Webis Holdings plc

Global Gaming Group

Annual Report and Consolidated Financial Statements for the year ended 31 May 2020

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. The business provides wagering opportunities predominantly on horse and greyhound racing and has contracted with a significant number of prestigious racetrack partners within the United States, Hong Kong, France, Canada, United Kingdom, Ireland, and Australia amongst others. It provides wagering facilities to customers through its interactive website, *watchandwager.com*, as well as offering a business-to-business wagering product and a telephone call centre.

WatchandWager.com LLC also operates Cal Expo Harness Racetrack in Sacramento, California, under a licence issued by the California Horse Racing Board. This 'bricks and mortar' presence in the largest State economy in the USA continues to provide leverage for our related global pari-mutuel operations.

As part of the requirements for the Isle of Man licence, client funds for the Isle of Man licensed companies are held in fully protected segregated client accounts within an Isle of Man regulated bank.

Chairman's Statement

Introduction

I am very pleased to report that it has been a much improved performance from our core USA based business, WatchandWager.com LLC ("WatchandWager") over the financial year, with a significant improvement in trading especially in the second half. In addition, I can confirm that this performance has continued into the new financial year. Indeed, we fully expect a return to profitability for the Group for the 2020/21 financial year.

In addition, your Board believes that our standing as a credible proven licensed operator across the USA continues to place us in a unique position. The USA is clearly the land of opportunity in relation to licensed forms of gaming, and increasingly the major operators in our sector are looking to the USA for increased revenue streams. This can only enhance our position for the benefit of shareholders.

With that said, and clearly in these extraordinary times, this positive report comes with a caveat that any external factors, such as Covid-19 affecting our clients ability to wager on our core content, or other external factors outside our control, may have an unforeseen impact. These factors are analyzed in this report.

Year End Results Review

The Group amounts wagered for the year ended 31 May 2020 were US$ 105.3 million (2019: US$ 136.3 million). Gross Profit reported was up at US$ 4.53 million (2019: US$ 4.48 million).

Operating costs were US$ 4.9 million: down 7% on 2019 (2019 US$ 5.3 million), as we continue to manage costs over the entire operation. As a result, our loss from operations was US$ 284,000, again, a significant improvement from last year, and continues our projected curve to return to bottom line profit.

Shareholder equity stands at US$ 0.9 million (2019: US$ 1.2 million). Total cash stands at US$ 4.0 million (2019: US$ 2.6 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$ 0.88 million 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 in 2018, 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 is classified under an "impact" matrix defined as Zero, Low, Medium and High. Appropriate steps are implemented to ensure the prudential control monitoring of risks to the Group and the Audit, Risk and Compliance Committee oversees 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 incorporates the risk and compliance framework.

Performance by Sector

WatchandWager

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

I can report a significant improvement in performance, both during the period reported and in the future outlook. During the period, we saw a 16% increase in handle versus the same period last year. This despite much of our core content being postponed in the early stages of Covid-19 in March, April and May. In addition, we thoroughly reviewed the operation with a view to improving our performance. This review is carried out regularly and ensures that we achieve optimum cost control to maximize our margin. This excellent performance has continued into the new financial year.

This improvement continued in the second half of the year, enhanced by our content continuing to operate, despite the impact of global Covid-19 lockdowns, from March onwards. Lack of attendance on racetracks and some other sports being unable to operate has helped our online operations. The Board wishes to thank our global content partners for continuing operations during these extremely difficult times

Business-to-Business

This sector covers 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.

This sector has performed satisfactorily but is somewhat complex to manage. We are finding that the area is becoming increasingly competitive, as content holders manage their rates and control their channel of distribution. In addition, as stated before, this sector is a relationship business, where person-to-person interaction with content holders, suppliers, and customers is an important factor for success. This has of course been difficult to achieve during the Covid-19 pandemic due to travel restrictions.

Chairman's Statement continued

Cal Expo

Our racetrack operation at Cal Expo, Sacramento performed well during the period with a good horse population, steady handle and, importantly, zero horse fatalities at the racetrack itself. However, we were impacted by the California wildfires in and around the State, and that remains a concern, mainly due to air quality. We were fortunate in that our meeting ceased on 31 March before the major impact of Covid-19.

Health and safety has been our principle focus and will always continue to be so, especially as a live sporting event. We thank all our staff and all our participants at Cal Expo for their diligence and excellent record in this regard during difficult times to operate a retail operation.

Covid-19 and other risk factors

This has been an unprecedented period to report upon and I feel it is important to update shareholders on the position of the Company in relation to Covid-19 and other factors out of our control. In relation to Covid-19, we believe that the Company will be largely unaffected by the impact of the pandemic, with our principal revenues being mainly on-line business. However, there is always a caveat insofar as we are reliant on racing continuing throughout any lockdown of sports. We are a content company and without content that would be a risk to the Company, as with many other operations. Wildfires in California also remain a risk to our retail operations at Cal Expo.

Licenses, Regulatory and Compliance

The management team have once again been busy renewing our key strategic licenses during the period and subsequently. I am pleased to confirm at the time of writing that all our core licenses have either been renewed or in the process of being renewed for the calendar year of 2021 and in some cases, even further.

As announced on to the market on 20 November, we were approved by the California Horseracing Board to continue our advanced deposit wagering operations for a further two years. California being a strategically key State for our operations.

The Board considers these licenses 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.

In addition, I can report that the Group did not have any regulatory breaches or complaints from our valued content providers during the period, and indeed to date, as we hold compliance and social responsibility to be high priority across the Group.

Subsequent Events (post period reported)

Trading

As mentioned above, I can report a significant upturn in business performance in our new financial year. This has principally been from increased business on our BtoC operation with increases in player numbers and handle generated. Handle has increased by 67% at time of writing across the same period last year.

Our retail facility at Cal Expo has also benefited from wagers placed from locations inside California, which we are entitled to a share of as a licensed operator in the State.

Notwithstanding external factors, the Board is confident this positive trend will continue to the year end. A further update will be provided at our half year results (due to be announced February 2021).

Cal Expo License Renewal

As reported to shareholders on 19 December 2019, we have renewed our license with our Cal Expo State landlord until 2025, with an option to renew until 2030. We believe this is extremely important to secure our asset in the fifth largest economy in the world. We can also report that our landlord has received funding from the State due to lost income as a result of the pandemic lockdowns.

