 (2017: US$1,986), with the corresponding amount reflected in the share option reserve in the Statement of Financial Position and Statement of Changes in Equity.

17 Capital commitments

As at 31 May 2018, the Group had no known capital commitments (2017: US$53,500).

18 Operating lease commitments

At 31 May 2018, the Group was committed to future minimum lease payments of:

	2018 US$000	2017 US$000
Payments due within one year	**108**	88
Payments due between one to five years	**294**	351
Payments due beyond five years	–	–

19 Related party transactions

Identity of related parties
The Group has a related party relationship with its subsidiaries (see note 10), and with its Directors and executive officers and with Burnbrae Ltd (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$52,858 (2017: US$48,179) and Directors' fees of US$48,413 (2017: US$46,748) were charged in the year by Burnbrae Limited, 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 (note 15).

Notes to the Financial Statements continued

19 Related party transactions continued

Transactions with key management personnel
The total amounts for Directors' remuneration were as follows:

	2018 US$000	2017 US$000
Emoluments — salaries, bonuses and taxable benefits	**350**	343
— fees	**69**	66
	419	409

Directors' Emoluments

	Basic salary US$000	Fees US$000	Bonus US$000	Termination payments US$000	Benefits US$000	2018 Total US$000	2017 Total US$000
Executive							
Ed Comins	310	—	—	—	40	**350**	343
Non-executive							
Denham Eke*	—	27	—	—	—	**27**	26
Nigel Caine*	—	22	—	—	—	**22**	21
Sir James Mellon	—	20	—	—	—	**20**	19
Aggregate emoluments	310	69	—	—	40	**419**	409

* Paid to Burnbrae Limited.

14,000,000 share options were issued to Ed Comins (see note 16) during 2016.

20 Financial risk management

Capital structure
The Group's capital structure is as follows:

	2018 US$000	2017 US$000
Cash and cash equivalents	**13,392**	15,072
Loans and similar income	**(500)**	(500)
Net funds	**12,892**	14,572
Shareholders' equity	**(2,044)**	(1,939)
Capital employed	**10,848**	12,633

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables and payables that arise directly from its operations.

The main purpose of these financial instruments is to finance the Group's operations. The existence of the financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The principal risks which the Group is exposed to relate to liquidity risks, credit risks and foreign exchange risks.

Notes to the Financial Statements continued

20 Financial risk management continued

Liquidity risks
Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due.

The Group's objective is to maintain continuity of funding through trading and share issues but to also retain flexibility through the use of short-term loans if required.

Management controls and monitors the Group's cash flow on a regular basis, including forecasting future cash flow. Banking facilities are kept under review to ensure they meet the Group's requirements. Funds equivalent to customer balances are held in designated bank accounts where applicable to ensure that Isle of Man Gambling Supervision Commission player protection principles are met. Other customer balances are covered by cash funds held within the Group and by receivables due from ADW racetrack settlement partners. The Directors anticipate that the business will continue to generate sufficient cash flow in the forthcoming period to meet its immediate financial obligations.

The following are the contractual maturities of financial liabilities:

2018
Financial liabilities

	Carrying amount US$000	Contractual cash flow US$000	6 months or less US$000	Up to 1 year US$000	1–5 years US$000
Trade payables	**15,757**	**(15,757)**	**(15,757)**	**–**	**–**
Income tax and national insurance	**16**	**(16)**	**(16)**	**–**	**–**
Other payables and loans	**756**	**(756)**	**(256)**	**–**	**(500)**
	16,529	**(16,529)**	**(16,029)**	**–**	**(500)**

2017
Financial liabilities

	Carrying amount US$000	Contractual cash flow US$000	6 months or less US$000	Up to 1 year US$000	1–5 years US$000
Trade payables	18,439	(18,439)	(18,439)	–	–
Income tax and national insurance	31	(31)	(31)	–	–
Other payables and loans	665	(665)	(165)	–	(500)
	19,135	(19,135)	(18,635)	–	(500)

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Classes of financial assets — carrying amounts

	2018 US$000	2017 US$000
Cash and cash equivalents	**13,392**	15,072
Bonds and deposits	**2,947**	2,966
Trade and other receivables	**2,133**	2,952
	18,472	20,990

Notes to the Financial Statements continued

20 Financial risk management continued
Credit risk continued

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The maximum exposure to credit risks for receivables in any business segment:

	2018 US$000	2017 US$000
Pari-mutuel	**2,133**	2,950
	2,133	2,950

Of the above receivables, US$1,635,000 (2017: US$2,275,000) relates to amounts owed from racing tracks. These receivables are actively monitored to avoid significant concentration of credit risk and the Directors consider there to be no significant concentration of credit risk.

