For immediate release **7 December 2021**

Webis Holdings plc

("Webis" or "the Group")

Annual Report and Financial Statements for the year ended 31 May 2021

Notice of Annual General Meeting

Further to the announcement of 29 November 2021, Webis Holdings plc, the global gaming group, today announces its audited results and the publication of its Report and Accounts for the year ended 31 May 2021 ("Accounts"), extracts from which are set out below. There has been no change to the primary statements in the intervening period and the Independent Auditor's Report is unqualified.

Denham Eke, Non-executive Chairman stated:

"I am pleased to report our profit for the year was US$ 0.824 million, a marked increase on the 2020 loss of US$ 0.284 million. This is a very significant turnaround from our previous losses in 2020 and 2019 and shows signs of promise for the future."

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 31 January 2022.

We will inform shareholders should there be any change to the venue. The Board has considered how best to deal with the practical arrangements for the meeting considering the uncertainty surrounding travel during the ongoing COVID-19 pandemic. The Board considers it important that all shareholders should have the opportunity to exercise their voting rights at the AGM. To this end, the Company invites shareholders to complete the voting proxy form as early as possible. Shareholders may also submit questions to the Company Secretary either in writing at the registered office or by email to ir@webisholdingsplc.com prior to the meeting and as early as possible. The Company will continue to monitor the advice of the Isle of Man Government and, in the event of material changes to the current advice, the Company will update its shareholders via the Regulatory Information Service.

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 information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

For further information:

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Chairman's Statement

Introduction

I am pleased to report an excellent performance from our core USA based business WatchandWager.com LLC ("WatchandWager") over the financial year with a significant surge in profitability as can be seen below. The company has proved to be robust despite the impact of Covid-19 upon our key content and operations. Our online business performed well, and our racetrack operation at Cal Expo was also remarkably resilient in the face of difficult operational challenges.

I am also pleased to report that these positive trends have continued into the new financial year. That said, we are very aware that with reduced leisure restrictions relating to Covid-19, we are now facing increased competition for the leisure dollar. This is a focus for our executive team based in the USA.

On a wider picture and perhaps most importantly, we believe that we have further cemented our position as a credible and proven licence operator across the USA and in particular in California. One needs only to take a cursory check of the online and business media to see the progress that has been made in regulating sports betting in many states in the USA. In addition, we continue to see significant large-scale merger and acquisition activity in the sector, unprecedented anywhere else but in the USA.

Our key focus and highest priority remains in California, the biggest market in the USA and indeed, by most statistics, ranked the fifth largest economy in the world. We remain very well positioned in this state and this is commented on in more detail below.

It should be noted that this positive report comes with the caveat that external factors, including a potential increase in COVID-19 or any other factors outside our control, could have a detrimental impact on business performance.

Year End Results Review

The Group amounts wagered for the year ended 31 May 2021 were US$ 132.1 million (2020: US$ 105.3 million). Gross Profit reported was up at US$ 5.8million (2020: US$ 4.53 million), an increase of 27.9% on prior year.

Operating costs were up on last year at US$ 5.3 million, (2020 US$ 4.9 million), with the increases primarily due to managing our operation effectively during the pandemic and increases in costs directly related to the improvement in performance in the year under review.

I am pleased to report our profit for the year was US$ 0.824 million, a marked increase on the 2020 loss of US$ 0.284 million. This is a very significant turnaround from our previous losses in 2020 and 2019 and shows signs of promise for the future.

Shareholder equity stands at US$ 1.7 million (2020: US$ 0.9 million). Total cash stands at US$ 5.1 million (2020: US$ 4.0 million), which includes ring-fenced funds held as protection against our player liability as required under USA and Isle of Man gambling legislation. An amount of US$ 0.88 million was held during the year as bonds and deposits with regulatory authorities.

Shareholders should note that during the previous period, through our US bankers Wells Fargo, we applied for and received a loan of $319,994 from the USA Small Business Administration ("SBA"). Subsequent to the end of this period, a forgiveness application has been submitted for the entirety of this loan, which is currently under review with the SBA. We are confident that we have proven to Wells Fargo and the SBA that this loan was fully utilized in the correct manner, namely, to ensure that all staff were retained on payroll and that no redundancies or furlough schemes were entered into. As a result, we expect that this loan will be fully forgivable, and the Group has accordingly fully recognised this as income as of 31 May 2021.

