Webis Holdings plc

Global Gaming Group

Interim Report and Financial Statements for the period ended 30 November 2019

London AIM Stock Code: WEB

Webis Holdings plc

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Webis Holdings plc

Group at a Glance

Webis Holdings plc (the “Group”) operates two primary segments within its operational structure:

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

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

WatchandWager.com LLC has its operational base in Lexington, Kentucky, with its head office in Larkspur, California, and provides pari-mutuel 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 operation 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 an international business-to-business wagering product and a telephone call centre.

WatchandWager.com LLC - Cal Expo Harness Racetrack

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

As part of the requirements for the Group’s 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.

Webis Holdings plc

Chairman’s Statement

Introduction

It has been an improved first six months trading for WatchandWager.com, with an increase in turnover, plus a further reduction in operating costs, which has helped to reduce our previously reported losses. In addition, there have been some positive recent developments for the business in the USA, which are commented upon below.

Against that, the previously reported loss of a large syndicate wagering into international pools did have some impact on our year-on-year comparisons of activity through our platform, with total amounts wagered reduced. However, as stated, both turnover and gross profit returned were up on the previous year - an improved situation. It should be noted that the loss of the syndicate will no longer impact year-on-year comparisons into the second half of the year. In addition, the loss of this syndicate allows us to operate a more balanced business, with less reliance on one group of customers.

Our other sectors of the business performed well. In particular, our business-to-consumer Advanced Deposit Wagering operation surpassed expectations. Our business trading sector held up well but continues to be impacted by competition and reduced margins in this sector.

On an equally positive note, our racetrack operation at Cal Expo, Sacramento, California, performed well during the off-season racing (May to November), and has started the new season of racing very well.

In summary, the Board feel the business has turned a corner, with a better-balanced mix, and an improved retained gross margin. Initial trends for the second half of the year suggest this momentum will be maintained. Most importantly, the Company, particularly through its US array of licenses - especially its online and racetrack license in California - has created and secured a unique set of assets in the fastest growing gaming market in the world. This is commented on in more detail below under Outlook.

Half Year Results Review

Group turnover increased significantly by nearly 50% to US$ 8.06 million (2018: US$ 5.38 million), with gross profit also increasing to US$ 1.79 million (2018: US$ 1.70 million). This resulted in a 65% reduction in overall losses to US$ 0.21 million (2018: loss of US$ 0.59 million) for the period. This again reflects the loss of syndicate business but has improved our overall margin derived from more “retail-style” wagering activity, both through our on-line operations and through the racetrack. This is encouraging for the future.

Operating costs showed a further decrease to US$ 2.01 million (2018: US$ 2.17 million) and reflected our continued policy of controlling costs and generally streamlining the operation. Both the improvement in the margin derived from wagering and cost controls have helped to reduce our overall operating losses by almost threefold. This trend is expected to continue in the second half of the year.

WatchandWager Advanced Deposit Wagering

Business-to-consumer – this sector performed well over the period. Whilst we do not see the watchandwager.com/mobile product as a key brand within our future plans for USA sports betting, it is critically important that it continues to grow. Over the period, we saw an increase of 10% in amounts wagered and most importantly a 26% increase in the gross margin derived from the wagers on the website and mobile product. This is a direct result of some cost reductions but also targeting promotions at high margin racetracks and customers. This strategy has worked well and is planned to continue through the second half of the year, and our business planning for subsequent years.

Business-to-business – conversely trading was largely flat in this sector, even discounting the loss of the syndicate. Whilst we continue to service a wide range of customers on a wide range of international tracks, this sector is becoming increasingly competitive in nature. In particular, we compete with a wide range of operators who seem intent on maximising the volume of amounts wagered at the expense of margin. This is, of course, something of a race to the bottom and not commercially attractive, doing little to increase the value of the Company for shareholders. As a result, we continue with our strategy of growing our team of players for as long as a reasonable margin can be maintained, and activity is permitted within our regulatory obligations.

