Webis Holdings plc

Global Gaming Group

Annual Report and Consolidated Financial Statements for the year ended 31 May 2019

AIM Stock Code: WEB

www.webisholdingsplc.com
AIM Stock Code: WEB

Webis Holdings plc

Contents

Group at a Glance

Webis Holdings plc (the "Company") and its subsidiary companies (together the "Group") operates two primary segments as described below: -

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

It has been a mixed year for our core USA based business, WatchandWager.com LLC ("WatchandWager") over the financial year reported, with a reduction in amounts wagered, and an overall loss returned, but against that a significant strengthening of our licensed USA position in the increasingly expanded world of USA regulated gaming.

Despite the loss reported, the Board is overall satisfied 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, as an Isle of Man owned operation, still occupies a unique advantage in the USA, with our array of USA licenses, banking, settlement and general business operational skills. We also consider our license and lease at the Cal Expo racetrack in Sacramento, California, to be a significant asset in regulated gaming globally, but of course mainly in the USA and California. The Company still stands well positioned in particular in California, and also other States that it is licensed and operates in.

Year End Results Review

The Group amounts wagered for the year ended 31 May 2019 was US$136.4 million (2018: US$461.2 million) – a significant decline due to the loss of a large wagering syndicate as previously reported to shareholders on 19 October 2018 and commented on below. Gross Profit reported was US$4.5 million (2018: US$5.6 million). This led to an overall loss on the year.

Operating costs were US$5.3 million: down 5% on 2019 (2018: US$5.6 million), as we continue to manage costs over the entire operation. We expect these costs to reduce in the current financial year. As a result, our loss from operations was US$930,000.

Shareholder equity stands at US$1.2 million (2018: US$2.0 million). Total cash stands at US$2.6 million (2018: US$13.4 million), which includes ring-fenced funds held as protection against our player liability as required under USA and Isle of Man gambling legislation. An amount of US$875,000 was held during the year as bonds and deposits with regulatory authorities.

Approach to Risk and Corporate Governance

As part of the adoption of the Quoted Companies Alliance Corporate Governance code, the Board completed an assessment of the risks inherent in the business and 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 the Audit, Risk and Compliance Committee will oversee this essential requirement. Further details of the Corporate Governance Statement will be found on pages 9 to 12 of this report.

The Board refined the Group's business plan which incorporated the risk and compliance framework.

Performance by Sector

WatchandWager

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

During the year, we reviewed this sector and whilst our platform is important to the operation, we have refined our marketing investment to more accurately target our core audience, mainly horse players and potential sports players. Whilst the website and mobile product continue to perform well, quite simply the marketing investment required to compete with the large brands in the USA is not commercially feasible. As a result, we have adjusted our strategy in this area, with a reduced marketing spend, and some reductions in data feeds and other products, that after researching our key clients do not rely upon. This streamlining of our costs has actually worked well, and player numbers during the period were up by 16%, whilst costs have reduced. This is commented upon more in post year developments.

That said, we continue to provide the best possible service to our clients in this area. We offer some unique opportunities for clients to bet especially in the very large amount of international content that we are licensed to provide, and also our competitive rewards program that we offer. We also have an excellent array of licenses in USA states we can take bets from, and we consider this critical to our future. We are confident that this service will continue to increase our client base and overall turnover, but under a reduced operational cost. We also know that our database has a value in the expanding world of USA regulated sports betting.

Business-to-Business

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

Chairman's Statement continued

Business-to-Business continued

The amounts wagered for the full year were significantly reduced by the previously reported cessation of wagering from a large syndicate group/agent for almost the entire year reported. Subsequent to that all contractual relations with this group have been terminated by WatchandWager. This impacted turnover into primarily the Hong Kong Jockey Club and the French PMU. This had the anticipated impact previously reported of around US$800,000 in reduced gross margin during the period, which is the principal reason for the losses reported.

However, this does mean that the risk factor of a reliance on one particular group/agent is no longer. In addition, the reduction in business has in no manner impacted our world-wide licenses and content that we have worked hard upon and continue to be in good standing with. In fact, the opposite is the case with many regulators and content providers continuing to be in favour of us possessing a broader range of clients.

Our network of other players continued to grow both in terms of turnover and player sign-ups. By not paying third-party fees, we benefit from a much better margin than those through agents, and we are able to work proactively and directly with them.

That said and as previously notified, 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 and regulators. To that end whilst we will continue to service this sector, it is not our principal focus at this time.

Cal Expo

Cal Expo had a good racing season during the period, running 47 race meets between November 2018 and May 2019. Most importantly, our excellent health and safety record remains and, unlike other Californian tracks, with no equine fatalities relating to racing activities incurred during the meeting. Equine safety, and the safety of all our participants and customers remains of the upmost priority. These were tested during the severe wildfires experienced in Northern California during the period, and as a result we cancelled racing on two occasions to ensure the safety of all participants.

Given these circumstances, it was very encouraging that both horse numbers, and all sources handle, were up on the previous 2017/18 meeting, and this shows an encouraging trend for the new season. We were also assisted by the new International Racing Bill approved in California, which Management heavily lobbied for in Sacramento, and commenced in January 2019. As predicted, this added circa US$100,000 of extra revenue to our operations, and we expect this to continue to improve.

The Board considers our licensed operations at Cal Expo to be one of the key assets of the Group and central to our growth in the USA.

Licenses

The management team have been busy during the period reported and subsequently, renewing our key strategic licenses and we can confirm the recent renewal of our core multi-jurisdictional license for wagering with the North Dakota Racing Commission for 2020. In addition, as previously announced, we have renewed our strategically important license in California for a period of two more years (to be reheard in 2021). At the same time, we have renewed or are in the process of renewing other key licenses in New York, Kentucky, Washington, Colorado and Minnesota. We are very confident all of these licenses will be in place in advance of the start of 2020, as we are in good status with the relevant State regulators. The Board considers these licences and future applications, alongside our physical presence at Cal Expo, to be the principal assets of the Group, and this is commented more in subsequent events below.

Subsequent Events (post period reported)

Trading

Trading has been much improved in the new financial year from June 1st, 2019 to time of writing. We have seen growth in all three divisions we operate, and our strategy of controlling costs, particularly in the areas of data provision, marketing and some staff costs has been and will continue to be effective. As a result, we are much closer to a breakeven situation at EBITDA level which is our initial task, with the ultimate need to return to profitability. A further update will be delivered to shareholders at our 2019/20 Interim announcement which will be delivered in February 2020.

Cal Expo

As previously reported, the Board is currently working with the Board of the state-run Cal Expo Exposition of Fairs on a license renewal up to 2025, with the possibility of extending even further beyond that. This is a very significant move forward as we believe the racetrack can operate in an increasing profitable manner, but even more importantly will continue to give the Group an important licensed presence in what will become by far the largest State for sports betting and other forms of gaming in the USA.