Approach to Risk and Corporate Governance

As part of the adoption of the Quoted Companies Alliance Corporate Governance code in 2018, the Board completed an assessment of the risks inherent in the business and defined and adopted a statement of risk appetite, being the amount and type of risk, it is prepared to seek, accept or tolerate in pursuit of value. This being: -

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

The Group's primary risk drivers include: -

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

Our risk appetite is classified under an "impact" matrix defined as Zero, Low, Medium and High. Appropriate steps are implemented to ensure the prudential control monitoring of risks to the Group and the Audit, Risk and Compliance Committee oversees this essential requirement. Further details of the Corporate Governance Statement will be found on pages 10 to 13 of this report and should be read in conjunction with my report.

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

Performance by Sector

WatchandWager

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

This sector performed very well during the period. We experienced a 53% increase in handle versus the same period last year. Importantly, we saw a 67% increase in active player wagering from our non-rebate players on the website versus the prior year. This sector derives a much higher margin than our Business-to-Business operation.

These increases have primarily been due to improvements in our website application especially in the areas of content, player verification, payments, retention, and re-activation marketing. It should be noted that we did not spend any significant sums on external media advertising for player acquisition. This was a deliberate policy as we continue to manage cash flow throughout the operation.

That said, we should be realistic about the levels of growth that we saw during the period and these levels. We believe that equivalent levels have been achieved by our competitors, especially the major online gaming companies. This means that making this sector more competitive is a key goal for the company.

Business-to-Business

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

Conversely, this sector was mainly stagnant during the period and is becoming increasingly competitive as content holders manage their rates and control distribution. Whilst it is important that we manage and provide the highest standard of service to existing and potentially new players, we will only engage in business if it is compliant with the key licences that we hold. It goes without saying that our licences are the key asset that the company holds. In addition, we will only engage in business in this sector if it provides a satisfactory margin back to WatchandWager, otherwise this becomes a race to the bottom.

Cal Expo

Our racetrack operation at Cal Expo Sacramento performed very well during the period under adverse operational challenges due to Covid-19. We were unable to race at the end of the season as directed by the Sacramento Department of Health and on most days, we were unable to allow customers onto the track. This of course reduced our on-track revenue to almost zero, while the cost of operations remained higher due to emergency procedures relating to the pandemic.

Against that, our product was extremely strong and well covered in the racing media. This meant that we received a significant increase in wagering from our online and international partners (typically known in industry parlance as “dark monies”) and this offset the losses at the track.

Importantly, I am very pleased to report that we operated a safe and successful meeting with no fatalities amongst our large horse population. Health and safety and the protection of our equine and human participants continues to be integral to our operation at Cal Expo.

Covid-19 and other risk factors

During the period we have updated our Risk Assessment procedures and will continue to do so. Of course, in terms of our online operations, IT Security remains integral to our operations, and we have made many improvements in this area during and after the period reported. In terms of our retail operations, external threats such as Covid-19 remain a concern, albeit largely out of our control. In the same way, the persistent wildfires in California remain a risk to our operations, but we have robust protocol in place to deal with these external issues.

Licences, Regulatory and Compliance

I am pleased to report that during the period we renewed all our key licences. As reported, we also added further States for licenced wagering. We also commissioned a comprehensive legal opinion of our position regarding state-by-state wagering. This was well received by our bankers, payment providers, and content providers.

In addition, I can report that the Group did not have any regulatory breaches or complaints from our valued content providers during the period, and indeed to date. We consider compliance and social responsibility to be important to the brand and company.

Subsequent Events (post period reported)

Trading

As mentioned above, I can report our positive trading momentum has continued. We are seeing good levels of business in our B2C sector and at Cal Expo, even whilst we are out of season. Our B2B business remains steady but showing little growth as per previous trends.

With the usual caveat for external factors, the Board remains confident of continued progress and reasonable profitability. A further update will be provided post half year with an announcement due in February 2022.

Cal Expo License Renewal

As reported, we have resumed racing in November 2021 and expect a positive and profitable season currently planned through end of April 2022. Shareholders should be reminded that our licence with our Cal Expo state landlord lasts until 2025, with an option to renew until 2030. This remains our most important asset as analysed in the section below. We continue to enjoy good relations with our landlord and our State regulator and that is very important to our business.

