For immediate release **28 November 2018**

Webis Holdings plc

("Webis" or "the Group")

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

Notice of Annual General Meeting

Webis Holdings plc, the global gaming group, today announces its audited results and the publication of its 2018 Report and Accounts ("Accounts") for the year ended 31 May 2018, extracts from which are set out below.

The Accounts are being posted to shareholders today together with the Notice of Annual General Meeting, and will be available on the Group's website www.webisholdingsplc.com and at the Group's Registered Office: Viking House, Nelson Street, Douglas, Isle of Man IM1 2AH.

The AGM will be held at The Claremont Hotel, 18/19 Loch Promenade, Douglas, Isle of Man, at 11.00 a.m. on 28 December 2018.

Chairman's Statement

Introduction

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

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

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

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

Year End Results Review

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

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

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

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

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

Approach to Risk and Corporate Governance

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

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

The Group's primary risk drivers include: -

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

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

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

Performance by Sector

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

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

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

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

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

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

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

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

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

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

Cal Expo

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

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

Licenses

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

USA regulated gaming

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

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

Corporate Governance

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

Outlook

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

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

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

Denham Eke

Non-executive Chairman

For further information:

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Denham Eke

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Roland Cornish/James Biddle

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2018

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

Statements of Financial Position

As at 31 May 2018

	Note	**31.05.18 Group US$000**	**31.05.18 Company US$000**	31.05.17 Group US$000	31.05.17 Company US$000
Non-current assets					
Intangible assets	8	**166**	**13**	105	—
Property, equipment and motor vehicles	9	**60**	**19**	109	16

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

Statements of Changes in Equity

For the year ended 31 May 2018

Group	**Called up share capital US$000**	**Share option reserve US$000**	**Retained earnings US$000**	**Total equity US$000**
Balance as at 31 May 2016	6,334	—	(4,402)	1,932
Total comprehensive income for the year:				
Profit for the year	—	—	5	5
Transactions with owners:				
Share-based payment expense	—	2	—	2
Balance as at 31 May 2017	6,334	2	(4,397)	1,939
Total comprehensive income for the year:				
Profit for the year	—	—	103	103
Transactions with owners:				

Group	Called up share capital US$000	Share option reserve US$000	Retained earnings US$000	Total equity US$000
Share-based payment expense (note 16)	—	2	—	2
Balance as at 31 May 2018	**6,334**	**4**	**(4,294)**	**2,044**

Company	Called up share capital US$000	Share option reserve US$000	Retained earnings US$000	Total equity US$000
Balance as at 31 May 2016	6,334	—	(5,352)	982
Total comprehensive income for the year:				
Loss for the year	—	—	(22)	(22)
Transactions with owners:				
Share-based payment expense	—	2	—	2
Balance as at 31 May 2017	6,334	2	(5,374)	962
Total comprehensive income for the year:				
Profit for the year	—	—	92	92
Transactions with owners:				
Share-based payment expense (note 16)	—	2	—	2
Balance as at 31 May 2018	**6,334**	**4**	**(5,282)**	**1,056**

Consolidated Statement of Cash Flows

For the year ended 31 May 2018

	Note	**2018 US$000**	2017 US$000
Cash flows from operating activities			
Profit before income tax		**103**	5
Adjustments for:			
- Depreciation of property, equipment and motor vehicles	9	**74**	71
- Amortisation of intangible assets	8	**70**	66
- Finance costs - net		**40**	10
- Share based payment expense		**2**	2
- Other foreign exchange movements		**(691)**	508
Changes in working capital:			
- Decrease / (increase) in receivables		**771**	(400)
- (Decrease) / increase in payables		**(2,563)**	8,823
Cash flows from operations		**(2,194)**	9,085
Finance income		**—**	**—**
Bonds and deposits placed in the course of operations	11	**19**	(362)
Net cash (used) / generated from operating activities		**(2,175)**	8,723
Cash flows from investing activities			
Purchase of intangible assets	8	**(130)**	(60)

	Note	2018 US$000	2017 US$000
Purchase of property, equipment and motor vehicles	9	**(24)**	(26)
Net cash used in investing activities		**(154)**	(86)
Cash flows from financing activities			
Interest paid		**(40)**	(10)
Loans received	15	**—**	500
Net cash generated (used in) / from financing activities		**(40)**	490
Net (decrease) / increase in cash and cash equivalents		**(2,369)**	9,127
Cash and cash equivalents at beginning of year		**15,072**	6,445
Exchange gains / (losses) on cash and cash equivalents		**689**	(500)
Cash and cash equivalents at end of year		**13,392**	15,072

Notes to the Financial Statements

For the year ended 31 May 2018

1 Reporting entity (the "Company")

Webis Holdings plc is a company domiciled in the Isle of Man. The address of the Company's registered office is Viking House, Nelson Street, Douglas, Isle of Man, IM1 2AH. The Webis Holdings plc consolidated financial statements as at and for the year ended 31 May 2018 consolidate those of the Company and its subsidiaries (together referred to as the "Group").