We will commence live Racing on 21 November and race until mid-April 2021, with 44 race days arranged. At present, we plan to race without crowds but at all times will be guided by the Sacramento County Health Authorities. It should be noted that 97% of our revenues at the facility are generated off the track, and this figure is expected to increase, so the impact of a lack of attendance will be negligible, although of course we would want to welcome spectators back as guided.

USA/California regulated sports betting

Shareholders may have noted the developments in relation to California legalized sports betting in the summer of this year. We were disappointed that the Dodd/Gray AB10 Bill did not get approved, but we are optimistic for the future. We believe that post the USA Election and in early 2021, this matter will progress. The State has a significant budget deficit, and it will only be a matter of time before legalized sports betting will be embraced, and WatchandWager will be very well positioned to take advantage of this.

We will be increasing our lobbying and activity in the State Capitol post the election. We do not favour the Native American proposal which does not permit on-line wagering. As we have seen across the world, and in indeed in several market leaders such as New Jersey and Pennsylvania, on-line wagering will create for much higher levels of duties, jobs and revenues back into the State. We plan to lobby more aggressively in this matter in 2021 and will keep shareholders up to date as to progress

Chairman's Statement continued

USA/California regulated sports betting continued

At time of writing we expect sports betting to be legalized for those with a physical presence in the State by 2022, with a go-live date in 2023.

The Executive continue to look at other opportunities to diversify our product offering in other States and will keep shareholders informed.

Summary and Outlook

Overall, the Board is pleased with the business performance both during the period and looking forward. Our cash position is much improved, and we expect trading to continue to be solid, notwithstanding external factors beyond our control

We also need to look to the future, and we are very aware that USA regulated gaming is seen as a very relevant subject at present in global gaming space. The likely acquisition of William Hill by a US based corporation is clear evidence of that, and we expect this trend to continue. In relation to that we have hired a leading gaming consultant to look at merger and acquisition opportunities with a natural fit to our business, most likely in the USA. We will keep shareholders informed of any significant developments.

It is also 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 loyalty, and our staff for their continued hard work during these very difficult times.

Denham Eke
Non-executive Chairman
6 January 2021

Webis Holdings plc

The Board of Directors

Denham Eke, aged 69

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 51

Managing Director

Ed Comins has 30 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 50

Non-executive Director

Nigel Caine is a Fellow of the Association of Chartered Certified Accountants and a Member of both the Chartered Institute of Securities and Investments and the Chartered Governance Institute. He also holds an MBA from the University of Wales. Nigel began his career in audit and transaction services with KPMG and Deloitte and has since served as the Chief Financial Officer for a number of companies.

Nigel Caine joined the Board in June 2015 and resigned on 17 November 2020.

Sir James Mellon, aged 91

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 2020.

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 (2019: 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 26 days (2019: 19 days) of purchases in trade creditors.

Financial risks
Details relating to financial risk management are shown in note 21 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
Sir James Mellon	Non-executive Director
Nigel Caine	Non-executive Director

The Director retiring by rotation is Ed Comins who, being eligible, offers himself for re-election.

Nigel Caine resigned on 17 November 2020.

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 2020	Interest at start of year 2019	**Interest at end of year 2020**	Interest at start of year 2019
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 2 October 2020, 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

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$34,195 during the year (2019: US$39,807).

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

Denham Eke
Non-executive Chairman
6 January 2021

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.

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 26 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 was 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.

The Board may utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning.

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	5/6	2/2	2/2	-
Sir James Mellon	6/6	2/2	2/2	-
Ed Comins	6/6	-	-	-
Nigel Caine	5/6	-	-	-

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 6 January 2021 and signed on its behalf by:

Denham Eke
Non-executive Chairman
6 January 2021

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.

2020 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 2020 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;
- Government grant – the Committee reviewed the Government loan received during the financial year to ensure the forgiveness terms provided reasonable assurance it could be classed as a government grant; and
- Reviewed changes to treatment of leases due to adoption of IFRS 16 effective 1 June 2019.

Denham Eke

Non-executive Chairman

6 January 2021

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 European Union (IFRSs as adopted by the EU) and applicable law and they 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
6 January 2021

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:

		2020 US$000	2019 US$000
Emoluments	— salaries, bonuses and taxable benefits	**368**	348
	— fees	**64**	67
		432	415

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	**2020 Total US$000**	2019 Total US$000
Executive							
Ed Comins	310	—	30	—	28	**368**	348
Non-executive							
Denham Eke*	—	25	—	—	—	**25**	26
Nigel Caine*	—	20	—	—	—	**20**	21
Sir James Mellon	—	19	—	—	—	**19**	20
Aggregate emoluments	310	64	30	—	28	**432**	415

* Paid to Burnbrae Limited.

Details of the options outstanding at 31 May 2020 are as follows:

Name of director	31 May 2019	Granted / (lapsed) in year	**31 May 2020**	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 2020 was 1.55p. The range during the year was 2.70p to 0.85p.

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

Denham Eke
Non-executive Chairman
6 January 2021

Webis Holdings plc

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 2020 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 2020 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 Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts 1931 to 2004; and
- the financial statements have been prepared in accordance with the requirements of the Companies Acts 1931-2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard 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

We draw attention to note 1.1 to the financial statements which indicates that the Group incurred a net loss of US$284,000 for the year (2019: loss of US$930,000) and has had a decrease in its net assets from US$1,152,000 to US$868,000. As indicated in note 1.1, in view of the history of recent losses and uncertainties in achieving projected cashflow, the Group's and Parent Company's ability to continue as a going concern is dependent on Galloway Limited, a related party, providing additional financial support if required. As further indicated in that note, 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.