Cal Expo

During the period we benefited from a higher proportion of revenues from international amounts wagered in California, as per the new “international bill” mentioned in our last Annual Report. This benefit is likely to continue particularly during the off-season of

Chairman’s Statement continued

Cal Expo continued

Racing. In early November, WatchandWager re-commenced harness racing at the Cal Expo racetrack in Sacramento for the eighth successive season. Initial trading during the period has surpassed expectations.

Licenses

During the period, we have concentrated on obtaining important licence applications and renewals. I am pleased to report that all licence applications were successful, and include the key strategic states of California, New York and Kentucky, amongst others. These licences are all in good standing through the entirety of 2020 and, in certain cases, beyond.

Health and Safety

Shareholders should be aware of the larger than normal number of horseracing fatalities at one of our partner racetracks, namely Santa Anita, Pasadena, California. This has created a large amount of negative publicity both state-wide and internationally regarding horse welfare and is a concern for the future of the industry.

WatchandWager at Cal Expo enjoys an excellent horse welfare record during our eight years of operation. In particular, as a standard-bred (harness racing) operation, it has not suffered any fatalities on the racetrack either during live operations or training. Nonetheless, we and the management team are very aware of the impact of negative publicity on the industry generally and, potentially, live racing in California. As a result, our key management are paying ever more attention to welfare and also making involved partners, such as regulators, politicians and indeed the general public, fully aware of our excellent welfare record and the importance of live racing in California, especially in terms of the value of jobs and taxes paid within the State.

Outlook

Short term

I am pleased to report that performance has been a little above expectation across our key sectors from December to the time of writing. We have seen particularly good performance from our business-to-consumer unit and the racetrack in California. Whilst the final quarter of the year will be very important during peak racing season in the USA and internationally, at present the Board are positive that the momentum can be maintained to end May 2020 and beyond.

Longer term

Existing operations

As stated, the Board is confident that existing operations have now stabilised and can indeed return to profitability. The operation is run leanly and whilst the external welfare issues impacting horseracing and greyhound racing are a concern, there remain significant opportunities, both domestic and international, for new player content. Our strategy is to grow our platform through additional content and players, but continually focussing on higher margin business. However, the Board recognise that the ultimate goal is to capitalise on the huge opportunities available within USA expanded gaming landscape.

USA Expanded Gaming

Cal Expo/California

During the period, some significant progress has been made within California to join the ever-growing number of states legalising fixed odds sports betting. As a result of this, the decision was made by the Board to extend our lease at the Cal Expo racetrack for a further five years (to 2025), with an option to extend even further to 2030. This was a strategic decision based on legislative progress in the State Capitol in Sacramento, and to secure our position in the face of competitive influences.

Since then the situation has coalesced into two major, but competing, initiatives. The first being the State backed Senator Gray/Dodd Bill (ACA 16), which continues to be debated in Sacramento. The adoption of this is our preferred solution as in draft form it includes our racetrack as an operator who could be licensed, but also allows for online/mobile operations, plus white label options to expand. In addition, a sensible tax rate in line with the successful New Jersey model is suggested. The second initiative, namely the proposed

Chairman's Statement continued

USA Expanded Gaming continued

constitutional amendment tabled by several Native American tribal casinos is also welcome but much narrower in definition, including only land-based activity, with no mobile betting. There are several other restrictions placed upon the racetracks before they can undertake sports betting. The wider Gray/Dodd initiative, which will undoubtedly be more attractive for customers, would create many more jobs and tax payments within California. In conjunction with other interested parties, we are working hard to ensure that the key decision makers in Sacramento are aware of these facts.

In the interim, we are busy developing our strategy for sports betting. We see WatchandWager as the Licensed Association responsible for the operation, and as result will work with selected suppliers in both software, risk management, compliance and marketing amongst others. We have currently issued a Request for Proposal (RFP) for these functions to key suppliers and have been excited by initial responses.

In terms of timing, a date for legal sports betting is difficult to predict at present. Should either initiative reach the California ballot on 3 November 2020, legal wagering could commence in 2021. However, at time of writing, 2022 is more realistic, we will keep shareholders fully informed as to progress.