1.1 Basis of preparation

(a) Statement of compliance

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

Adoption of new and revised IFRS

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

Standards and interpretations in issue not yet adopted

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

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

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

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

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

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

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

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

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

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

Going concern
As noted within the Chairman's Statement and note 22, post period the Group has seen a reduction in wagering levels following the cessation of activity from one syndicate of players. Further broadening its client base and expanding its business to customer base are key priorities for the Group in achieving its goal of profitability and maintaining adequate liquidity in order to continue its operations. The Directors continue to assess all strategic options in this regard, albeit that the ultimate success of strategies adopted is difficult to predict. Notwithstanding the losses incurred in previous years and taking into account the profits generated in the last two years, along with the continued support of the Company's principal shareholder, via Galloway Limited, a related party, the Directors believe that the Group has adequate resources to meet its obligations as they fall due.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

Intangible assets — goodwill

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

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

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

Intangible assets — other

(a) Trademarks and licences

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

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

(b) Website design and development costs

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

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

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

Property, equipment and motor vehicles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employee benefits
(a) Pension obligations
The Group does not operate any post-employment schemes, including both defined benefit and defined contribution pension plans.

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

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

2 Segmental analysis

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

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

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

3 Operating profit

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

4 Finance costs - net

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

5 Staff numbers and cost

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

The aggregate payroll costs of these persons were as follows:

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

6 Income tax expense

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

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

7 Earnings per ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares, on the assumed conversion of all dilutive share options.

An adjustment for the dilutive effect of share options and convertible debt in the previous period has not been reflected in the calculation of the diluted loss per share, as the effect would have been anti-dilutive.

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

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

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

8 Intangible assets

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

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

9 Property, equipment and motor vehicles

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

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

10 Investments

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

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

Subsidiaries	Country of incorporation	Activity	Holding (%)
B.E. Global Services Limited	Isle of Man	Dormant	100

11 Bonds and deposits

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

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

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

12 Cash and cash equivalents

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

The Group holds funds for operational requirements and for its non-Isle of Man customers, shown as ‘company and other funds’ and on behalf of its Isle of Man regulated customers, shown as ‘protected player funds’.

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

13 Trade and other receivables

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

14 Trade and other payables

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

	Group		Company	
	2018 US$000	2017 US$000	**2018 US$000**	2017 US$000
	16,321	18,884	**1,502**	1,010

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

15 Loans

	Group		Company	
	2018 US$000	2017 US$000	**2018 US$000**	2017 US$000
Loan – Galloway Ltd	**500**	500	**500**	500
	500	500	**500**	500

A loan of US$500,000 was received from Galloway Ltd in February 2017, to provide financing for cash-backed bonding agreements. The loan is for a term of five years, attracts interest at 7.75% per annum and is secured over the unencumbered assets of the company (see note 19). The loan was issued at a market rate with no issue costs and the interest is settled on a quarterly basis. At year end there are two months outstanding interest of $6,476, which is recorded in other payables.

16 Share capital

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

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

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

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

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

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

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

17 Capital commitments

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

18 Operating lease commitments

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

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

19 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 10), and with its Directors and executive officers and with Burnbrae Ltd (significant shareholder).

Transactions with and between subsidiaries

Transactions with and between the subsidiaries in the Group, which have been eliminated on consolidation, are considered to be related party transactions.

Transactions with entities with significant influence over the Group

Rental and service charges of US$52,858 (2017: US$48,179) and Directors' fees of US$48,413 (2017: US$46,748) were charged in the year by Burnbrae Limited, of which Denham Eke and Nigel Caine are common Directors. The Group also had a loan of US$500,000 (2017: US$500,000) from Galloway Ltd, a company related to Burnbrae Limited by common ownership and Directors (note 15).

Transactions with key management personnel

The total amounts for Directors' remuneration were as follows:

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

Directors' Emoluments

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

* Paid to Burnbrae Limited.

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

20 Financial risk management

Capital structure

The Group's capital structure is as follows:

	2018 US$000	2017 US$000
Cash and cash equivalents	**13,392**	15,072
Loans and similar income	**(500)**	(500)
Net funds	**12,892**	14,572

	2018 US$000	2017 US$000
Shareholders' equity	**(2,044)**	(1,939)
Capital employed	**10,848**	12,633

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

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

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

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

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

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

The following are the contractual maturities of financial liabilities:

2018
Financial liabilities

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

2017
Financial liabilities

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

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

Classes of financial assets — carrying amounts

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

	2018 US$000	2017 US$000
	18,472	20,990

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

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

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

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

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

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

Interest rate risk

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

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

Foreign currency risks

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

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

At the reporting date the Group had the following exposure:

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

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

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

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

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

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

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

21 Controlling party and ultimate controlling party

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

22 Subsequent events

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