Welfare issues

On a less positive note, many shareholders will be aware of the larger number of equine fatalities at a track in Santa Anita, California. Whilst our operations are not impacted in any way, the Board are very aware of the effect this has and can continue to have on public opinion, particularly through organizations such as PETA (Protection of Ethical Treatment for Animals). That said, we are very pleased with the swift remedial action approved by the California Horseracing Board in particular. As stated above Cal Expo maintains an excellent welfare record, and the protection of our horses and participants is our upmost priority.

Chairman's Statement continued

USA regulated sports betting and other gaming

It is now only eighteen months since the Supreme Court's positive judgement on USA Sports betting in May 2018, and the Board is very encouraged by the significant progress that has been made in many first starter States, especially New Jersey, which is now creating significant revenues, and most importantly meaningful duties and tax back to the State. Also, encouragingly, the two best performing properties in New Jersey are both racetracks – namely Meadowlands and Monmouth Park, confirming our opinion that horseracing players will also bet on sports at far higher levels than casino or slot machine players. When sports betting is legalised in California, we plan to adopt a very similar model to that enjoyed at Meadowlands.

Developments by State

Clearly progress has been fastest on the East Coast, although we do feel we were best to stay out of these markets, where we have few licenses and less traction. That said it has been interesting to note the progress in the currently legalised states, and also the huge interest from the large USA gaming and media companies in the sector, not to mention the European operators, and software companies. This is further commented upon under strategic opportunities.

California

Our physical presence in California and accompanying licenses remains our biggest asset and opportunity, but the situation is complicated given the diverse interests in the State. We are very encouraged by progress in the State Capitol in Sacramento, located less than five miles from Cal Expo racetrack, and where the ultimate decisions will be made. We welcome the draft Dodd/Gray AB10 Bill and are actively participating in efforts to move this forward in the Capitol. Most significant is the current language that will only allow active land-based participants in California to apply for licences, namely Racetracks, Native American Casinos, and possibly Card Clubs. This effectively means the large USA and international gaming operations and software suppliers outside California will literally need to buy themselves into the State at large premiums. Whilst almost impossible to predict the progress of State legislature particularly in California, at present, we reasonably expect Sports betting to be legalized for those with a physical presence in the State by 2021, with a possible go-live date in 2022. We will update shareholders as and when more progress is made.

Other State opportunities

With California being a long-term goal, we are also focusing on other States, and additional opportunities to operate other forms of gaming, both land-based and on-line, with a view to generate short term profitability. At present, opportunities exist in North Dakota, Arizona and a few other key States, plus some international opportunities. We will update shareholders in due course.

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 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.

Strategic opportunities and Outlook

USA regulated gaming is seen as the hottest subject at present in global gaming, and something of a gold rush both in the USA and, indeed, internationally. Non-USA and certain European companies are experiencing severe regulatory issues, as well as margin problems, and appear almost desperate to be a part of the developments in the USA. As a result, it should come as no surprise that WatchandWager continues to be courted by large corporations, and indeed smaller operations with a view to software deals, strategic alliances, mergers or even outright acquisition opportunities. Principally led by our Managing Director, the Board assesses each opportunity on a case-by-case basis. It should be noted in the majority of instances, the Board takes the view that "they need us more than we need them" and we continue to protect our USA licensed presence as a core asset.

We are very aware of the increased consolidation in the industry and the economies of scale of strategic partnerships and will keep shareholders aware of any meaningful strategic developments with the Group, most likely in the USA, but possibly with international partnerships.

I also believe it is important to re-confirm the support of our principal shareholder for our USA operations, strategy and expansion plans. As a Board, we also believe we have the ability to raise further capital to support our operations both short term and indeed for future funding of our USA strategy.

Finally, I would like to thank all our shareholders, customers for their continued loyally, and our staff for their continued hard work.

Denham Eke

Non-executive Chairman

27 November 2019

The Board of Directors

Denham Eke, aged 68
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 50
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 49
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 90
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 2019.

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 (2018: US$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 19 days (2018: 12 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 Director retiring by rotation is Denham Eke who, being eligible, offers himself 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 2019	Interest at start of year 2018	**Interest at end of year 2019**	Interest at start of year 2018
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 15 and 16.

Directors' Report continued

Substantial interests
On 28 July 2019, 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	4.17	16,400,000

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 US$39,807 during the year (2018: US$40,711).

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 2019

Corporate Governance Statement

Corporate Governance Report

The Webis Holdings Board (the "Board") is committed to best practice in corporate governance throughout Webis Holdings plc and all subsidiary companies (together the "Group"). 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.

QCA Principle 1: Establish a strategy and business model which promotes long-term value for shareholders

The strategy and business operations of the Group are set out in the Chairman's Statement on pages 3 to 5.

The Group's strategy and business model and amendments thereto, are developed by the Managing Director and his senior management team and approved by the Board. The management team, led by the Managing Director, is responsible for implementing the strategy and managing the business at an operational level.

The Group's overall strategic objective is to develop a profitable, sustainable advance deposit wagering ("ADW") platform that benefits from a wide and diverse client base, both business and retail. The Group operates through two principal operating subsidiaries: WatchandWager.com Ltd and WatchandWager.com LLC.

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

WatchandWager.com LLC has its operational base in Lexington, Kentucky, with its head office in Larkspur, California, and provides pari-mutuel, or pool-betting, wagering services through a number of distribution channels to a global client base. The company holds United States pari-mutuel licences for its ADW business in the US, issued by North Dakota, California, Maryland and Colorado. 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 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 US continues to provide leverage for our related global pari-mutuel operations.

The Group also plans to develop an attractive US-based sportsbook offering following the recent Supreme Court ruling which paves the way to legalizing wagering on sports in the United States, subject to individual State legislation. Whilst the ruling will not have an immediate impact on revenue levels until individual State legislation is in place, the Group considers this market to be a significant growth area for our US operations. Significantly, California's draft Sports Betting Bill specifies that only land-based racetracks and casinos will be eligible for license applications. In the United States, WatchandWager.com LLC holds ADW licenses not only for California, but also for North Dakota (providing regulated access to a total of 28 states), together with individual State licenses for New York, Kentucky, Colorado, Minnesota and Washington.

The Group operates in an inherently high risk and heavily regulated sector and this is reflected in the principal risks and uncertainties.

In executing the Group's strategy and operational plans, management will typically confront a range of day-to-day challenges associated with these key risks and uncertainties and will seek to deploy the identified mitigation steps to manage these risks as they manifest themselves.

QCA Principle 2: Seek to understand and meet shareholder needs and expectations

The Group via the Managing Director seeks to maintain a regular dialogue with both existing and potential new shareholders in order to communicate the Group's strategy and progress and to understand the needs and expectations of shareholders.