Other States

Shareholders should also be aware that the Executive are also working on other initiatives in relation to expanded gaming not only in California, but also Arizona, Kentucky and North Dakota, plus certain potential international developments. We will inform shareholders should these move forward.

Summary

We are pleased with the overall progress of the Company. We have restructured the business and, as a result, it is more balanced and generating a much-improved margin. We will focus on this key priority going forward.

In terms of strategy, the Board are very aware of our key assets, namely the securing of our licenses in California, especially the long-term agreement with Cal Expo. There are still many hurdles to be overcome, and the next six months will be very busy with the potential for impending legislation and selecting partners. One thing is for sure: licensed Sports Betting is coming to California, and we hold a critical asset in the State Capitol. We are very aware that there is likely to be a stampede of commercial interest in gaming in one of the largest economies in the world. We will keep shareholders fully informed of progress in this area.

Denham Eke
Non-executive Chairman
25 February 2020

Webis Holdings plc

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 November 2019

	Note	**Period to 30 November 2019 (unaudited) US$000**	Period to 30 November 2018 (unaudited) US$000
Amounts wagered		**37,725**	61,150
Turnover	2	**8,060**	5,382
Cost of sales		**(6,228)**	(3,581)
Betting duty paid		**(42)**	(100)
Gross profit		**1,790**	1,701
Operating costs		**(2,006)**	(2,170)
Share based costs		**—**	(18)
Other losses		**(10)**	(163)
Other income		**60**	79
Operating loss		**(166)**	(571)
Finance costs	3	**(41)**	(20)
Loss before income tax		**(207)**	(591)
Income tax expense	4	—	—
Loss for the period		**(207)**	(591)
Other comprehensive income for the period		—	—
Total comprehensive income for the period		**(207)**	(591)
Basic and diluted earnings per share for loss attributable to the equity holders of the Company during the period (cents)	5	**(0.05)**	(0.15)

The notes on pages 10 to 17 are an integral part of these condensed consolidated interim financial statements.

Webis Holdings plc

Condensed Consolidated Statement of Financial Position

As at 30 November 2019

	Note	**As at 30 November 2019 (unaudited) US$000**	Year to 31 May 2019 (audited) US$000
Non-current assets			
Intangible assets	6	**68**	104
Property, equipment and motor vehicles		**15**	26
Right of use assets	1.4	**439**	—
Bonds and deposits		**100**	101
Total non-current assets		**622**	231
Current assets			
Bonds and deposits		**883**	882
Trade and other receivables		**965**	1,191
Cash and cash equivalents	7	**2,758**	2,594
Total current assets		**4,606**	4,667
Total assets		**5,228**	4,898
Equity			
Called up share capital		**6,334**	6,334
Share option reserve		**42**	42
Retained losses		**(5,431)**	(5,224)
Total equity		**945**	1,152
Current liabilities			
Trade and other payables		**2,977**	2,896
Lease liability	1.4	**88**	—
Total current liabilities		**3,065**	2,896
Non-current liabilities			
Loans	8	**850**	850
Lease liability	1.4	**368**	—
Total non-current liabilities		**1,218**	850
Total liabilities		**4,283**	3,746
Total equity and liabilities		**5,228**	4,898

The notes on pages 10 to 17 are an integral part of these condensed consolidated interim financial statements.

Webis Holdings plc

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 November 2019

	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 (audited)	6,334	4	(4,294)	2,044
Total comprehensive income for the period:				
Loss for the period	—	—	(591)	(591)
Transactions with owners:				
Share-based payment expense	—	18	—	18
Balance as at 30 November 2018 (unaudited)	**6,334**	**22**	**(4,885)**	**1,471**

Balance as at 31 May 2019 (audited)	6,334	42	(5,224)	1,152
Total comprehensive income for the period:				
Loss for the period	—	—	(207)	(207)
Transactions with owners:				
Share-based payment expense	—	—	—	—
Balance as at 30 November 2019 (unaudited)	**6,334**	**42**	**(5,431)**	**945**

The notes on pages 10 to 17 are an integral part of these condensed consolidated interim financial statements.