USA/CA regulated sports betting

This area is of course arguably the most interesting area of our business, with our strategic licences in California in both online and land-based gambling the priority to the company. Shareholders will have noted the increasing expansion in regulated sports wagering across the USA, and we remain well positioned in California, truly the land of opportunity, given likely regulation and the enormous market size in the State.

At time of writing, we are aware of at least four separate bills/propositions that could be voted upon in November 2022, in the form of a proposition (referendum). We are working closely with our advisors and contracted lobbyists in Sacramento to provide input into the political process. It should be noted that we strongly oppose the current Native American proposition which is based on sports gaming only to be available via their own casinos and land. This is obviously commercially highly unattractive to anyone who understands the sports betting business and will derive negligible revenue to the state. We much prefer several of the more progressive draft bills in the State, which provide credible opportunities for all licensed land based and mobile operators based in the State. We continue to work with regulators to make them understand these issues and drive forward an economically attractive option for the State and licence holders.

It should be noted we continue to also assess other opportunities outside California and will update shareholders if feasible business opportunities come to rise.

Finally, all observers will know that the rapid expansion of regulated gaming in the USA is the most exciting development in the sector globally. As a company we are very confident of our position in the USA and California in particular and our unique position. We welcome dialogue with credible software providers or operators in the sector who wish to assist our efforts. Should these discussions move forward, we will of course update shareholders in line with our regulatory obligations.

Summary and Outlook

I wish to confirm the support of our principal shareholder for our USA operations, strategy, and expansion plans. We are in a stable and improved position as a business, and we also believe we can raise further capital to support our operations both short term and indeed for future funding of our USA strategy.

Finally, I would like to thank all our shareholders and customers for their continued loyalty. In addition, I would like to thank all of our staff and team for their work and commitment to keeping the operation “on the road” during some of the logistical difficulties all companies have experienced in the recent period.

Denham Eke

Non-executive Chairman

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2021

	Note	**2021 US$000**	2020 US$000
Amounts wagered		**132,149**	105,325
Revenue	2	**55,668**	43,436
Cost of sales		**(49,757)**	(38,820)
Betting duty paid		**(114)**	(83)
Gross profit		**5,797**	4,533
Operating costs		**(5,314)**	(4,908)
Impairment movement on trade receivables	21	**7**	(18)
Re-organisational and other costs		—	(28)
Other gains / (losses)		**2**	(29)
Government grant	15	**272**	48
Other income		**185**	212

	Note	**2021 US$000**	2020 US$000
Operating profit / (loss)	3	**949**	(190)
Finance costs	4	**(125)**	(94)
Profit / (loss) before income tax		**824**	(284)
Income tax expense	6	—	—
Profit / (loss) for the year		**824**	(284)
Total comprehensive profit / (loss) for the year		**824**	(284)
Basic earnings per share for profit / (loss) attributable to the equity holders of the Company during the year (cents)	7	**0.21**	(0.07)
Diluted earnings per share for profit / (loss) attributable to the equity holders of the Company during the year (cents)	7	**0.20**	(0.07)

Statements of Financial Position

As at 31 May 2021

	Note	**31.05.21 Group US$000**	**31.05.21 Company US$000**	31.05.20 Group US$000	31.05.20 Company US$000
Non-current assets					
Intangible assets	8	**12**	**—**	30	—
Property, equipment and motor vehicles	9	**380**	**6**	415	7
Investments	10	**—**	**3**	—	2
Bonds and deposits	11	**101**	**—**	101	—
Total non-current assets		**493**	**9**	546	9
Current assets					
Bonds and deposits	11	**882**	**—**	882	—
Trade and other receivables	13	**1,896**	**150**	1,256	463
Cash, cash equivalents and restricted cash	12	**5,083**	**2,142**	3,969	1,780
Total current assets		**7,861**	**2,292**	6,107	2,243
Total assets		**8,354**	**2,301**	6,653	2,252
Equity					
Called up share capital	17	**6,334**	**6,334**	6,334	6,334
Share option reserve	17	**42**	**42**	42	42
Retained losses		**(4,684)**	**(5,516)**	(5,508)	(5,526)
Total equity		**1,692**	**860**	868	850
Current liabilities					
Trade and other payables	14	**4,995**	**91**	3,749	52
Deferred income	15	**—**	**—**	272	—
Loans, borrowings and lease liabilities	16	**572**	**500**	97	—
Total current liabilities		**5,567**	**591**	4,118	52