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:

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

3 Other key audit matters: our assessment of risks of material misstatement continued

Key audit matter	The risk	Our response
Revenue recognition Consolidated Statement of Comprehensive Income: Revenue US$43,436,000 (2019: US$47,259,000) Refer to note 1.2 (Accounting Policy for Revenue) and note 2 (Segmental analysis)	**Revenue recognition-occurrence** The Group enters into high volumes of revenue-generating transactions each day which are processed on Complex IT systems. There is a risk that a system may not be configured correctly from the outset such that winning and losing bets or commissions are calculated incorrectly, that the systems do not interface correctly from the customer facing systems through to the financial information systems and that unauthorised changes may be made to any of these systems, which may result in the misstatement of revenue. There is also the risk that revenue is materially misstated in order to boost the parent company's earnings position and future outlook may be induced by a number of factors. This may include the client's AIM listed status – hence an effort to maintain a high share price and the need to meet both internal goals and external market expectations. Considering the factors above we identified the occurrence of revenue as a significant risk.	Our procedures included: **Outsourcing controls:** - We evaluated 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. - We tested the operating effectiveness of controls by using SOC reports obtained from the service organisation. - 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 and payouts recorded by the Group to the reports extracted from the third-party service organisation's system, which we obtained independently from third party service organisations system. - We tested a sample of the other directly related expenses by tracing amounts recorded to supplier invoices. - We recalculated net gaming revenue subtracting total payouts and other directly related expenses from revenue. - We have performed a cut-off test to ensure that revenue occurred during the year and that revenue earned in P1 2021 hasn't been recorded incorrectly in the year under audit. - Reviewed post year end journals for reversals in revenue. - Compared FX rates used in translating revenue to market rates.

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

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$41,000 (2019: US$40,000), of which it represents 0.9% (2019: 0.9%). We consider net gaming revenue (Gross profit) to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax.

Materiality for the Parent Company financial statements as a whole was set at US$12,000 (2019: US$18,000), Determined as an allocation of group materiality as above, of which it represented 30% (2019: 45%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding US$2,000 (2019: US$2,000) for the Group financial statements and US$600 (2019: US$900) 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 our work on the other information:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 1931-2004

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:

- adequate accounting records have not been kept by the parent Company, or 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.

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

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 IM1 1LA
6 January 2021

Webis Holdings plc

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2020

	Note	**2020 US$000**	2019 US$000
Amounts wagered		**105,325**	136,353
Revenue	2	**43,436**	47,259
Cost of sales		**(38,820)**	(42,625)
Betting duty paid		**(83)**	(146)
Gross profit		**4,533**	4,488
Operating costs		**(4,908)**	(5,277)
Impairment loss on trade receivables	21	**(18)**	(67)
Re-organisational and other costs		**(28)**	(54)
Other losses		**(29)**	(166)
Government grant	1.3	**48**	—
Other income		**212**	187
Operating loss	3	**(190)**	(889)
Finance costs	4	**(94)**	(41)
Loss before income tax		**(284)**	(930)
Income tax expense	6	—	—
Loss for the year		**(284)**	(930)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences on disposal of foreign subsidiaries		**—**	**—**
Other comprehensive loss for the year		—	—
Total comprehensive loss for the year		**(284)**	(930)
Basic earnings per share for loss attributable to the equity holders of the Company during the year (cents)	7	**(0.07)**	(0.24)
Diluted earnings per share for loss attributable to the equity holders of the Company during the year (cents)	7	**(0.07)**	(0.23)

The notes on pages 25 to 49 form part of these financial statements.

Webis Holdings plc

Statements of Financial Position

As at 31 May 2020

	Note	**31.05.20 Group US$000**	**31.05.20 Company US$000**	31.05.19 Group US$000	31.05.19 Company US$000
Non-current assets					
Intangible assets	8	**30**	**—**	104	7
Property, equipment and motor vehicles	9	**415**	**7**	26	10
Investments	10	**—**	**2**	—	3
Bonds and deposits	11	**101**	**—**	101	—
Total non-current assets		**546**	**9**	231	20
Current assets					
Bonds and deposits	11	**882**	**—**	882	—
Trade and other receivables	13	**1,256**	**463**	1,191	427
Cash, cash equivalents and restricted cash	12	**3,969**	**1,780**	2,594	1,416
Total current assets		**6,107**	**2,243**	4,667	1,843
Total assets		**6,653**	**2,252**	4,898	1,863
Equity					
Called up share capital	17	**6,334**	**6,334**	6,334	6,334
Share option reserve	17	**42**	**42**	42	42
Retained losses		**(5,508)**	**(5,526)**	(5,224)	(5,412)
Total equity		**868**	**850**	1,152	964
Current liabilities					
Trade and other payables	14	**3,749**	**52**	2,896	49
Deferred income	15	**272**	**—**	**—**	**—**
Loans, borrowings and lease liabilities	16	**97**	**—**	**—**	**—**
Total current liabilities		**4,118**	**52**	2,896	49
Non-current liabilities					
Loans, borrowings and lease liabilities	16	**1,667**	**1,350**	850	850
Total non-current liabilities		**1,667**	**1,350**	850	850
Total liabilities		**5,785**	**1,402**	3,746	899
Total equity and liabilities		**6,653**	**2,252**	4,898	1,863

The notes on pages 25 to 49 form part of these financial statements

The financial statements were approved by the Board of Directors on 6 January 2021

Denham Eke

Non-executive Chairman

Webis Holdings plc

Statements of Changes in Equity

For the year ended 31 May 2020

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 2018	6,334	4	(4,294)	2,044
Total comprehensive loss for the year:				
Loss for the year	—	—	(930)	(930)
Transactions with owners:				
Share-based payment expense (note 17)	—	38	—	38
Balance as at 31 May 2019	6,334	42	(5,224)	1,152
Total comprehensive loss for the year:				
Loss for the year	—	—	(284)	(284)
Transactions with owners:				
Share-based payment expense (note 17)	—	—	—	—
Balance as at 31 May 2020	**6,334**	**42**	**(5,508)**	**868**

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 2018	6,334	4	(5,282)	1,056
Total comprehensive loss for the year:				
Loss for the year	—	—	(130)	(130)
Transactions with owners:				
Share-based payment expense (note 17)	—	38	—	38
Balance as at 31 May 2019	6,334	42	(5,412)	964
Total comprehensive loss for the year:				
Loss for the year	—	—	(114)	(114)
Transactions with owners:				
Share-based payment expense (note 17)	—	—	—	—
Balance as at 31 May 2020	**6,334**	**42**	**(5,526)**	**850**

The notes on pages 25 to 49 form part of these financial statements.