Webis Holdings plc

Condensed Consolidated Statement of Cash Flows

For the period ended 30 November 2019

	Note	**Period to 30 November 2019 (unaudited) US$000**	Period to 30 November 2018 (unaudited) US$000
Cash flows from operating activities			
Loss before income tax		**(207)**	(591)
Adjustments for:			
- Depreciation		**47**	18
- Amortisation of intangible assets		**38**	42
- Finance costs	3	**41**	20
- Share based payment expense		**—**	18
- Other foreign exchange movements		**(8)**	524
Changes in working capital:			
- Decrease in receivables		**226**	1,501
- Increase/(decrease) in payables		**81**	(13,534)
Cash flows generated from/(used in) operations		**218**	(12,002)
Bonds and deposits utilised in the course of operations		**—**	1,962
Net cash generated from/(used in) operating activities		**218**	(10,040)
Cash flows from investing activities			
Purchase of intangible assets		**—**	(6)
Purchase of property, equipment and motor vehicles		**(5)**	—
Net cash used in investing activities		**(5)**	(6)
Cash flows from financing activities			
Payment of lease liabilities	1.4	**(17)**	—
Interest and charges paid	3	**(41)**	(20)
Net cash used in financing activities		**(58)**	(20)
Net increase/(decrease) in cash and cash equivalents		**155**	(10,066)
Cash and cash equivalents at beginning of year		**2,594**	13,392
Exchange movements on opening cash and cash equivalents		**9**	(525)
Cash and cash equivalents at end of period		**2,758**	2,801

The notes on pages 10 to 17 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended 30 November 2019

1 Reporting entity

Webis Holdings plc (the "Company") 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 unaudited condensed consolidated financial statements as at and for the period ended 30 November 2019 consolidate those of the Company and its subsidiaries (together referred to as the "Group").

1.1 Basis of accounting

The unaudited condensed consolidated financial statements of the Group (the "Financial Information") are prepared in accordance with Isle of Man law and International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("EU"). The financial information in this report has been prepared in accordance with the Group's accounting policies. Full details of the accounting policies adopted by the Group are contained in the consolidated financial statements included in the Group's annual report for the year ended 31 May 2019 which is available on the Group's website: www.webisholdingsplc.com.

The accounting policies and methods of computation and presentation adopted in the preparation of the Financial Information are consistent with those described and applied in the consolidated financial statements for the year ended 31 May 2019, other than as described further below in Note 1.4.

The unaudited condensed consolidated financial statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 May 2019, extracts of which are included in these unaudited condensed consolidated financial statements, were prepared under IFRS as adopted by the EU and have been filed at Companies Registry.

1.2 Use of judgements and estimates

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing the Financial Information, the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 May 2019 as set out in those financial statements.

1.3 Functional and presentation currency

The Financial Information is presented in US Dollars, rounded to the nearest thousand, which is the functional currency and also the presentation currency of the Group.

1.4 Changes in accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 May 2020. The Group has initially adopted IFRS 16 Leases from 1 June 2019. There are no other new IFRSs or interpretations effective from 1 June 2019 which have had a material effect on the financial information included in this report.

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.

1.4 Changes in accounting policies continued

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.

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 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 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 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.

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	**–**

1.4 Changes in accounting policies continued
iii. Impacts for the period

Right of use assets
The carrying amount of right of use assets at the end of the period is as follows:

	Property US$000	Right of use assets US$000
Balance at 1 June 2019	**262**	**262**
Depreciation expense	**(34)**	**(34)**
Modification to right of use assets	**211**	**211**
Balance at 30 November 2019	**439**	**439**

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

	Property US$000	Lease liability US$000
Balance at 1 June 2019	**262**	**262**
Interest expense	**10**	**10**
Lease payments	**(27)**	**(27)**
Modification to lease liabilities	**211**	**211**
Balance at 30 November 2019	**456**	**456**

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

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.