	Note	**31.05.21 Group US$000**	**31.05.21 Company US$000**	31.05.20 Group US$000	31.05.20 Company US$000
Non-current liabilities					
Loans, borrowings and lease liabilities	16	**1,095**	**850**	1,667	1,350
Total non-current liabilities		**1,095**	**850**	1,667	1,350
Total liabilities		**6,662**	**1,441**	5,785	1,402
Total equity and liabilities		**8,354**	**2,301**	6,653	2,252

Statements of Changes in Equity

For the year ended 31 May 2021

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 2019	6,334	42	(5,224)	1,152
Total comprehensive loss for the year:				
Loss for the year	—	—	(284)	(284)
Transactions with owners:				
Share-based payment expense (note 17)	—	—	—	—
Balance as at 31 May 2020	6,334	42	(5,508)	868
Total comprehensive profit for the year:				
Profit for the year	—	—	824	824
Transactions with owners:				
Share-based payment expense (note 17)	—	—	—	—
Balance as at 31 May 2021	**6,334**	**42**	**(4,684)**	**1,692**

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 2019	6,334	42	(5,412)	964
Total comprehensive loss for the year:				
Loss for the year	—	—	(114)	(114)
Transactions with owners:				
Share-based payment expense (note 17)	—	—	—	—
Balance as at 31 May 2020	6,334	42	(5,526)	850
Total comprehensive profit for the year:				
Profit for the year	—	—	10	10
Transactions with owners:				
Share-based payment expense (note 17)	—	—	—	—
Balance as at 31 May 2021	**6,334**	**42**	**(5,516)**	**860**

Consolidated Statement of Cash Flows

For the year ended 31 May 2021

	Note	**2021 US$000**	2020 US$000
Cash flows from operating activities			
Profit / (loss) before income tax		**824**	(284)
Adjustments for:			
- Depreciation of property, equipment and motor vehicles	9	**119**	122
- Amortisation of intangible assets	8	**26**	73
- Rent concession received		**(5)**	(13)
- Finance costs	4	**125**	94
- Government grant utilised		**(272)**	(48)
- Other foreign exchange movements		**222**	(83)
Changes in working capital:			
- Increase in receivables		**(640)**	(65)
- Increase in payables		**1,246**	853
Cash flows from operations		**1,645**	649
Bonds and deposits placed in the course of operations	11	**—**	—
Net cash generated from operating activities		**1,645**	649
Cash flows from investing activities			
Purchase of intangible assets	8	**(8)**	—
Purchase of property, equipment and motor vehicles	9	**(84)**	(39)
Net cash used in investing activities		**(92)**	(39)
Cash flows from financing activities			
Interest paid	4	**(125)**	(94)
Payment of lease liabilities and rent concessions received	19	**(111)**	(101)
Repayment of loans and borrowings		**(5)**	(1)
Receipt of Government funding/grant		**—**	320
Increase in loans, borrowings and lease liabilities		**24**	556
Net cash (used in) / generated from financing activities	**16**	**(217)**	680
Net increase in cash and cash equivalents		**1,336**	1,290
Cash and cash equivalents at beginning of year		**2,499**	1,363
Exchange (losses) / gains on cash and cash equivalents		**(222)**	85
Increase in movement of restricted cash		**(375)**	(239)
Cash and cash equivalents at end of year	**12**	**3,238**	2,499

Notes to the Financial Statements

For the year ended 31 May 2021

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 2021 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.

The Group has consistently applied the accounting policies as set out in note 1.2 to all periods presented in these financial statements.

Functional and presentational currency

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

Other information presented

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

(b) Basis of measurement

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

(c) Use of estimates and judgement

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

The Directors consider the only critical estimate area to be as follows:

- Note 21 – the measurement of Expected Credit Loss ("ECL") allowance for trade and other receivables and assessment of specific impairment allowances where receivables are past due.

Going concern

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

As indicated in the statement of comprehensive income, the Group has seen a significant improvement in results with an uplift in profitability of $1,108,000 when compared to last year. The net profit in the current year is US$824,000 (2020: loss of US$284,000) and due to that, net assets have increased from US$868,000 to US$1,692,000.