The Directors consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. No amounts were considered past due at the year-end (2017: US$Nil).

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high-quality external credit ratings.

Interest rate risk
The Group finances its operations mainly through capital with limited levels of borrowings. Cash at bank and in hand earns negligible interest at floating rates, based principally on short-term interbank rates.

Any movement in interest rates would not be considered to have any significant impact on net assets at the balance sheet date.

Foreign currency risks
The Group operates internationally and is subject to transactional foreign currency exposures, primarily with respect to Pounds Sterling, Hong Kong Dollars and Euros.

The Group does not actively manage the exposures but regularly monitors the Group's currency position and exchange rate movements and makes decisions as appropriate.

At the reporting date the Group had the following exposure:

2018	**HKD US$000**	**GBP US$000**	**EUR US$000**	**USD US$000**	**Total US$000**
Current assets	**4,186**	**285**	**11,214**	**2,852**	**18,537**
Current liabilities	**(3,984)**	**(283)**	**(10,027)**	**(2,527)**	**(16,821)**
Short-term exposure	**202**	**2**	**1,187**	**325**	**1,716**

2017	HKD US$000	GBP US$000	EUR US$000	USD US$000	Total US$000
Current assets	8,734	164	7,752	4,356	21,006
Current liabilities	(8,629)	(145)	(6,976)	(3,634)	(19,384)
Short-term exposure	105	19	776	722	1,622

Notes to the Financial Statements continued

20 Financial risk management continued

Foreign currency risks continued

The following table illustrates the sensitivity of the net result for the year and equity with regards to the Group's financial assets and financial liabilities and the US Dollar–Sterling exchange rate, US Dollar–Euro exchange rate and US Dollar–Hong Kong Dollar exchange rate.

A 5% weakening of the US Dollar against the following currencies at 31 May 2018 would have increased/(decreased) equity and profit and loss by the amounts shown below:

2018	**GBP US$000**	**EUR US$000**	**HKD US$000**	**Total US$000**
Current assets	**14**	**561**	**209**	**784**
Current liabilities	**(14)**	**(501)**	**(199)**	**(714)**
Net assets	**–**	**60**	**10**	**70**

2017	GBP US$000	EUR US$000	HKD US$000	Total US$000
Current assets	8	388	436	832
Current liabilities	(7)	(349)	(431)	(787)
Net assets	1	39	5	45

A 5% strengthening of the US Dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

21 Controlling party and ultimate controlling party

The Directors consider the ultimate controlling party to be Burnbrae Limited and its beneficial owner Jim Mellon by virtue of their combined shareholding of 63.10%.

22 Subsequent events

As announced on 19 October 2018, WatchandWager.com LLC has assumed the de facto termination of a contract for the provision of wagering services to a syndicate following a commercial dispute. Consequently, WatchandWager.com LLC refunded all the syndicate's player balances and in the absence of any new deposit funding, under regulation, no further wagers can be accepted from this syndicate. While the termination had no effect on these annual financial statements for the year ended 31 May 2018, the Board anticipates that the loss of gross margin for the next financial year ending 31 May 2019 will be approximately US$0.8 million.

Webis Holdings plc

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Webis Holdings plc (the "Company") will be held at The Claremont Hotel, 18/19 Loch Promenade, Douglas, Isle of Man, on 28 December 2018 at 11 am for the purpose of transacting the following business:

Ordinary Business

1 To receive and adopt the report of the directors and the accounts for the year ended 31 May 2018.

2 To re-elect as a director Ed Comins who retires by rotation and, being eligible, offers himself for re-election in accordance with the Company's Articles of Association.

3. To re-elect as a director Sir James Mellon who retires by rotation and, being eligible, offers himself for re-election in accordance with the Company's Articles of Association.

4 To reappoint KPMG Audit LLC as auditors and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions:

As an Ordinary Resolution

5 That the authority granted by special resolution to the directors of the Company to allot relevant securities up to an amount equal to but not exceeding the authorised but unissued share capital of the Company for the time being which was passed at the Annual General Meeting of the Company held on 9 December 2002 be renewed pursuant to the power provided by Article 6(C) of the Company's Articles of Association, that such renewal of authority be for the exercise of that power generally and unconditionally and in all respects in the same terms as originally granted, and that such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this resolution unless renewed, varied or revoked by the Company in General Meeting.