1.5 Going Concern
As noted within the statutory financial statements for the year ended 31 May 2019, the Directors have undertaken several strategies to support and sustain the Group as a going concern. These include, seeking to broadening its client base and expand its business to customer base, renewing various US state licenses, extending the lease terms of the Cal Expo racetrack, reducing operational costs and continuing to monitor the status of sports betting legislation within the State of California, all of which are key priorities for the Group in achieving its goal of profitability and maintaining adequate liquidity in order to continue its operations. While the Directors continue to assess all strategic options in this regard, the ultimate success of strategies adopted is difficult to predict. Notwithstanding the losses incurred in the last financial year, 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.

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2019

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 segments 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			
Period to 30 November 2019 (unaudited)	**Racetrack US$000**	**ADW US$000**	**All other segments US$000**	**Total US$000**
External revenues	**6,879**	**1,181**	**–**	**8,060**
Segment revenue	**6,879**	**1,181**	**–**	**8,060**
Segment loss before tax	**(37)**	**(149)**	**(21)**	**(207)**
Finance costs	**(8)**	**(2)**	**(31)**	**(41)**
Depreciation and amortisation	**(21)**	**(64)**	**–**	**(85)**
Period to 30 November 2019 (unaudited)				
Segment assets	**852**	**2,900**	**1,476**	**5,228**
Segment liabilities	**636**	**2,694**	**953**	**4,283**

	Reportable segments			
Period to 30 November 2018 (unaudited)	Racetrack US$000	ADW US$000	All other segments US$000	Total US$000
External revenues	4,128	1,254	–	5,382
Segment revenue	4,128	1,254	–	5,382
Segment loss before tax	(76)	(436)	(79)	(591)
Finance costs	–	–	(20)	(20)
Depreciation and amortisation	(4)	(56)	–	(60)
Period to 31 May 2019 (audited)				
Segment assets	423	2,612	1,863	4,898
Segment liabilities	181	2,666	899	3,746

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2019

2 Operating Segments continued

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

	Period to 30 November 2019 (unaudited) US$000	Period to 30 November 2018 (unaudited) US$000
i. Revenues		
Total revenue for reportable segments	**8,060**	5,382
Consolidated revenue	**8,060**	5,382
ii. Loss before tax		
Total loss before tax for reportable segments	**(186)**	(512)
Loss before tax for other segments	**(21)**	(79)
Consolidated loss before tax	**(207)**	(591)
iii. Other material items		
Finance costs	**(41)**	(20)
Depreciation and amortisation	**(85)**	(60)

iv. Assets	**Period to 30 November 2019 (unaudited) US$000**	Period to 31 May 2019 (audited) US$000
Total assets for reportable segments	**3,752**	3,035
Assets for other segments	**1,476**	1,863
Consolidated total assets	**5,228**	4,898
v. Liabilities		
Total liabilities for reportable segments	**3,330**	2,847
Liabilities for other segments	**953**	899
Consolidated total liabilities	**4,283**	3,746

D. Geographic information

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

Turnover		**Period to 30 November 2019 (unaudited) US$000**	Period to 30 November 2018 (unaudited) US$000
Racetrack operations	North America	**6,879**	4,128
ADW operations	North America	**765**	669
	British Isles	**404**	1
	Asia Pacific	**12**	583
	Europe	**—**	1
		8,060	5,382

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2019

3 Finance costs

	Period to 30 November 2019 (unaudited) US$000	Period to 30 November 2018 (unaudited) US$000
Loan interest payable	**(31)**	(20)
Lease liability interest payable	**(10)**	—
Finance costs	**(41)**	(20)

4 Income tax expense

(a) Current and Deferred Tax Expenses

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

(b) Tax Rate Reconciliation

	Period to 30 November 2019 (unaudited) US$000	Period to 30 November 2018 (unaudited) US$000
Losses before tax	**(207)**	(591)
Tax charge at IOM standard rate (0%)	**—**	—
Adjusted for:		
Tax credit for US tax losses (at 15%)	**(65)**	(100)
Add back deferred tax losses not recognised	**65**	100
Tax charge for the period	**—**	—

The maximum deferred tax asset that could be recognised at period end is approximately US$875,000 (2018: US$744,000). The Group has not recognised any asset as it is not reasonably known when the Group will recover such deferred tax assets.