Beyond the Annual General Meeting, the Managing Director and, where appropriate, other members of the senior management team or Board will meet with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

The Group's investor relations activities encompass dialogue with both institutional and private investors. From time to time, the Company attends private investor events, providing an opportunity for those investors to meet with representatives from the Group in a more informal setting.

QCA Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, clients, partners, suppliers, regulatory authorities and horseracing colleagues involved in the Group's track facility at Cal Expo. The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy.

The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.

Corporate Governance Statement continued

QCA Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Group Audit, Risk and Compliance Committee, the effectiveness of these internal controls is reviewed annually.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a monthly basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

The senior management team meets at least monthly to consider new risks and opportunities presented to the Group, making recommendations to the Board and/or Group Audit, Risk and Compliance Committee as appropriate.

QCA Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The Group's Board currently comprises three Non-executive Directors and one Executive Director.

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board is responsible to the shareholders for the proper management of the Group and meets at least four times a year to set the overall direction and strategy of the Group, to review operational and financial performance and to advise on management appointments. All key operational decisions are subject to Board approval.

Sir James Mellon, one of the Non-executive Directors is considered to be independent, although the Board intends to appoint at least one further independent Director at an appropriate time. The other two Non-executive Directors are not considered independent given their connection to the Company's controlling shareholder. The QCA Code suggests that a board should have at least two independent Non-executive Directors. The Board considers that the current composition and structure of the Board of Directors have been appropriate to maintain effective oversight of the Group's activities to date. However, the Board is aware that further oversight through independent Non-executive Directors could be beneficial to the governance environment. This process is under review and is pending the further development of the sportsbook opportunity in the US in order to be able to determine the exact need and requirements.

Non-executive Directors receive their fees in the form of a basic cash emolument. The Executive Director receives a basic cash salary and also holds options over the Group's shares. The number and terms are set out on page 16.

The option grant concerned is not deemed to be significant for the individual Executive Director. The current remuneration structure for the Board's Executive and Non-executive Directors is deemed to be proportionate.

QCA Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board considers that all of the Executive and Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities and bring considerable experience in the operational and financial development of gambling and horseracing companies.

The Directors' biographies are set out on page 6.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group. Whilst there is no Finance Director on the Board, the overview of the finance function is the responsibility of Nigel Caine, aided by a non-Board Financial Controller.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisers on a number of corporate governance matters.

Directors' service contracts or appointment letters make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities, normally via the Company Secretary.

QCA Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Internal evaluation of the Board, the Committees and individual Directors is undertaken on an annual basis in the form of peer appraisal and discussions to determine their effectiveness and performance as well as the Directors' continued independence.

The results and recommendations that come out of the appraisals for the directors shall identify the key corporate and financial targets that are relevant to each Director and their personal targets in terms of career development and training. Progress against previous targets is also assessed where relevant.

Corporate Governance Statement continued

QCA Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. The Executive Management regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group's health and safety policies and procedures are enshrined in the Group's documented quality systems, which encompass all aspects of the Group's day-to-day operations.

QCA Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision- making by the board

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.

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 Board has established a Group Audit, Risk and Compliance Committee ("ARCC"), a Remuneration Committee and a Nominations Committee with formally delegated duties and responsibilities. Sir James Mellon chairs both the ARCC and the Remuneration Committee.

Group Audit, Risk and Compliance Committee

The Group Audit, Risk and Compliance Committee (the "ARCC") meets 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.

Remuneration Committee

The Remuneration Committee meets 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.

Further information can be found within the Remuneration Report contained within this Annual Report.

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.

Corporate Governance Statement continued

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 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.

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	8/8	2/2	2/2	-
Sir James Mellon	8/8	2/2	2/2	-
Ed Comins	8/8	-	-	-
Nigel Caine	8/8	-	-	-

QCA Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. The Group's website is regularly updated, and users can register to be alerted when announcements or details of presentations and events are posted onto the website.

Notices of General Meetings of the Company can be found here: http://www.webisholdingsplc.com/latest-news/.

The results of voting on all resolutions in general meetings are posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.

Approval

This report was approved by the Board of Directors on 27 November 2019 and signed on its behalf by:

Denham Eke
Non-executive Chairman
27 November 2019

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.

2019 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 2019 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;
- 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 principal shareholder. 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; and
- Reviewed changes to impairment model due to adoption of IFRS 9 effective 1 June 2018.

Denham Eke
Non-executive Chairman
27 November 2019

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. Under 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.

Signed on behalf of the Board.

Denham Eke
Non-executive Chairman
27 November 2019

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:

		2019 **US$000**	2018 US$000
Emoluments	— salaries, bonuses and taxable benefits	**348**	350
	— fees	**67**	69
		415	419

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	**2019 Total US$000**	2018 Total US$000
Executive							
Ed Comins	310	—	—	—	38	**348**	350
Non-executive							
Denham Eke*	—	26	—	—	—	**26**	27
Nigel Caine*	—	21	—	—	—	**21**	22
Sir James Mellon	—	20	—	—	—	**20**	20
Aggregate emoluments	310	67	—	—	38	**415**	419

* Paid to Burnbrae Limited.

Details of the options outstanding at 31 May 2019 are as follows:

Name of director	31 May 2018	Granted / (lapsed) in year	**31 May 2019**	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 2019 was 1.55p. The range during the year was 4.85p to 1.30p.

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

Denham Eke
Non-executive Chairman
27 November 2019

Independent Auditor's Report, 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 2019 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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- 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 as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion

2 Material uncertainty related to going concern

Going concern	**Disclosure quality**	Our procedures included:
We draw attention to note 1.1 to the financial statements which describes that the Group incurred a net loss of US$930,000 for the year (2018: profit of US$103,000). Based on forecasts prepared by the Directors, the Group will sustain losses to November 2020 and is dependent on continued financial support from Galloway Limited in order to continue its operations and implement the strategies outlined in note 1.1. The Group's and Parent Company's ability to continue as a going concern is dependent on Galloway Limited, a related party, not seeking repayment of the amounts payable to it which at the reporting date amounted to US$850,000 and providing additional financial support if required. However, there is no certainty that such support will continue. These events and conditions, along with the other matters explained in note 1.1, constitute a material uncertainty that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	The financial statements explain how the Directors formed their judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. 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. The material uncertainty was identified and disclosed in the financial statements.	**Funding assessment:** - We compared the available cash balance 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. **Key dependency assessment:** - We inspected the letter of financial support from a related party, Galloway Limited, confirming that it does not intend to call the loan payable for 12 months after the signing of these financial statements and will provide additional financial support if required in order to ensure the continuation of the Group's existing operations. - Further, we have enquired of Management in respect of the ability of Galloway Limited 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 net assets. **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.