Webis Holdings plc

Consolidated Statement of Cash Flows

For the year ended 31 May 2020

	Note	**2020 US$000**	2019 US$000
Cash flows from operating activities			
Loss before income tax		**(284)**	(930)
Adjustments for:			
- Depreciation of property, equipment and motor vehicles	9	**122**	34
- Amortisation of intangible assets	8	**73**	80
- Rent concession received		**(13)**	—
- Finance costs	4	**94**	41
- Government grant utilised		**(48)**	—
- Share based payment expense	17	**—**	38
- Other foreign exchange movements		**(83)**	363
Changes in working capital:			
- (Increase) / decrease in receivables		**(65)**	1,109
- Increase / (decrease) in payables		**853**	(13,425)
Cash flows from operations		**649**	(12,690)
Bonds and deposits placed in the course of operations	11	**—**	1,964
Net cash generated from / (used in) operating activities		**649**	(10,726)
Cash flows from investing activities			
Purchase of intangible assets	8	**—**	(18)
Purchase of property, equipment and motor vehicles	9	**(39)**	—
Net cash used in investing activities		**(39)**	(18)
Cash flows from financing activities			
Interest paid	4	**(94)**	(41)
Payment of lease liabilities and rent concessions received		**(101)**	—
Repayment of loans and borrowings		**(1)**	—
Receipt of Government funding/grant		**320**	—
Loans, borrowings and lease liabilities received		**556**	350
Net cash generated from financing activities		**680**	309
Net increase / (decrease) in cash and cash equivalents		**1,290**	(10,435)
Cash and cash equivalents at beginning of year		**1,363**	11,962
Exchange gains / (losses) on cash and cash equivalents		**85**	(363)
(Increase) / decrease in movement of restricted cash		**(239)**	199
Cash and cash equivalents at end of year	**12**	**2,499**	1,363

The notes on pages 25 to 49 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 May 2020

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 2020 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.

Except for the changes detailed in note 1.2, the Group has consistently applied the accounting policies as set out in note 1.3 to all periods presented in these financial statements.

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, unless otherwise indicated. All continued operations of the Group have US Dollars as their functional currency.

Other information presented

In line with the Isle of Man Companies Acts 1931-2004, the Company also presents Parent Company Statements of Financial Position, the Parent Company Statement of Changes in Equity and related disclosures

(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 areas to be as follows:

- Note 16 – discount rates applied to lease liabilities. The Directors consider that the assumptions used to determine the relevant incremental borrowing rates reflect fair market rates and are appropriate for the purposes of the calculations.
- Note 21 – the measurement of Expected Credit Loss ("ECL") allowance for trade and other receivables and assessment of specific impairment allowances where receivables are past due.

Going concern

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

As indicated in the statement of comprehensive income, the Group has a loss of US$284,000 (2019: US$930,000) in the current year and net assets have decreased from US$1,152,000 to US$868,000 due to that.

Further, WatchandWager.com LLC (USA Subsidiary) has been historically loss making and nullified the profit generated by WatchandWager.com Limited (IOM Subsidiary) which resulted in the consolidated accumulated loss of US$5,508,000 at the group level.

As noted within the Chairman's Statement and note 23, the global coronavirus ("COVID-19") pandemic has had an unprecedented impact on communities and businesses worldwide. Despite this, the horseracing industry was able to reopen, albeit behind closed doors, in advance of other sports which has attracted higher player numbers and wagering volumes. This has resulted in increased profitability since the close of the financial year and extensive efforts have been made to promote the content and markets the Group provides to a wider customer base with an increased focus on player retention. Whilst there can be no certainty as to the level and duration of higher volumes and improved trading results, significant attention is being applied to sustain these trading patterns through attracting and retaining new players.

The Directors recognise that there is difficulty in maintaining the recent uplift in revenue as other sporting events start up again.

Notes to the Financial Statements continued

1.1 Basis of preparation continued

Going concern continued

In order to help achieve its goal of profitability and maintaining adequate liquidity in order to continue its operations the Directors are pursuing strategies that include:

- broadening the Group's client base and the continued expansion of 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; and
- 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

Whilst the Directors continue to assess all strategic options in relation to the strategies noted in the previous paragraph, the Directors recognize that the ultimate success of strategies adopted is difficult to predict as they require additional liquidity to pursue the required investment, including bonds to be placed with the relevant authorities to allow for betting on those tracks and excess cost to be paid to service providers to add more servers to allow for increased number of users . 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. Projections are inherently uncertain (also considering the history of losses) and, in that regard, the related entity has committed to extend funding in case the Group faces any difficulty to meet its liabilities as they fall due for that period.

The Company and the Group depend on Galloway Limited (related entity) for financial support and Galloway Limited has indicated its intention to continue to make available funds as and when needed by the Group. The loan from Galloway Limited stands at $1,350,000 as at 31 May 2020.

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, (namely cashflow projections and commitment of support from the related entity), the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the circumstances discussed in the note represent a material uncertainty that may cast significant doubt on the Company's and the Group'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 to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the basis of preparation should be 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. Except for the transition to IFRS 16 detailed below, no other adoption had a material effect on the accounting policies of the Group.

IFRS 16 Transition

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 June 2019. Accordingly, the comparative information presented to 31 May 2019 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IAS 17. The Group now assesses whether a contract is, or contains, a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 June 2019.

Notes to the Financial Statements continued

1.2 Changes in significant accounting policies continued
IFRS 16 Transition continued
B. As a lessee
The Group leases property assets. As a lessee, the Group previously classified these leases as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right of use assets and lease liabilities for leases that meet the relevant definition, presenting these leases on the Statement of Financial Position.

The Group does not recognise right of use assets and lease liabilities for property rental costs that do not meet the definition of leases under IFRS 16. The Group recognises these costs as an expense on a straight-line basis.

i. Significant accounting policies
The Group recognises a right of use asset and a lease liability at the lease commencement/modification date. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment loss and adjusted for certain remeasurements of the lease liability.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Group's applicable incremental borrowing rate (the rate implicit in the lease cannot be determined). The Group has measured the incremental borrowing as equal to external borrowing rates. The lease liability is subsequently increased by the interest cost of the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised, or a termination option is reasonably certain not to be exercised.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right of use assets recognised. Extension/renewal is only available to lessor on terms and conditions to be agreed between both parties.

ii. Impacts on transition
Previously, the Group classified property leases as operating leases under IAS 17. The leases typically run for a period of 1 to 6 years and the operating lease commitment relating to these leases at 31 May 2019 as disclosed in the Group's consolidated financial statements was US$294,000. At transition, for relevant leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's applicable incremental borrowing rate as at 1 June 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any net prepaid and accrued lease payments, if applicable. The impact on transition is summarised below.