5 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 period.

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

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

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2019

5 Earnings per ordinary share continued

	Period to 30 November 2019 (unaudited) US$000	Period to 30 November 2018 (unaudited) US$000
Loss for the period	**(207)**	(591)

	No.	No.
Weighted average number of ordinary shares in issue	**393,338,310**	393,338,310
Dilutive element of share options if exercised	**14,000,000**	14,000,000
Diluted number of ordinary shares	**407,338,310**	407,338,310
Basic earnings per share (cents)	**(0.05)**	(0.15)
Diluted earnings per share (cents)	**(0.05)**	(0.15)

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

6 Intangible assets

Intangible assets include goodwill which relates to the acquisition of the pari-mutuel business which is both a cash generating unit and a reportable segment, including goodwill arising on the acquisition in 2010 of WatchandWager.com LLC, a US registered entity licenced for pari-mutuel wagering in North Dakota.

The Group tests intangible assets annually for impairment, or more frequently if there are indicators that the intangible assets may be impaired. The goodwill balance was fully impaired in the financial year ended 31 May 2015.

7 Cash and cash equivalents

	30 November 2019 (unaudited) US$000	31 May 2019 (audited) US$000
Cash and cash equivalents – company and other funds	**1,516**	1,363
Cash and cash equivalents – protected player funds	**1,242**	1,231
Total cash and cash equivalents	**2,758**	2,594

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

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

Notes to the Condensed Consolidated Interim Financial Statements continued

For the period ended 30 November 2019

8 Loans

	30 November 2019 (unaudited) US$000	31 May 2019 (audited) US$000
Loan – Galloway Ltd	**850**	850
	850	850

A loan of US$500,000 was received from Galloway Ltd in February 2017, to provide financing for cash-backed bonding agreements. The loan is for a term of five years, attracts fixed interest at 7.75% per annum and is secured over the unencumbered assets of the company (see note 9). The loan was issued at a market rate with no issue costs and the interest is settled on a quarterly basis. At period end there are two month's outstanding interest of US$6,476 (2018: US$6,476), which is recorded in other payables.

A further loan of US$350,000 was received from Galloway Ltd in May 2019, to provide additional financing for cash-backed bonding agreements. The loan is for a term of five years, attracts fixed interest at 7.00% per annum and is secured over the unencumbered assets of the company (see note 9). The loan was issued at a market rate with no issue costs and the interest is settled on a quarterly basis. At period end there is one month's outstanding interest of US$2,014 (2018: US$Nil), which is recorded in other payables.

9 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries, and with its directors and executive officers and with Burnbrae Ltd (common directors and significant shareholder).

Transactions with and between subsidiaries

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

Transactions with entities with significant influence over the Group

Rental and service charges of US$5,205 (2018: US$25,714) and directors' fees of US$22,586 (2018: US$23,562) were charged in the period by Burnbrae Ltd of which Denham Eke and Nigel Caine are common directors. The Group also had a loan of US$850,000 (2018: US$500,000) from Galloway Ltd, a company related to Burnbrae Limited by common ownership and Directors (see note 8).

Transactions with other related parties

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

10 Events after the Balance Sheet Date

As previously announced on 4 December 2019, the company signed an extension of the lease for the Cal Expo racetrack facility, located in Sacramento, California, through to 1 May 2025. This modified the terms of the lease and resulted in an uplift of US$211,245 to both the right of use asset and lease liability at the period end (see note 1.4).

11 Approval of interim statements

The interim statements were approved by the Board on 25 February 2020. The interim report is expected to be available for shareholders on 26 February 2020 and will be available from that date on the Group's website www.webisholdingsplc.com.

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