Independent Auditor’s Report, to the members of Webis Holdings plc continued

3 Other 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, we do not provide a separate opinion on these matters. Going concern is a significant key audit matter and is described in section 2 of our report. In arriving at our audit opinion above, the other key audit matters, in decreasing order of audit significance, were as follows (the only change from 2018 being the change in the key audit matter over going concern to an emphasis of a material uncertainty related to going concern):

Key audit matter	The risk	Our response
Revenue recognition Consolidated Statement of Comprehensive Income: Turnover US$47,259,000 (2018: US$54,466,000) 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 upon whose system infrastructure and applications are relied on by the Group, and in 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:** - 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 racetracks based on the rates specified within the signed agreements and compared our expectation to the amount recorded by the Group.

Independent Auditor's Report, to the members of Webis Holdings plc continued

Key audit matter	The risk	Our response
Cash balances (Group and Parent Company) Consolidated Statement of Financial Position: Cash US$2,594,000 (2018: US$13,392,000) Parent Company Statement of Financial Position: Cash US$1,416,000 (2018: US$2,961,000) Refer to note 1.2 (Accounting Policy for Cash and cash equivalents) and note 12 (Note disclosure for Cash and cash equivalents)	**High value, non-subjective** The cash balances comprise 53% of the Group's Total Assets (by value) and 76% of the Company's Total Assets (by value). We do not consider 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.	Our procedures included: **Control design:** - Documented and assessed the processes in place in reconciling bank balances. **Tests of detail:** - Agreed the bank balances to the independently obtained bank confirmations. - Inspected the credit rating of the banks to assess their ability to meet contractual obligations.

4 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$40,000, determined with reference to a benchmark of the Group's net gaming revenue, of which it represents 0.9%. We consider net gaming 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$220,000, determined with reference to a benchmark of gross gaming revenue, of which it represented 0.4%.

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

Materiality for the Parent Company financial statements as a whole was set at US$18,000 (2018: US$76,000), determined with reference to a benchmark of Parent Company's total assets, of which it represents 1% (2018: 2.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding US$2,000 (2018: US$11,000) for the Group financial statements and US$900 (2018: US$4,000) for the 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.

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, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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.

Independent Auditor's Report, 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 Act 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 14, 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 2019

Consolidated Statement of Comprehensive Income
For the year ended 31 May 2019

	Note	**2019 US$000**	2018 US$000
Amounts wagered		**136,353**	461,154
Turnover	2	**47,259**	54,466
Cost of sales		**(42,625)**	(48,027)
Betting duty paid		**(146)**	(884)
Gross profit		**4,488**	5,555
Operating costs		**(5,277)**	(5,562)
Impairment loss on trade receivables	20	**(67)**	—
Re-organisational and other costs		**(54)**	(86)
Other (losses)/gains		**(166)**	132
Other income		**187**	104
Operating (loss)/profit	3	**(889)**	143
Finance costs	4	**(41)**	(40)
(Loss)/profit before income tax		**(930)**	103
Income tax expense	6	—	—
(Loss)/profit for the year		**(930)**	103
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		**(930)**	103
Basic earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (cents)	7	**(0.24)**	0.03
Diluted earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (cents)	7	**(0.23)**	0.03

The notes on pages 25 to 46 form part of these financial statements.

Statements of Financial Position

As at 31 May 2019

	Note	**31.05.19 Group US$000**	**31.05.19 Company US$000**	31.05.18 Group US$000	31.05.18 Company US$000
Non-current assets					
Intangible assets	8	**104**	**7**	166	13
Property, equipment and motor vehicles	9	**26**	**10**	60	19
Investments	10	**—**	**3**	—	8
Bonds and deposits	11	**101**	**—**	101	—
Total non-current assets		**231**	**20**	327	40
Current assets					
Bonds and deposits	11	**882**	**—**	2,846	—
Trade and other receivables	13	**1,191**	**427**	2,300	57
Cash and cash equivalents	12	**2,594**	**1,416**	13,392	2,961
Total current assets		**4,667**	**1,843**	18,538	3,018
Total assets		**4,898**	**1,863**	18,865	3,058
Equity					
Called up share capital	16	**6,334**	**6,334**	6,334	6,334
Share option reserve	16	**42**	**42**	4	4
Retained losses		**(5,224)**	**(5,412)**	(4,294)	(5,282)
Total equity		**1,152**	**964**	2,044	1,056
Current liabilities					
Trade and other payables	14	**2,896**	**49**	16,321	1,502
Total current liabilities		**2,896**	**49**	16,321	1,502
Non-current liabilities					
Loans	15	**850**	**850**	500	500
Total non-current liabilities		**850**	**850**	500	500
Total liabilities		**3,746**	**899**	16,821	2,002
Total equity and liabilities		**4,898**	**1,863**	18,865	3,058

The notes on pages 25 to 46 form part of these financial statements

The financial statements were approved by the Board of Directors on 27 November 2019

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

Statements of Changes in Equity

For the year ended 31 May 2019

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 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	—	2	—	2
Balance as at 31 May 2018	6,334	4	(4,294)	2,044
Total comprehensive income for the year:				
Loss for the year	—	—	(930)	(930)
Transactions with owners:				
Share-based payment expense (note 16)	—	38	—	38
Balance as at 31 May 2019	**6,334**	**42**	**(5,224)**	**1,152**

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 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	—	2	—	2
Balance as at 31 May 2018	6,334	4	(5,282)	1,056
Total comprehensive income for the year:				
Loss for the year	—	—	(130)	(130)
Transactions with owners:				
Share-based payment expense (note 16)	—	38	—	38
Balance as at 31 May 2019	**6,334**	**42**	**(5,412)**	**964**

The notes on pages 25 to 46 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 May 2019

	Note	2019 US$000	2018 US$000
Cash flows from operating activities			
(Loss) / profit before income tax		**(930)**	103
Adjustments for:			
- Depreciation of property, equipment and motor vehicles	9	**34**	74
- Amortisation of intangible assets	8	**80**	70
- Finance costs	4	**41**	40
- Share based payment expense	16	**38**	2
- Other foreign exchange movements		**363**	(691)
Changes in working capital:			
- Decrease in receivables		**1,109**	771
- Decrease in payables		**(13,425)**	(2,563)
Cash flows from operations		**(12,690)**	(2,194)
Bonds and deposits placed in the course of operations	11	**1,964**	19
Net cash used in operating activities		**(10,726)**	(2,175)
Cash flows from investing activities			
Purchase of intangible assets	8	**(18)**	(130)
Purchase of property, equipment and motor vehicles	9	**—**	(24)
Net cash used in investing activities		**(18)**	(154)
Cash flows from financing activities			
Interest paid	4	**(41)**	(40)
Loans received	15	**350**	—
Net cash generated from / (used in) financing activities		**309**	(40)
Net decrease in cash and cash equivalents		**(10,435)**	(2,369)
Cash and cash equivalents at beginning of year		**13,392**	15,072
Exchange (losses) / gains on cash and cash equivalents		**(363)**	689
Cash and cash equivalents at end of year		**2,594**	13,392

The notes on pages 25 to 46 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 May 2019

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 2019 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.