As at 1 June 2019	**US$000**
Right of use assets	262
Lease liabilities	(262)
Retained earnings	–

iii. Impacts for the period
Right of use assets
The carrying amount of right of use assets at the end of the year is as follows:

	Property US$000	Right of use assets US$000
Balance at 1 June 2019	262	262
Depreciation expense	(98)	(98)
Modification to right of use assets	211	211
Balance at 31 May 2020	**375**	**375**

Notes to the Financial Statements continued

1.2 Changes in significant accounting policies continued

IFRS 16 Transition continued

iii. Impacts for the period continued

Lease liability

The carrying amount of lease liability at the end of the year is as follows:

	Property US$000	Lease liability US$000
Balance at 1 June 2019	262	262
Interest expense	25	25
Lease payments	(101)	(101)
Rent concessions received	(13)	(13)
Modification to lease liabilities	211	211
Balance at 31 May 2020	**384**	**384**

The Group has classified cash payments for the principal portion of lease payments as financing activities. During the year under review, an extension was agreed to the lease term of one of the leases, which has resulted in a modification to the relevant right of use asset and lease liability.

During the year, the Group received a rent concession of US$12,600 and the practical expedient has been applied to all rent concessions that meet the conditions. This was recognised as a deduction from depreciation expense.

iv. Exemptions taken

The Group used the following practical expedient when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right of use assets and lease liabilities for leases with less than 12 months of lease term.

v. Lease policy until 31 May 2019

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.

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.

Notes to the Financial Statements continued

1.3 Summary of significant accounting policies continued

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Revenue 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 (Racetrack operations) are recognised when the customers participate in the Group's pari-mutuel pools and the race audio visual signals are transmitted. Hosting fees are recorded on a gross receipts basis.

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.

Settlement terms for revenue where the Group acts as a host is usually 7 days for on and off-track wagering and 30 days from month end for ADW wagering. Where the Group acts as an agent, settlement terms are typically 30 days from month end.

Transactions fees (ADW operations) are recognised when the Group facilitates customers' deposit transactions into their betting accounts. The Group recognises revenue for transaction services net of related winnings.

Government grants

The Group initially recognises government grants, that compensate for expenses incurred, as deferred income at fair value if there is a reasonable assurance that they will be received. They are then recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

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.

Notes to the Financial Statements continued

1.3 Summary of significant accounting policies continued

Current and deferred income tax continued

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

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.

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:

Notes to the Financial Statements continued

1.3 Summary of significant accounting policies continued

Intangible assets — other continued

(b) Website design and development costs continued

- 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.

The estimated useful lives of property, equipment and motor vehicles for current and comparative periods are as follows:

Plant and equipment	3 years
Motor vehicles	5 years
Fixtures and fittings	3 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
- 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.

Notes to the Financial Statements continued

1.3 Summary of significant accounting policies continued

Equity

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

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

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

Financial instruments

Recognition and measurement

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, bonds and deposits, borrowings and trade and other payables.

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.

Impairment of financial assets

The Group uses an impairment model that applies to financial assets measured at amortised cost and contract assets and is detailed below. Financial assets at amortised cost include trade receivables, cash and cash equivalents, bonds and deposits.

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.

1.3 Summary of significant accounting policies continued
Financial instruments continued
Impairment of financial assets continued
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.

The Group applies the 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.

ECLs 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 reviews its impairment methodology for estimating the ECLs, taking into account forward-looking information in determining the appropriate level of allowance. In addition, it identifies indicators and set up procedures for monitoring for significant increases in credit risk.

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:

Standards	**Effective date** (accounting periods commencing on or after)
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019)	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020

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 2020 US$000	**ADW 2020 US$000**	**Corporate operating costs 2020 US$000**	**Total 2020 US$000**
External revenues	**41,071**	**2,365**	**–**	**43,436**
Segment revenue	**41,071**	**2,365**	**–**	**43,436**
Segment profit / (loss) before tax	**62**	**(232)**	**(114)**	**(284)**
Interest expense	**(20)**	**(5)**	**(69)**	**(94)**
Depreciation and amortisation	**(71)**	**(124)**	**–**	**(195)**
Other material non-cash items:				
- Impairment losses on trade receivables	**–**	**(18)**	**–**	**(18)**
Segment assets	**1,185**	**3,216**	**2,252**	**6,653**
Segment liabilities	**870**	**3,513**	**1,402**	**5,785**

	Reportable segments			
	Racetrack 2019 US$000	ADW 2019 US$000	Corporate operating costs 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

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

	2020 US$000	2019 US$000
i. Revenues		
Total revenue for reportable segments	**43,436**	47,259
Consolidated revenue	**43,436**	47,259
ii. Loss before tax		
Total loss before tax for reportable segments	**(170)**	(805)
Loss before tax for other segments	**(114)**	(125)
Consolidated loss before tax	**(284)**	(930)
iii. Assets		
Total assets for reportable segments	**4,401**	3,035
Assets for other segments	**2,252**	1,863
Consolidated total assets	**6,653**	4,898
iv. Liabilities		
Total liabilities for reportable segments	**4,383**	2,847
Liabilities for other segments	**1,402**	899
Consolidated total liabilities	**5,785**	3,746
v. Other material items		
Interest expense	**(94)**	(41)
Depreciation and amortisation	**(195)**	(114)
Impairment losses on trade receivables	**(18)**	(67)

There were no reconciling items noted between Segment information and the Financial Statements.

D. Geographic information

i. Revenues

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

		2020 US$000	2019 US$000
Revenue			
Racetrack operations	North America	**41,071**	44,753
ADW operations	North America	**1,599**	1,541
ADW operations	British Isles	**760**	692
ADW operations	Asia Pacific	**6**	273
		43,436	47,259

Notes to the Financial Statements continued

2 Operating Segments continued

D. Geographic information continued

ii. Non-current assets

The geographical information below analyses the Group's non-current assets by the Company's Country of Domicile (Isle of Man) and the United States of America. Information is based on geographical location of Group's assets.

	2020 US$000	2019 US$000
United States of America	**439**	113
Isle of Man	**6**	17
	445	130

Non-current assets exclude financial instruments.