In advance of other sports, the horseracing industry continued to operate during the lockdown period of the pandemic in 2020, which allowed the industry to attract higher player numbers and wagering volumes and this has resulted in improved performance and has increased Group profitability during 2020/21. Extensive efforts have been made to promote the content and markets the Group provides to a wider customer base with an increased focus on player retention. Whilst there can be no certainty as to the level and duration of higher volumes and improved trading results, significant attention is being applied to sustain these trading patterns through attracting and retaining new players.

This improved performance has led to a more positive cash flow position, growing the Group operational cash, which allows the Group to continue to meet its liabilities for the foreseeable future.

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

- broadening the Group's client base and the continued expansion of its business to customer base;
- continuing to renew and acquire further US state regulated gaming licenses and continuing to develop and expand the Cal Expo racetrack operation; and
- taking advantage of the anticipated regulatory change in the State of California's adoption of sports betting legislation which will further open up opportunities for the Group

Whilst the Directors continue to assess all strategic options in relation to the strategies noted in the previous paragraph, the Directors recognize that the ultimate success of strategies adopted is difficult to predict as they require additional liquidity to pursue the required investment, including bonds to be placed with the relevant authorities to allow for betting on those tracks and excess cost to be paid to service providers to add more servers to allow for increased number of users. The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group is projected to have sufficient funds. Projections are inherently uncertain (also considering the history of losses) and, in that regard, the related entity has committed to extend funding in case the Group faces any difficulty to meet its liabilities as they fall due for that period.

The Company and the Group have, in previous years, received financial support from Galloway Limited (related entity) and Galloway Limited has expressed its willingness to continue to make funds available as and when needed by the Group and Company. The loans from Galloway Limited stand at US$1,350,000 as at 31 May 2021.

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.

Based on these indications, (namely cashflow projections and commitment of support from the related entity), along with the improved performance of the Group and its improved cash position, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.2 Summary of significant accounting policies

During the current year the Group adopted all the new and revised IFRSs that are relevant to its operation and are effective for accounting periods beginning on 1 June 2020. No adoptions had a material effect on the accounting policies of the Group.

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

Basis of consolidation

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Revenue from contracts with customers

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

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

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

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

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

Government grants

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

Segmental reporting

Segmental reporting is based on the business areas in accordance with the Group's internal reporting structure, which allows the individual operating segments to be identified by the disparate nature of the principal activity they undertake. The Group determines and presents segments based on the information that internally is provided to the Board and Managing Director, the Group's chief operating decision maker.

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

Current and deferred income tax

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

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

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

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

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

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

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

Intangible assets — goodwill

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

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

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

Intangible assets — other

(a) Trademarks and licences

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

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

(b) Website design and development costs

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

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

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

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

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

Property, equipment and motor vehicles

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

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

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

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

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

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

Share-based payment expense

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

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

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

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

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

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 share capital.

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

Financial instruments

Recognition and measurement

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Bonds and deposits

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

Borrowings

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

Trade and other payables

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

Impairment of financial assets

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

Performing financial assets

Stage 1

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

Stage 2

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

Impaired financial assets

Stage 3

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

The Group applies the ECL model to two main types of financial assets that are measured at amortised cost:

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

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

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

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. As a lessee

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

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

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

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

The Group receives rent concessions on its racetrack lease when, due to external factors, the number of days raced in a season is lower than the actual number of days scheduled to be raced.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, equipment and motor vehicles' and lease liabilities in 'loans, borrowings and lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to 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.

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

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

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

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

Standards	**Effective date** (accounting periods commencing on or after)
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018 – 2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023

2 Operating Segments

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

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

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

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

	Reportable segments			
	Racetrack 2021 US$000	**ADW 2021 US$000**	**Corporate operating costs 2021 US$000**	**Total 2021 US$000**

External revenues	**52,640**	**3,028**	**–**	**55,668**
Segment revenue	**52,640**	**3,028**	**–**	**55,668**
Segment profit before tax	**390**	**424**	**10**	**824**
Interest expense	**(23)**	**(4)**	**(98)**	**(125)**
Depreciation and amortisation	**(79)**	**(66)**	**–**	**(145)**
Other material non-cash items:				
- Impairment movement on trade receivables	**–**	**7**	**–**	**7**
Segment assets	**2,138**	**3,915**	**2,301**	**8,354**
Segment liabilities	**1,409**	**3,812**	**1,441**	**6,662**