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.

The Directors consider the only critical judgement area to be the valuation of share options. 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Going concern

The Group and Parent Company financial statements have been prepared on a going concern basis.

The Group incurred a net loss of US$930,000 for the year (2018: profit of US$103,000) and as at 31 May 2019. Based on forecasts prepared by the Directors, the Group will sustain losses to November 2020 and is dependent on continued financial support from Galloway Limited in order to continue its operations and implement the strategies outlined below. The reported turnover declined by US$7,207,000 during the year following a decrease in wagering activities and the cessation of wagering services to a large syndicate, with an anticipated annual impact of approximately US$800,000 in reduced gross margin. The Directors recognise that there is a risk involved in the sustainability of the business operations and have identified that these circumstances in combination represent a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern, without shareholder support.

The Directors are pursuing strategies that include:

- broadening the Group's client base and expanding its business to customer base
- continuing to renew and acquire further US state regulated gaming licenses and continuing to develop and expand the Cal Expo racetrack operation including the extension of the lease to a longer lease term
- taking advantage of the anticipated regulatory change in the State of California's adoption of sports betting legislation which will further open up opportunities for the Group
- reducing operational costs as a key priority 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 as they require additional cash, including bonds to be placed with the relevant authorities. 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 Group is projected to have sufficient funds through funding from its related entity, to meet its liabilities as they fall due for that period.

Notes to the Financial Statements continued

1.1 Basis of preparation continued

Going concern continued

Those forecasts are also dependent on Galloway Limited not seeking repayment of the amounts currently due by the Group, which at 31 May 2019 amounted to US$850,000, and providing additional financial support if required in order to ensure the continuation of the Group's existing operations. 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.

The willingness of Galloway Limited to continue to provide this support is reliant on the strategies highlighted above which are subject to uncertainty.

Based on these indications, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.2 Changes in significant accounting policies

During the current year the Group adopted all the new and revised IFRSs that are relevant to its operation and are effective for accounting periods beginning on 1 June 2019. This adoption did not have a material effect on the accounting policies of the Group. The changes to the significant accounting policies are described below:

IFRS 9 Transition

Classification and measurement on adoption

The Group adopted *IFRS 9 Financial Instruments* for the first time on 1 June 2018. For the Group, there is no financial impact on adopting IFRS 9 for changes in the measurement basis for financial assets and liabilities and consequently no adjustment to opening retained earnings at 1 June 2018. There has however been a change to classification terminology, outlined below for the company's main financial instruments:

Financial instrument	New Classification under IFRS 9	Original Classification under IAS 39	Measurement model
Cash and cash equivalents	Amortised cost	Loans and receivables	Amortised cost
Trade receivables	Amortised cost	Loans and receivables	Amortised cost
Loans and advances	Amortised cost	Loans and receivables	Amortised cost
Bonds and Deposits	Amortised cost	Loans and receivables/ Loans and receivables	Amortised cost
Equity instruments	FV on day 1, no remeasurements	FV on day 1, no remeasurements	FVTPL

Impairment on adoption

The Group has determined that the impact of adopting IFRS 9's ECL model is an immaterial transitional impact on the Group's opening retained earnings at 1 June 2018. The accounting policies set out above have been applied consistently to all periods presented in these financial statements in accordance with IFRS.

Impairment of financial assets

IFRS 9 introduces an expected loss accounting model for credit losses that differs significantly from the incurred loss model under IAS 39 and results in earlier recognition of credit losses. The new impairment model applies to financial assets measured at amortised cost and contract assets. Financial assets at amortised cost include trade receivables, cash and cash equivalents, bonds and deposits.

Notes to the Financial Statements continued

1.2 Changes in significant accounting policies continued

IFRS 9 Transition continued

Impairment of financial assets continued

Performing financial assets

Stage 1

From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ('12-month ECL').

Stage 2

Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ('Lifetime ECL'). The assessment of whether there has been a significant increase in credit risk requires considerable judgment, based on the lifetime probability of default ('PD'). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets

Stage 3

When a financial asset is considered to be credit-impaired, the allowance for credit losses ('ACL') continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the new impairment model

The Group applies IFRS 9's new ECL model to two main types of financial assets that are measured at amortised cost:

Trade receivables, to which the simplified approach (provision matrix) prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one.

Other financial assets at amortised cost, to which the general three stage model (described above) is applied, whereby a 12-month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

CLs are a probability-weighted estimate of credit losses. ECLs for financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the company expects to receive). ECLs for financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset which is 0% for all financial assets at amortised cost. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Group has revised its impairment methodology for estimating the ECLs, taking into account forward-looking information in determining the appropriate level of allowance. In addition, it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

As a result of the adoption of IFRS 9, the Group has adopted the consequential amendments to IAS 1 Presentation of Financial Statements, which requires impairment of financial assets to be presented in a separate line item in the Statement of Comprehensive Income. Previously, the Group's approach was to include impairment of trade receivables in operating costs. There were no impairment losses recorded that required reclassification in the Statement of Comprehensive Income for the year ended 31 May 2018.

IFRS 15 Transition – Revenue from contracts with customers

The Group generates revenue primarily from the provision of wagering services and the hosting of races on which guests are entitled to participate in the related wagering services. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it discharges services to a customer. Revenue has been disaggregated by geographical locations which are consistent with the operating segments (note 2).

Hosting fees are recognised when the customers participate in the Group's pari-mutuel pools and the race audio visual signals are transmitted.

Notes to the Financial Statements continued

1.2 Changes in significant accounting policies continued

IFRS 15 Transition – Revenue from contracts with customers continued

Wagering revenue from the Group's activities as the race host is recognised when a race on which wagers are placed is completed. The wagering commission from the Group's commingling of its wagering pools with a host's pool is recognised when the race on which those wagers are placed is completed. The Group acts as a principal when it allows customers to place wagers in the races it hosts and as an agent when it allows customers to place wagers in other entities' races.

Transactions fees are recognised when the Group facilitates customers' deposit transactions into their betting accounts.

There were no restatements in the retained earnings on adoption of IFRS 15 as the resultant amounts, timing and pattern of recognition of revenue did not change.

1.3 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.

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 (losses)/gains'.

(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.

Notes to the Financial Statements continued

1.3 Summary of significant accounting policies continued

Segmental reporting

Segmental reporting is based on the business areas in accordance with the Group's internal reporting structure, which allows the individual operating segments to be identified by the disparate nature of the principal activity they undertake. 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.

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 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.

Notes to the Financial Statements continued

1.3 Summary of significant accounting policies continued

Intangible assets — goodwill continued

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.

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.

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

Notes to the Financial Statements continued

1.3 Summary of significant accounting policies continued

Share-based payment expense continued

- 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.