3 Operating loss

Operating loss is stated after charging:	**2020 US$000**	2019 US$000
Auditors' remuneration — audit	**96**	81
Depreciation of property, equipment and motor vehicles	**122**	34
Amortisation of intangible assets	**73**	80
Exchange losses	**29**	166
Operating lease rentals — other than plant, equipment and Harness Racetrack	**–**	30
Operating lease rentals — Harness Racetrack	**–**	74
Directors' fees	**64**	67

4 Finance costs

	2020 US$000	2019 US$000
Loan interest payable	**(94)**	(41)
Finance costs	**(94)**	(41)

5 Staff numbers and cost

	2020	2019
Average number of employees – Pari-mutuel and Racetrack Operations	**52**	55

The aggregate payroll costs of these persons were as follows:

Pari-mutuel and Racetrack Operations	**2020 US$000**	2019 US$000
Wages and salaries	**1,701**	1,711
Social security costs	**114**	121
	1,815	1,832

Notes to the Financial Statements continued

6 Income tax expense

(a) Current and Deferred Tax Expenses

The current and deferred tax expenses for the year were US$Nil (2019: US$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.

(b) Tax Rate Reconciliation

	2020 US$000	2019 US$000
Loss before tax	**(284)**	(930)
Tax charge at IOM standard rate (0%)	**–**	–
Adjusted for:		
Tax credit for US tax losses (at 15%)	**(97)**	(166)
Add back deferred tax losses not recognised	**97**	166
Tax charge for the year	–	–

The maximum deferred tax asset that could be recognised at year end is approximately US$907,000 (2019: US$810,000). The Group has not recognised any asset as it is not reasonably known whether 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.

	2020 US$000	2019 US$000
Loss for the year	**(284)**	(930)
	No.	No.
Weighted average number of ordinary shares in issue	**393,338,310**	393,338,310
Dilutive element of share options if exercised (note 17)	**14,000,000**	14,000,000
Diluted number of ordinary shares	**407,338,310**	407,338,310
Basic earnings per share (cents)	**(0.07)**	**(0.24)**
Diluted earnings per share (cents)	**(0.07)**	**(0.23)**

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 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
Balance at 1 June 2019	177	1,503	64	1,680	64
Additions during the year	–	–	–	–	–
Decommissioned assets	–	(905)	(49)	(905)	(49)
Balance at 31 May 2020	**177**	**598**	**15**	**775**	**15**
Amortisation and Impairment					
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
Balance at 1 June 2019	177	1,399	57	1,576	57
Amortisation for the year	–	73	6	73	6
Decommissioned assets	–	(905)	(49)	(905)	(49)
Currency translation differences	–	1	1	1	1
Balance at 31 May 2020	**177**	**568**	**15**	**745**	**15**
Carrying amounts					
At 1 June 2018	–	166	13	166	13
At 31 May 2019	**–**	104	7	104	7
At 31 May 2020	**–**	**30**	–	**30**	–

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).

During the year a review of assets held was undertaken to remove any historical items that were considered to be decommissioned and therefore no longer held by the Group. This principally relates to software and website costs that were fully amortised and removed from service in previous years following changes to those business activities and/or assets reaching their end of useful life.

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	Right of Use Assets US$000	Total US$000
Cost					
Balance at 1 June 2018	604	580	51	–	1,235
Balance at 31 May 2019	604	580	51	–	1,235
Balance at 1 June 2019	604	580	51	–	1,235
Additions during the year	5	–	34	473	512
Decommissioned/disposed assets	(447)	(339)	(35)	–	(821)
Balance at 31 May 2020	**162**	**241**	**50**	**473**	**926**
Depreciation					
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
Balance at 1 June 2019	586	577	46	–	1,209
Charge for the year	16	2	6	98	122
Decommissioned/disposed assets	(447)	(339)	(35)	–	(821)
Currency translation differences	–	1	–	–	1
Balance at 31 May 2020	**155**	**241**	**17**	**98**	**511**
Carrying amounts					
At 1 June 2018	37	10	13	–	60
At 31 May 2019	18	3	5	–	26
At 31 May 2020	**7**	**–**	**33**	**375**	**415**

Right of use assets relate to two assets: an office building leased until May 2021, with an average length of renewal of three years; and a racetrack facility leased until May 2025, with extensions or renewals typically ranging between three to five years.

Company	Computer Equipment US$000	Fixtures & Fittings US$000	Total US$000
Cost			
Balance at 1 June 2018	429	139	568
Balance at 31 May 2019	429	139	568
Balance at 1 June 2019	429	139	568
Additions during the year	5	–	5
Discarded assets	(401)	(59)	(460)
Balance at 31 May 2020	**33**	**80**	**113**

9 Property, equipment and motor vehicles continued

Company	Computer Equipment US$000	Fixtures & Fittings US$000	Total US$000
Depreciation			
Balance at 1 June 2018	410	139	549
Charge for the year	9	–	9
Balance at 31 May 2019	419	139	558
Balance at 1 June 2019	419	139	558
Charge for the year	8	–	8
Discarded assets	(401)	(59)	(460)
Balance at 31 May 2020	**26**	**80**	**106**
Carrying amounts			
At 1 June 2018	19	**–**	19
At 31 May 2019	10	**–**	10
At 31 May 2020	**7**	**–**	**7**

During the year a review of assets held was undertaken to remove any historical items that were considered to be decommissioned and therefore no longer held by the Group. This principally relates to computer hardware and equipment costs that were fully depreciated and removed from service in previous years following changes to those business activities and/or assets reaching their end of useful life.

10 Investments

Investments in subsidiaries are held at cost. Details of investments at 31 May 2020 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	
	2020 US$000	2019 US$000	**2020 US$000**	2019 US$000
Bonds and deposits which expire within one year	**882**	882	**–**	–
Bonds and deposits which expire within one to two years	**–**	**–**	**–**	**–**
Bonds and deposits which expire within two to five years	**101**	101	**–**	**–**
	983	983	**–**	**–**

Notes to the Financial Statements continued

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 (2019: US$875,000). 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 (2019: 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$8,155 (2019: US$8,227). These deposits are repayable upon completion of the relevant lease term, under the terms of legally binding agreements.

12 Cash, cash equivalents and restricted cash

	Group		Company	
	2020 US$000	2019 US$000	**2020 US$000**	2019 US$000
Cash and cash equivalents – company and other funds	**2,499**	1,363	**324**	185
Restricted cash – protected player funds	**1,470**	1,231	**1,456**	1,231
Total cash, cash equivalents and restricted cash	**3,969**	2,594	**1,780**	1,416

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 and certain USA state customers, shown as 'protected player funds'.