As a Special Resolution

6 The directors of the Company be and they are hereby empowered pursuant to Article 8 of the Articles of Association of the Company (the "Articles") to allot equity securities (as defined in Article 7(H) of the Articles) pursuant to the authority conferred on the directors to allot relevant securities by Resolution 4 above as if Article 7(A) of the Articles did not apply to such allotment PROVIDED THAT this power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities are issued proportionally (or as nearly as may be) to the respective number of ordinary shares held by such shareholders (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with issues arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the fixing of exchange rates applicable to any such equity securities where such equity securities are to be issued to shareholders in more than one territory, or legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise howsoever);

(ii) the allotment of equity securities to holders of any options under any share option scheme of the Company for the time being in force, on the exercise by them of any such options; and

(iii) the allotment (otherwise than pursuant to paragraphs (i) or (ii) above) of equity securities up to a maximum aggregate nominal value equal to 50% of the issued ordinary share capital of the Company for the time being.

The power hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing of this resolution unless such power shall be renewed in accordance with and subject to the provisions of the said Article 8, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

As Ordinary Resolutions

7 That in accordance with Article 12 of the Company's Articles of Association and with Section 13 of the Companies Act 1992 the Company be generally and unconditionally authorised to make market purchases (as defined by Section 13(2) of the Companies Act 1992) of ordinary shares of 1 pence each in its capital, provided that:

(a) the maximum number of shares that may be acquired is 39,333,831;

(b) the minimum price that may be paid for the shares is 1 pence;

(c) the maximum price that may be paid is, for a share the Company contracts to purchase on any day, a sum equal to 105% of the average of the upper and lower quotations on the Daily Official List of the London Stock Exchange for the ordinary shares of the Company on the five business days immediately preceding that day; and

(d) the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this resolution unless renewed, varied or revoked by the Company in General Meeting, but not so as to prejudice the completion of a purchase contracted before that date.

8 That the Report of the Remuneration Committee be received and adopted.

By order of the Board

Nigel Caine
Company Secretary
27 November 2018
Registered Office: Viking House
Nelson Street, Douglas
Isle of Man, IM1 2AH

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy you may photocopy the proxy form accompanying this notice. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

2. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed - or a notarially certified or office copy of such power or authority - must be lodged at the offices of the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by hand, or sent by post, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).

3. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.

4. In the case of a corporation, the form of proxy must be executed under its common seal or the hand of an officer or attorney duly authorised.

5. A member may appoint a proxy of his or her own choice. If the name of the member's choice is not entered in the space provided on the form of proxy, the return of the form of proxy duly signed will authorise the chairman of the meeting to act as that member's proxy.

6. To abstain from voting on a resolution, select the relevant 'withheld' box. A vote withheld is not a vote in law and will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

7. Pursuant to regulation 22 of the Uncertificated Securities Regulations 2005, the Company has specified that only those members entered on the register of members at close of business on 26 December 2018 shall be entitled to attend and vote at the meeting. Changes to the register after close of business on 26 December 2018 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. Where a corporation is to be represented at the meeting by a personal representative, such corporation must deposit a certified copy of the resolution of its directors or other governing body authorising the appointment of the representative at the Company's registered office: Viking House, Nelson Street, Douglas, Isle of Man, IM1 2AH not later than 48 hours before the time appointed for the holding of the meeting.

Webis Holdings plc

Company Information

Directors
Denham Eke
Non-Executive Chairman
Ed Comins
Managing Director
Nigel Caine
Non-Executive Director
Sir James Mellon
Non-Executive Director

Company Secretary
Nigel Caine

Registered Office
Viking House
Nelson Street
Douglas, Isle of Man
IM1 2AH

Bankers
NedBank Private Wealth Ltd
St Mary's Court
20 Hill Street
Douglas
Isle of Man
IM1 1EU

Auditors
KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas, Isle of Man
IM99 1HN

Nominated Adviser and Broker
Beaumont Cornish Limited
10th Floor
30 Crown Place
London
EC2A 4EB

Legal Advisors
Long & Humphrey
The Old Courthouse
Athol Street
Douglas
Isle of Man
IM1 1LD

UK Registrar
Link Asset Services
The Registry, 34 Beckenham Road
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