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, bonds and deposits, 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.

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.

Bonds and deposits

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

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.

Notes to the Financial Statements continued

1.3 Summary of significant accounting policies continued

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 accrual's 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.

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 16 Leases	*1 January 2019*
Amendments	
Amendments to reference to Conceptual Framework in IFRS Standards	*1 January 2020*
Annual improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	*Not yet endorsed*
Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (issued on 12 October 2017)	*Not yet endorsed*

IFRS 16 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.

The Group's assessment of the potential impact resulting from the implementation of IFRS 16 is currently in progress. The actual impact of adopting the standard on 1 June 2019 will be known when the Group presents its first financial statements after the date of initial application.

Notes to the Financial Statements continued

2 Operating Segments

A. Basis for segmentation
The Group has the below two operating segments, which are its reportable segments. The segments offer different services in relation to various forms of pari-mutuel racing, which are managed separately due to the nature of their activities.

Reportable segments and operations provided
Racetrack operations – hosting of races through the management and operation of a racetrack facility, enabling patrons to attend and wager on horse racing, as well as utilise simulcast facilities.
ADW operations – provision of online ADW services to enable customers to wager into global racetrack betting pools.

The Group's Board of Directors review the internal management reports of the operating segment on a monthly basis.

B. Information about reportable segments
Information relating to the reportable segments is set out below. Segment revenue along with segment profit / (loss) before tax are used to measure performance as management considers this information to be a relevant indicator for evaluating the performance of the segments.

	Reportable segments			
	Racetrack 2019 US$000	**ADW 2019 US$000**	**All other segments 2019 US$000**	**Total 2019 US$000**
External revenues	**44,753**	**2,506**	**–**	**47,259**
Segment revenue	**44,753**	**2,506**	**–**	**47,259**
Segment loss before tax	**(97)**	**(708)**	**(125)**	**(930)**
Interest expense	**–**	**–**	**(41)**	**(41)**
Depreciation and amortisation	**(8)**	**(106)**	**–**	**(114)**
Other material non-cash items:				
- Impairment losses on trade receivables	**–**	**(67)**	**–**	**(67)**
Segment assets	**423**	**2,612**	**1,863**	**4,898**
Segment liabilities	**181**	**2,666**	**899**	**3,746**

	Reportable segments			
	Racetrack 2018 US$000	ADW 2018 US$000	All other segments 2018 US$000	Total 2018 US$000
External revenues	50,173	4,293	–	54,466
Segment revenue	50,173	4,293	–	54,466
Segment (loss)/profit before tax	(359)	477	(15)	103
Interest expense	–	–	(40)	(40)
Depreciation and amortisation	(41)	(103)	–	(144)
Segment assets	327	15,480	3,058	18,865
Segment liabilities	191	14,628	2,002	16,821

Notes to the Financial Statements continued

2 Operating Segments continued

C. Reconciliations of information on reportable segments to the amounts reported in the financial statements

	2019 US$000	2018 US$000
i. Revenues		
Total revenue for reportable segments	**47,259**	54,466
Consolidated revenue	**47,259**	54,466
ii. (Loss) / profit before tax		
Total (loss) / profit before tax for reportable segments	**(805)**	118
Loss before tax for other segments	**(125)**	(15)
Consolidated (loss) / profit before tax	**(930)**	103
iii. Assets		
Total assets for reportable segments	**3,035**	15,807
Assets for other segments	**1,863**	3,058
Consolidated total assets	**4,898**	18,865
iv. Liabilities		
Total liabilities for reportable segments	**2,847**	14,819
Liabilities for other segments	**899**	2,002
Consolidated total liabilities	**3,746**	16,821
v. Other material items		
Interest expense	**(41)**	(40)
Depreciation and amortisation	**(114)**	(144)
Impairment losses on trade receivables	**(67)**	–

D. Geographic information

The below table analyses the geographic location of the customer base of the operating segments.

		2019 US$000	2018 US$000
Turnover			
Racetrack operations	North America	**44,753**	50,173
ADW operations	North America	**1,541**	1,323
	British Isles	**692**	23
	Asia Pacific	**273**	2,947
		47,259	54,466

Notes to the Financial Statements continued

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:	**2019 US$000**	2018 US$000
Auditors' remuneration — audit	**81**	64
Depreciation of property, equipment and motor vehicles	**34**	74
Amortisation of intangible assets	**80**	70
Exchange losses / (gains)	**166**	(132)
Operating lease rentals — other than plant, equipment and Harness Racetrack	**30**	29
Operating lease rentals — Harness Racetrack	**74**	89
Directors' fees	**67**	69

4 Finance costs

	2019 US$000	2018 US$000
Loan interest payable	**(41)**	(40)
Finance costs	**(41)**	(40)

5 Staff numbers and cost

	2019	2018
Average number of employees – Pari-mutuel and Racetrack Operations	**55**	59

The aggregate payroll costs of these persons were as follows:

Pari-mutuel and Racetrack Operations	**2019 US$000**	2018 US$000
Wages and salaries	**1,711**	1,866
Social security costs	**121**	132
	1,832	1,998

6 Income tax expense

(a) Current and Deferred Tax Expenses

The current and deferred tax expenses for the year were US$Nil (2018: US$Nil). Despite having made losses, no deferred tax was recognised as there is no reasonable expectation that the Group will recover the resultant deferred tax assets.

Notes to the Financial Statements continued

6 Income tax expense continued

(b) Tax Rate Reconciliation

	2019 US$000	2018 US$000
(Loss)/profit before tax	**(930)**	103
Tax charge at IOM standard rate (0%)	**–**	–
Adjusted for:		
Tax credit for US tax losses (at 15%)	**(166)**	(97)
Add back deferred tax losses not recognised	**166**	97
Tax charge for the year	–	–

The maximum deferred tax asset that could be recognised at year end is approximately US$810,000 (2018: US$644,000). The Group has not recognised any asset as it is not reasonably known when the Group will recover such deferred tax assets.

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 in the current period has not been reflected in the calculation of the diluted loss per share, as the effect would have been anti-dilutive.