Protected player funds are held in fully protected client accounts within an Isle of Man regulated bank and in segregated accounts within a USA regulated bank.

13 Trade and other receivables

	Group		Company	
	2020 US$000	2019 US$000	**2020 US$000**	2019 US$000
Trade receivables	**675**	770	**–**	–
Amounts due from Group undertakings	**–**	–	**428**	393
Other receivables and prepayments	**581**	421	**35**	34
	1,256	1,191	**463**	427

Included within trade receivables are impairment provisions of US$85,775 (see note 21), (2019: US$66,738).
Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

14 Trade and other payables

	Group		Company	
	2020 US$000	2019 US$000	**2020 US$000**	2019 US$000
Trade payables	**603**	425	**9**	12
Amounts due to customers	**2,446**	2,194	**–**	–
Taxes and national insurance	**22**	17	**2**	2
Accruals and other payables	**678**	260	**41**	35
	3,749	2,896	**52**	49

Notes to the Financial Statements continued

15 Deferred income

	Group		Company	
	2020 US$000	2019 US$000	**2020 US$000**	2019 US$000
Government grant	**272**	–	**–**	**–**

The Group received a Paycheck Protection Program ("PPP") loan for US$319,994, under the provisions of the US CARES Act in May 2020 to support certain incurred expenses. The provisions of the loan allow for an application for loan forgiveness, directly relating to expenditure incurred in the 24-week period from the date of the loan advance, of which at least 60% must be on payroll related expenditure. The Group has ascertained reasonable assurance that the loan should be forgiven in its entirety and the application for forgiveness is expected to be submitted in late 2020/early 2021. The grant will be recognised in profit or loss in the periods that the relevant expenses are recognised.

16 Loans, borrowings and lease liabilities

Current liabilities

	Group		Company	
	2020 US$000	2019 US$000	**2020 US$000**	2019 US$000
Unsecured loans (current portion)	**5**	**–**	**–**	–
Lease liabilities (current portion) (see note 1.2)	**92**	–	**–**	–
	97	–	**–**	–

Non-current liabilities

	Group		Company	
	2020 US$000	2019 US$000	**2020 US$000**	2019 US$000
Unsecured loans (non-current portion)	**25**	**–**	**–**	–
Lease liabilities (non-current portion) (see note 1.2)	**292**	–	**–**	–
Secured loans – Galloway Ltd	**1,350**	850	**1,350**	850
	1,667	850	**1,350**	850

Terms and repayment schedule

	Nominal interest rate	Year of maturity	**2020 Total US$000**	2019 Total US$000
Unsecured loan	8.90%	2025	**30**	—
Lease liabilities (see note 1.2)	7.00-9.00%	2021-25	**384**	—
Secured loan – Galloway Ltd	7.75%	2022	**500**	500
Secured loan – Galloway Ltd	7.00%	2024	**350**	350
Secured loan – Galloway Ltd	7.00%	2025	**500**	—
Total loans and borrowings			**1,764**	850

During the year, the Group received the following loans:

Lender	Principal	Drawdown	Term	Remaining term	Interest rate
Galloway Ltd	US$500,000	March 2020	5 years	4.75 years	7.00% pa
Volkswagen Marin	US$30,911	March 2020	5 years	4.75 years	8.90% pa

The secured loans from Galloway Ltd are secured over the unencumbered assets of the Group.

Notes to the Financial Statements continued

17 Share capital

	No.	**2020 US$000**	2019 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 (2019: 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 2020 were as follows:

	No.
At 31 May 2019 – 1p ordinary shares	14,000,000
Options granted	–
Options lapsed	–
Options exercised	–
At 31 May 2020 – 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$Nil (2019: US$37,989), 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.

18 Capital commitments

As at 31 May 2020, the Group had no known capital commitments (2019: US$Nil).

19 Operating lease commitments

At 31 May 2020, the Group was committed to future minimum lease payments of:

	2020 US$000	2019 US$000
Payments due within one year	–	108
Payments due between one to five years	–	186
Payments due beyond five years	–	–

The Group has recognised in the income statement operating lease payments of US$Nil (2019: US$104,000).
The Group leases had comprised office facilities and racetrack facilities in 2019. These leases now fall under the definition of IFRS 16 and are disclosed accordingly.

Notes to the Financial Statements continued

20 Related party transactions

Identity of related parties

The Parent Company 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$26,273 (2019: US$45,484) and Directors' fees of US$45,435 (2019: US$46,898) were charged in the year by Burnbrae Limited, of which Denham Eke is a common Director. The Group also had loans of US$1,350,000 (2019: US$850,000) from Galloway Ltd, a company related to Burnbrae Limited by common ownership and Directors (note 17).

Transactions with key management personnel

The total amounts for Directors' remuneration were as follows:

	2020 US$000	2019 US$000
Emoluments — salaries, bonuses and taxable benefits	**368**	348
— fees	**64**	67
	432	415

Directors' Emoluments

	Basic salary US$000	Fees US$000	Bonus US$000	Termination payments US$000	Benefits US$000	**2020 Total US$000**	2019 Total US$000
Executive							
Ed Comins	310	—	30	—	28	**368**	348
Non-executive							
Denham Eke*	—	25	—	—	—	**25**	26
Nigel Caine*	—	20	—	—	—	**20**	21
Sir James Mellon	—	19	—	—	—	**19**	20
Aggregate emoluments	310	64	30	—	28	**432**	415

* Paid to Burnbrae Limited.

14,000,000 share options were issued to Ed Comins (see note 17) during 2016.

21 Financial risk management

Capital structure

The Group's capital structure is as follows:

	2020 US$000	2019 US$000
Cash and cash equivalents	**2,499**	1,363
Loans and similar liabilities	**(1,380)**	(850)
Net funds	**1,119**	513
Shareholders' equity	**(868)**	(1,152)
Capital employed	**251**	(639)

Notes to the Financial Statements continued

21 Financial risk management continued

Capital structure continued

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:

2020
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	**(603)**	**(603)**	**(603)**	**–**	**–**
Amounts due to customers	**(2,446)**	**(2,446)**	**(2,446)**	**–**	**–**
Other payables, loans and deferred income	**(1,967)**	**(1,967)**	**(590)**	**(2)**	**(1,375)**
Lease liabilities	**(384)**	**(384)**	**(16)**	**(76)**	**(292)**
	(5,400)	**(5,400)**	**(3,655)**	**(78)**	**(1,667)**

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	(425)	(425)	(425)	–	–
Amounts due to customers	(2,194)	(2,194)	(2,194)	–	–
Other payables and loans	(865)	(865)	(15)	–	(850)
	(3,484)	(3,484)	(2,634)	–	(850)

Notes to the Financial Statements continued

21 Financial risk management continued

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:

	2020 US$000	2019 US$000
Non-credit impaired trade receivables	**23**	5
Credit impaired trade receivables	**62**	62
Total impairment losses	**85**	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 five years show that of the current trade receivable balance, greater than 99% would be expected to be received.