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

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

	2021 US$000	2020 US$000
i. Revenues		
Total revenue for reportable segments	**55,668**	43,436
Consolidated revenue	**55,668**	43,436
ii. Profit / (loss) before tax		
Total profit / (loss) before tax for reportable segments	**814**	(170)
Profit / (loss) before tax for other segments	**10**	(114)
Consolidated profit / (loss) before tax	**824**	(284)
iii. Assets		
Total assets for reportable segments	**6,053**	4,401
Assets for other segments	**2,301**	2,252
Consolidated total assets	**8,354**	6,653
iv. Liabilities		
Total liabilities for reportable segments	**5,221**	4,383
Liabilities for other segments	**1,441**	1,402

	2021 US$000	2020 US$000
Consolidated total liabilities	**6,662**	5,785
v. Other material items		
Interest expense	**(125)**	(94)
Depreciation and amortisation	**(145)**	(195)
Impairment movement on trade receivables	**7**	(18)

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

D. Geographic information

i. Revenues

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

		2021 US$000	2020 US$000
Revenue			
Racetrack operations	North America	**52,640**	41,071
ADW operations	North America	**2,294**	1,599
ADW operations	British Isles	**734**	760
ADW operations	Asia Pacific	**–**	6
		55,668	43,436

ii. Non-current assets

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

	2021 US$000	2020 US$000
United States of America	**386**	439
Isle of Man	**6**	6
	392	445

Non-current assets exclude financial instruments.

3 Operating profit / (loss)

Operating profit / (loss) is stated after charging:	2021 US$000	2020 US$000
Auditors' remuneration — audit	**136**	96
Depreciation of property, equipment and motor vehicles	**119**	122
Amortisation of intangible assets	**26**	73
Exchange (gains) / losses	**(2)**	29
Directors' fees	**73**	64

4 Finance costs

	2021 US$000	2020 US$000
Loan interest payable	**(125)**	(94)
Finance costs	**(125)**	(94)

5 Staff numbers and cost

	2021	2020
Average number of employees – Pari-mutuel and Racetrack Operations	**52**	52

The aggregate payroll costs of these persons were as follows:

Pari-mutuel and Racetrack Operations	**2021 US$000**	2020 US$000
Wages and salaries	**1,676**	1,701
Social security costs	**116**	114
	1,792	1,815

6 Income tax expense

(a) Current and Deferred Tax Expenses

The current and deferred tax expenses for the year were US$Nil (2020: US$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

	2021 US$000	2020 US$000
Profit / (loss) before tax	**824**	(284)
Tax charge at IOM standard rate (0%)	**–**	–
Adjusted for:		
Tax credit for US tax gains / (losses) (at 15%)	**84**	(97)
Add back deferred tax (gains) / losses not recognised	**(84)**	97
Tax charge for the year	–	–

The maximum deferred tax asset that could be recognised at year end is approximately US$823,000 (2020: US$907,000). The Group has not recognised any asset as it is not reasonably known whether the Group will recover such deferred tax assets.

7 Earnings per ordinary share

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

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

An adjustment for the dilutive effect of share options in the current period has not been reflected in the calculation of the diluted profit per share, as the effect would have been anti-dilutive.

	2021 US$000	2020 US$000
Profit / (loss) for the year	**824**	(284)
	No.	No.
Weighted average number of ordinary shares in issue	**393,338,310**	393,338,310
Dilutive element of share options if exercised (note 17)	**14,000,000**	14,000,000
Diluted number of ordinary shares	**407,338,310**	407,338,310
Basic earnings per share (cents)	**0.21**	**(0.07)**
Diluted earnings per share (cents)	**0.20**	**(0.07)**