	2019 US$000	2018 US$000
(Loss)/profit for the year	**(930)**	103
	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 (cents)	**(0.24)**	**0.03**
Diluted earnings per share (cents)	**(0.23)**	**0.03**

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

Notes to the Financial Statements continued

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 1 June 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
Balance at 1 June 2018	177	1,485	64	1,662	64
Additions during the year	–	18	–	18	–
Balance at 31 May 2019	**177**	**1,503**	**64**	**1,680**	**64**
Amortisation and Impairment					
Balance at 1 June 2017	177	1,249	50	1,426	50
Amortisation for the year	–	70	1	70	1
Balance at 31 May 2018	177	1,319	51	1,496	51
Balance at 1 June 2018	177	1,319	51	1,496	51
Amortisation for the year	–	80	6	80	6
Balance at 31 May 2019	**177**	**1,399**	**57**	**1,576**	**57**
Carrying amounts					
At 1 June 2017	–	105	–	105	–
At 31 May 2018	**–**	166	13	166	13
At 31 May 2019	**–**	**104**	**7**	**104**	**7**

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				
Balance at 1 June 2017	579	580	51	1,210
Additions during the year	24	–	–	24
Currency translation differences	1	–	–	1
Balance at 31 May 2018	604	580	51	1,235
Balance at 1 June 2018	604	580	51	1,235
Balance at 31 May 2019	**604**	**580**	**51**	**1,235**
Depreciation				
Balance at 1 June 2017	546	525	30	1,101
Charge for the year	21	45	8	74
Balance at 31 May 2018	567	570	38	1,175
Balance at 1 June 2018	567	570	38	1,175
Charge for the year	19	7	8	34
Balance at 31 May 2019	**586**	**577**	**46**	**1,209**
Carrying amounts				
At 1 June 2017	33	55	21	109
At 31 May 2018	37	10	13	60
At 31 May 2019	**18**	**3**	**5**	**26**

Company	Computer Equipment US$000	Fixtures & Fittings US$000	Total US$000
Cost			
Balance at 1 June 2017	419	139	558
Additions	10	–	10
Balance at 31 May 2018	429	139	568
Balance at 1 June 2018	429	139	568
Balance at 31 May 2019	**429**	**139**	**568**

Notes to the Financial Statements continued

9 Property, equipment and motor vehicles continued

Company	Computer Equipment US$000	Fixtures & Fittings US$000	Total US$000
Depreciation			
Balance at 1 June 2017	403	139	542
Charge for the year	7	–	7
Balance at 31 May 2018	410	139	549
Balance at 1 June 2018	410	139	549
Charge for the year	9	–	9
Balance at 31 May 2019	**419**	**139**	**558**
Carrying amounts			
At 1 June 2017	16	–	16
At 31 May 2018	19	–	19
At 31 May 2019	**10**	**–**	**10**

10 Investments

Investments in subsidiaries are held at cost. Details of investments at 31 May 2019 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
B.E. Global Services Limited	Isle of Man	Dormant	100

11 Bonds and deposits

	Group		Company	
	2019 US$000	2018 US$000	**2019 US$000**	2018 US$000
Bonds and deposits which expire within one year	**882**	2,846	**–**	–
Bonds and deposits which expire within one to two years	**–**	–	**–**	–
Bonds and deposits which expire within two to five years	**101**	101	**–**	–
	983	2,947	**–**	–

11 Bonds and deposits continued

Cash bonds of US$875,000 have been paid as security deposits in relation to various US State ADW licences (2018: US$925,000). These cash bonds are held in trust accounts used exclusively for cash collateral, with financial institutions which have been screened for their financial strength and capitalization ratio. The financial institutions have a credit rating of A-Excellent from AM Best credit rating agency. Therefore, these bonds are considered to be fully recoverable. A rent deposit of US$100,000 is held by California Exposition & State Fair and is for a term of 5 years (2018: US$100,000). This is held by an entity of the Californian state government and is therefore considered fully recoverable. Rent and other security deposits total US$8,227 (2018: US$10,123). These deposits are repayable upon completion of the relevant lease term, under the terms of legally binding agreements.

Under the terms of the licencing agreement with the Hong Kong Jockey Club the Company is no longer required to hold a retention amount (2018: US$1,911,461 / HK$15,000,000).

12 Cash and cash equivalents

	Group		Company	
	2019 US$000	2018 US$000	**2019 US$000**	2018 US$000
Cash and cash equivalents – company and other funds	**1,363**	11,962	**185**	1,531
Cash and cash equivalents – protected player funds	**1,231**	1,430	**1,231**	1,430
Total cash and cash equivalents	**2,594**	13,392	**1,416**	2,961

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.

13 Trade and other receivables

	Group		Company	
	2019 US$000	2018 US$000	**2019 US$000**	2018 US$000
Trade receivables	**770**	1,635	**–**	–
Amounts due from Group undertakings	**–**	–	**393**	–
Other receivables and prepayments	**421**	665	**34**	57
	1,191	2,300	**427**	57

Included within trade receivables are impairment losses of US$67,000 (see note 20), (2018: US$Nil).
Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

14 Trade and other payables

	Group		Company	
	2019 US$000	2018 US$000	**2019 US$000**	2018 US$000
Trade payables	**2,619**	15,757	**12**	14
Amounts due to Group undertakings	**–**	–	**–**	1,451
Taxes and national insurance	**17**	16	**2**	2
Accruals and other payables	**260**	548	**35**	35
	2,896	16,321	**49**	1,502

Amounts due to Group undertakings are unsecured, interest free and repayable on demand. Included within trade payables are amounts due to customers of US$2,194,293 (2018: US$15,656,146).

Notes to the Financial Statements continued

15 Loans

	Group		Company	
	2019 US$000	2018 US$000	**2019 US$000**	2018 US$000
Loan – Galloway Ltd	**850**	500	**850**	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 fixed 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 month's outstanding interest of US$6,476 (2018: US$6,476), which is recorded in other payables.

A further loan of US$350,000 was received from Galloway Ltd in May 2019, to provide additional financing for cash-backed bonding agreements. The loan is for a term of five years, attracts fixed interest at 7.00% 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 is one month's outstanding interest of US$2,081 (2018: US$Nil), which is recorded in other payables.

16 Share capital

	No.	**2019 US$000**	2018 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 (2018: US$9,619,000 divided into 600,000,000 ordinary shares of £0.01 each).

Options
Movements in share options during the year ended 31 May 2019 were as follows:

	No.
At 31 May 2018 – 1p ordinary shares	14,000,000
Options granted	–
Options lapsed	–
Options exercised	–
At 31 May 2019 – 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. By taking into consideration the volatility of the shares over the 3 years prior to granting, 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 share options vested on 3 March 2019 after Ed Comins had remained in the employment of the Group for 3 years from when the options were granted. 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$37,989 (2018: US$1,721), with the corresponding amount reflected in the share option reserve in the Statement of Financial Position and Statement of Changes in Equity. Since the grant date, the total charge in relation to the share options was US$42,126.

Notes to the Financial Statements continued

17 Capital commitments

As at 31 May 2019, the Group had no known capital commitments (2018: US$Nil).

18 Operating lease commitments

At 31 May 2019, the Group was committed to future minimum lease payments of:

	2019 US$000	2018 US$000
Payments due within one year	**108**	108
Payments due between one to five years	**186**	294
Payments due beyond five years	–	–

The Group has recognised in the income statement operating lease payments of US$104,000 (2018: US$118,000).