In addition, more than 75% of the current Group customers have transacted with the Group for five years or more and none of these customers balances have been specifically impaired in that period.

While there has been an obvious impact from Covid-19 across many industries worldwide, horse racing was one of the few events that managed to maintain some activity during the initial months of the pandemic. There was a natural slowdown of settlements from settling agents and tracks, but overall, the Group has currently suffered no losses from the receivables that were due. Nevertheless, the Group has taken a more conservative approach to the assessment of the Weighted Average Loss Rate and increased these rates to reflect the added risk that exists under current market conditions.

The following table provides information about exposure to credit risk and expected credit losses for trade receivables as at 31 May 2020:

2020	**Weighted Average Loss Rate (%)**	**Gross Carrying Amount US$000**	**Loss Allowance US$000**	**Net Carrying Amount US$000**	**Credit Impaired**
Current (not past due)	0.50%	305	(2)	303	No
1-30 days past due	1.00%	129	(1)	128	No
31-60 days past due	6.00%	97	(6)	91	No
61-90 days past due	8.00%	147	(12)	135	No
More than 90 days past due	10.00%	20	(2)	18	No
More than 90 days past due	100.00%	62	(62)	—	Yes
		760	**(85)**	**675**	

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	

Notes to the Financial Statements continued

21 Financial risk management continued

Credit risk continued

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.

Classes of financial assets — carrying amounts

	2020 US$000	2019 US$000
Cash and cash equivalents	**2,499**	1,363
Bonds and deposits	**983**	983
Trade and other receivables	**1,184**	1,051
	4,666	3,397

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:

	2020 US$000	2019 US$000
Pari-mutuel	**1,184**	1,051

Of the above receivables, US$675,000 (2019: US$770,000) 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:

2020	**USD US$000**	**GBP US$000**	**EUR US$000**	**HKD US$000**	**Total US$000**
Current assets	**5,144**	**53**	**130**	**708**	**6,035**
Current liabilities	**(3,170)**	**(127)**	**(83)**	**(716)**	**(4,096)**
Short-term exposure	**1,974**	**(74)**	**47**	**(8)**	**1,939**

21 Financial risk management continued
Foreign currency risks continued

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

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 2020 would have increased/(decreased) equity and profit and loss by the amounts shown below:

2020	**GBP US$000**	**EUR US$000**	**HKD US$000**	**Total US$000**
Current assets	**3**	**6**	**35**	**44**
Current liabilities	**(6)**	**(4)**	**(36)**	**(46)**
Net assets	**(3)**	**2**	**(1)**	**(2)**

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

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.

22 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%.

23 Impact of COVID-19 on the Company's operations after year end
COVID-19 has impacted the operations of the entity during the last few weeks of the financial year. Since 31 May 2020, COVID-19 has continued to cause severe implications for many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown, which continued to be in place after year end. Global stock markets have also continued experienced great volatility and a significant weakening. Governments and central banks continued responding with monetary and fiscal interventions to stabilise economic conditions.

The horseracing industry has continued to operate behind closed doors and the level of wagering opportunities and global content the Group can offer has remained resilient to date. With a reduction in other sports events, the Group has seen a significant increase in retail player numbers and wagering volumes which has yielded improved trading results. New and refined strategies aimed at winning and retaining new player accounts remain a core focus of the Group to underpin a larger and wider customer base that can deliver profitable and consistent revenue streams. Whilst significant efforts have been directed towards this objective, there can be no certainty that these operating results will continue at current levels or that future wagering content will not be affected by further restrictions aimed at curbing the spread of future outbreaks.

Notes to the Financial Statements continued

23 Impact of COVID-19 on the Company's operations after year end continued

Based on an assessment of the impact of COVID-19 on the Group, the Directors determined that any events occurring after year end disclosed in this note are deemed non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 May 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their ultimate impact on the financial position and results of the Group for future periods.

24. Subsequent events

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

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 1 February 2021 at 11 am for the purpose of transacting the below business.

The Board has considered how best to deal with the practical arrangements for the meeting considering the unique circumstances of the ongoing COVID-19 pandemic. In particular, the Board has also considered the measures introduced by the Isle of Man Government in response to the COVID-19 pandemic, still currently in force, which would prevent shareholders, advisers and directors of the Company who are not residents of the Isle of Man to attend the AGM in person. Of those measures, the most relevant to the AGM are the restrictions governing travelling to the Isle of Man, which require a 14-day period of self-isolation.

The Board considers it important that all shareholders should have the opportunity to exercise their voting rights at the AGM. To this end, the Company invites shareholders to complete the voting proxy form as early as possible. Shareholders may also submit questions to the Company Secretary either in writing at the registered office or by email to ir@webisholdingsplc.com prior to the meeting and as early as possible.

The Company will continue to monitor the advice of the Isle of Man Government and, in the event of material changes to the current advice, the Company will update its shareholders via the regulatory information service.

Ordinary Business

1 To receive and adopt the report of the Directors and the accounts for the year ended 31 May 2020.

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

3 To 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

Notice of Meeting continued

As Ordinary Resolutions continued

(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

Piotr Schabik
Company Secretary
6 January 2021
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 Group, 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 30 January 2021 shall be entitled to attend and vote at the meeting. Changes to the register after close of business on 30 January 2021 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
Sir James Mellon
Non-Executive Director

Company Secretary
Piotr Schabik

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
IM1 1LA

Nominated Adviser and Broker
Beaumont Cornish Limited
Building 3, Chiswick Park
566 Chiswick High Road
London
W4 5YA

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

UK Registrar
Link Asset Services
The Registry, 34 Beckenham Road
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Kent
BR3 4TU

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