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 1 June 2019	177	1,503	64	1,680	64
Additions during the year	–	–	–	–	–
Decommissioned assets	–	(905)	(49)	(905)	(49)
Balance at 31 May 2020	177	598	15	775	15
Balance at 1 June 2020	177	598	15	775	15
Additions during the year	–	8	–	8	–
Balance at 31 May 2021	**177**	**606**	**15**	**783**	**15**
Amortisation and Impairment					
Balance at 1 June 2019	177	1,399	57	1,576	57
Amortisation for the year	–	73	6	73	6
Decommissioned assets	–	(905)	(49)	(905)	(49)
Currency translation differences	–	1	1	1	1
Balance at 31 May 2020	177	568	15	745	15
Balance at 1 June 2020	177	568	15	745	15
Amortisation for the year	–	26	–	26	–
Balance at 31 May 2021	**177**	**594**	**15**	**771**	**15**
Carrying amounts					
At 1 June 2019	–	104	7	104	7
At 31 May 2020	**–**	30	–	30	–
At 31 May 2021	**–**	**12**	–	**12**	–

The Group reviews intangible assets annually for impairment or more frequently if there are indications that the intangible assets may be impaired (see note 1).

During 2019/20, a review of assets held was undertaken to remove any historical items that were considered to be decommissioned and therefore no longer held by the Group. This principally related to software and website costs that were fully amortised and removed from service in previous years following changes to those business activities and/or assets reaching their end of useful life.

9 Property, equipment and motor vehicles

Group	Computer Equipment US$000	Fixtures, Fittings & Track Equipment US$000	Motor Vehicles US$000	Right-of-use Assets US$000	Total US$000
Cost					
Balance at 1 June 2019	604	580	51	–	1,235
Additions during the year	5	–	34	473	512
Decommissioned/disposed assets	(447)	(339)	(35)	–	(821)

Group	Computer Equipment US$000	Fixtures, Fittings & Track Equipment US$000	Motor Vehicles US$000	Right-of-use Assets US$000	Total US$000
Balance at 31 May 2020	162	241	50	473	926
Balance at 1 June 2020	162	241	50	473	926
Additions during the year	4	80	–	–	84
Balance at 31 May 2021	**166**	**321**	**50**	**473**	**1,010**
Depreciation					
Balance at 1 June 2019	586	577	46	–	1,209
Charge for the year	16	2	6	98	122
Decommissioned/disposed assets	(447)	(339)	(35)	–	(821)
Currency translation differences	–	1	–	–	1
Balance at 31 May 2020	155	241	17	98	511
Balance at 1 June 2020	155	241	17	98	511
Charge for the year	5	9	7	98	119
Balance at 31 May 2021	**160**	**250**	**24**	**196**	**630**
Carrying amounts					
At 1 June 2019	18	3	5	–	26
At 31 May 2020	7	–	33	375	415
At 31 May 2021	**6**	**71**	**26**	**277**	**380**

Company	Computer Equipment US$000	Fixtures & Fittings US$000	Total US$000
Cost			
Balance at 1 June 2019	429	139	568
Additions during the year	5	–	5
Discarded assets	(401)	(59)	(460)
Balance at 31 May 2020	33	80	113
Balance at 1 June 2020	33	80	113
Additions during the year	4	–	4
Balance at 31 May 2021	**37**	**80**	**117**

Company	Computer Equipment US$000	Fixtures & Fittings US$000	Total US$000
Depreciation			
Balance at 1 June 2019	419	139	558
Charge for the year	8	–	8
Discarded assets	(401)	(59)	(460)

Balance at 31 May 2020	26	80	106
Balance at 1 June 2020	26	80	106
Charge for the year	5	–	5
Balance at 31 May 2021	**31**	**80**	**111**
Carrying amounts			
At 1 June 2019	10	–	10
At 31 May 2020	7	–	7
At 31 May 2021	**6**	**–**	**6**

10 Investments

Investments in subsidiaries are held at cost. Details of investments at 31 May 2021 are as follows:

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

11 Bonds and deposits

	Group		Company	
	2021 US$000	2020 US$000	**2021 US$000**	2020 US$000
Bonds and deposits which expire within one year	**882**	882	**–**	–
Bonds and deposits which expire within one to two years	**–**	–	**–**	–
Bonds and deposits which expire within two to five years	**101**	101	**–**	–
	983	983	**–**	–

Cash bonds of US$875,000 have been paid as security deposits in relation to various US State ADW licences (2020: US$875,000). These cash bonds are held in trust accounts used exclusively for cash collateral, with financial institutions which have been screened for their financial strength and capitalization ratio. The financial institutions have a credit rating of A- Excellent from AM Best credit rating agency. Therefore, these bonds are considered to be fully recoverable. A rent deposit of US$100,000 is held by California Exposition & State Fair and is for a term of 5 years (2020: US$100,000). This is held by an entity of the Californian state government and is therefore considered fully recoverable. Rent and other security deposits total US$8,315 (2020: US$8,155). These deposits are repayable upon completion of the relevant lease term, under the terms of legally binding agreements.