The Group leases office and racetrack facilities. The office facilities lease expires in May 2021, with an option to renew prior to the expiry date, for a period yet to be determined, customarily with the lease rate increasing 2% annually. The racetrack facilities lease expires in May 2022, with an option to renew before the expiry date, for a period and rate to be determined at renewal.

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$45,484 (2018: US$52,858) and Directors' fees of US$46,898 (2018: US$48,413) 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$850,000 (2018: US$500,000) from Galloway Ltd, a company related to Burnbrae Limited by common ownership and Directors (note 15).

Transactions with key management personnel

The total amounts for Directors' remuneration were as follows:

	2019 US$000	2018 US$000
Emoluments — salaries, bonuses and taxable benefits	**348**	350
— fees	**67**	69
	415	419

Directors' Emoluments

	Basic salary US$000	Fees US$000	Bonus US$000	Termination payments US$000	Benefits US$000	**2019 Total US$000**	2018 Total US$000
Executive							
Ed Comins	310	—	—	—	38	**348**	350
Non-executive							
Denham Eke*	—	26	—	—	—	**26**	27
Nigel Caine*	—	21	—	—	—	**21**	22
Sir James Mellon	—	20	—	—	—	**20**	20
Aggregate emoluments	310	67	—	—	38	**415**	419

* Paid to Burnbrae Limited.

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

Notes to the Financial Statements continued

20 Financial risk management

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

	2019 US$000	2018 US$000
Cash and cash equivalents	**2,594**	13,392
Loans and similar liabilities	**(850)**	(500)
Net funds	**1,744**	12,892
Shareholders' equity	**(1,152)**	(2,044)
Capital employed	**592**	10,848

The Group's policy is to maintain as strong a capital base as possible, insofar as can be sustained due to the fluctuations in the net results of the Group and the inherent effect this has on the capital structure.

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.

Liquidity risk
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 generate sufficient cash flow in the forthcoming period, to meet its immediate financial obligations.

The following are the contractual maturities of financial liabilities:

2019
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	**(2,619)**	**(2,619)**	**(2,619)**	**–**	**–**
Other payables and loans	**(865)**	**(15)**	**(15)**	**–**	**(850)**
	(3,484)	**(2,634)**	**(2,634)**	**–**	**(850)**

Notes to the Financial Statements continued

20 Financial risk management continued

Liquidity risk continued

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)	–	–
Other payables and loans	(756)	(256)	(256)	–	(500)
	(16,513)	(16,013)	(16,013)	–	(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.

Impairment losses on financial assets recognised in profit or loss were as follows:

	2019 US$000	2018 US$000
Non-credit impaired trade receivables	**5**	—
Credit impaired trade receivables	**62**	—
Total impairment losses	**67**	—

The Group's exposure to credit risk is influenced by the characteristics of the individual racetracks and the settling agents operating on behalf of these tracks. The racetracks themselves are influenced by many factors, including the product they offer, supporting sources of revenue they might generate, such as offering simulcast, slots or sports wagering facilities, current economic conditions, ownership structure and so on, all of which can affect their liquidity.

The Group limits its exposure to credit risk by regular settling and verification of balances due to and from settling agents, with standard terms of one month. While there is on occasion debt that is slower to be settled, historical settlements for the last four years show that of the current trade receivable balance, greater than 99% would be expected to be received.

In addition, more than 80% of the current Group customers have transacted with the Group for four years or more and none of these customers balances have been specifically impaired in that period.

The following table provides information about exposure to credit risk and expected credit losses for trade receivables as at 31 May 2019:

	Weighted Average Loss Rate (%)	**Gross Carrying Amount US$000**	**Loss Allowance US$000**	**Net Carrying Amount US$000**	**Credit Impaired**
Current (not past due)	0.25%	385	(1)	384	No
1-30 days past due	0.50%	294	(1)	293	No
31-60 days past due	1.00%	55	(1)	54	No
61-90 days past due	2.50%	28	(1)	27	No
More than 90 days past due	5.00%	13	(1)	12	No
More than 90 days past due	100.00%	62	(62)	—	Yes
		837	**(67)**	**770**	

The Group uses an allowance matrix to measure the ECLs of trade receivables from racetracks and their settling agents, which comprise a moderate number of balances, ranging from small to large. The Group has reviewed its historical losses over the past four years as well as considering current economic conditions in estimating the loss rates and calculating the corresponding loss allowance.

Notes to the Financial Statements continued

20 Financial risk management continued
Credit risk continued

Classes of financial assets — carrying amounts

	2019 US$000	2018 US$000
Cash and cash equivalents	**2,594**	13,392
Bonds and deposits	**983**	2,947
Trade and other receivables	**1,051**	2,133
	4,628	18,472

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:

	2019 US$000	2018 US$000
Pari-mutuel	**1,051**	2,133
	1,051	2,133

Of the above receivables, US$770,000 (2018: US$1,635,000) 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. The banks have external credit ratings of at least Baa3 from Moody's.

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 as the Group and Parent Company do not have floating rate loans payable.

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:

2019	**USD US$000**	**GBP US$000**	**EUR US$000**	**HKD US$000**	**Total US$000**
Current assets	**3,128**	**289**	**427**	**683**	**4,527**
Current liabilities	**(1,911)**	**(196)**	**(84)**	**(688)**	**(2,879)**
Short-term exposure	**1,217**	**93**	**343**	**(5)**	**1,648**

Notes to the Financial Statements continued

20 Financial risk management continued
Foreign currency risks continued

2018	USD US$000	GBP US$000	EUR US$000	HKD US$000	Total US$000
Current assets	2,744	225	11,214	4,186	18,369
Current liabilities	(2,013)	(281)	(10,027)	(3.984)	(16,305)
Short-term exposure	731	(56)	1,187	202	2,064

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 2019 would have increased/(decreased) equity and profit and loss by the amounts shown below:

2019	**GBP US$000**	**EUR US$000**	**HKD US$000**	**Total US$000**
Current assets	**15**	**21**	**34**	**70**
Current liabilities	**(10)**	**(4)**	**(34)**	**(48)**
Net assets	**5**	**17**	**–**	**22**

2018	GBP US$000	EUR US$000	HKD US$000	Total US$000
Current assets	11	561	209	781
Current liabilities	(14)	(501)	(199)	(714)
Net assets	(3)	60	10	67

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

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 23 December 2019 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 2019.

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

3 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

4 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

5 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

6 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.

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

By order of the Board

Nigel Caine
Company Secretary
27 November 2019
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 21 December 2019 shall be entitled to attend and vote at the meeting. Changes to the register after close of business on 21 December 2019 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
Beckenham
Kent
BR3 4TU

Corporate Website
www.webisholdingsplc.com

Twitter
@WebisHoldings

Webis Holdings plc

Webis Holdings plc
Viking House, Nelson Street
Douglas, Isle of Man
IM1 2AH, British Isles

Email: ir@webisholdingsplc.com
Website: www.webisholdingsplc.com