12 Cash, cash equivalents and restricted cash

	Group		Company	
	2021 US$000	2020 US$000	**2021 US$000**	2020 US$000
Cash and cash equivalents – company and other funds	**3,238**	2,499	**312**	324
Restricted cash – protected player funds	**1,845**	1,470	**1,830**	1,456
Total cash, cash equivalents and restricted cash	**5,083**	3,969	**2,142**	1,780

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

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

13 Trade and other receivables

	Group		Company	
	2021 US$000	2020 US$000	**2021 US$000**	2020 US$000
Trade receivables	**907**	675	**–**	–
Amounts due from Group undertakings	**–**	–	**98**	428
Other receivables and prepayments	**989**	581	**52**	35
	1,896	1,256	**150**	463

Included within trade receivables are impairment provisions of US$78,002 (see note 21), (2020: US$85,775).
Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

14 Trade and other payables

	Group		Company	
	2021 US$000	2020 US$000	**2021 US$000**	2020 US$000
Trade payables	**686**	603	**33**	9
Amounts due to customers	**2,968**	2,446	**–**	–
Taxes and national insurance	**15**	22	**2**	2
Accruals and other payables	**1,326**	678	**56**	41
	4,995	3,749	**91**	52

15 Deferred income

	Group		Company	
	2021 US$000	2020 US$000	**2021 US$000**	2020 US$000
Government grant	**–**	272	**–**	–

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

16 Loans, borrowings and lease liabilities
Current liabilities

	Group		Company	
	2021 US$000	2020 US$000	**2021 US$000**	2020 US$000
Unsecured loans (current portion)	**6**	5	**–**	–
Lease liabilities (current portion)	**66**	92	**–**	–
Secured loans – Galloway Ltd	**500**	–	**500**	–
	572	97	**500**	–

Non-current liabilities

	Group		Company	
	2021 US$000	2020 US$000	**2021 US$000**	2020 US$000
Unsecured loans (non-current portion)	**19**	25	**–**	–
Lease liabilities (non-current portion)	**226**	292	**–**	–
Secured loans – Galloway Ltd	**850**	1,350	**850**	1,350
	1,095	1,667	**850**	1,350

Terms and repayment schedule

	Nominal interest rate	Year of maturity	**2021 Total US$000**	2020 Total US$000
Unsecured loan	8.90%	2025	**25**	30
Lease liabilities	7.00-9.00%	2021-25	**292**	384
Secured loan – Galloway Ltd	7.75%	2022	**500**	500
Secured loan – Galloway Ltd	7.00%	2024	**350**	350
Secured loan – Galloway Ltd	7.00%	2025	**500**	500
Total loans and borrowings			**1,667**	1,764

The Group did not receive any new loans during the year.

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

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other loans and borrowings US$000	**Lease liabilities US$000**	**Total US$000**
Balance at 1 June 2019	**850**	**–**	**850**
Changes from financing cash flows			
Proceeds from loans, borrowings and lease liabilities	531	25	556
Proceeds from Government funding/grant	320	–	320
Repayment of borrowings	(1)	–	(1)
Payment of lease liabilities	–	(101)	(101)
Interest paid	(69)	(25)	(94)
Total changes from financing cash flows	**781**	**(101)**	**680**
Other changes			
Liability-related			
New leases	–	473	473
Rent concession received	–	(13)	(13)
Interest expense	69	25	94
Forgiveness of Government funding/grant	(320)	–	(320)
Total liability-related other changes	**(251)**	**485**	**234**
Balance at 31 May 2020	**1,380**	**384**	**1,764**

	Other loans and borrowings US$000	Lease liabilities US$000	Total US$000
Balance at 1 June 2020	**1,380**	**384**	**1,764**
Changes from financing cash flows			
Proceeds from loans, borrowings and lease liabilities	–	24	24
Repayment of borrowings	(5)	–	(5)
Payment of lease liabilities	–	(111)	(111)
Interest paid	(101)	(24)	(125)
Total changes from financing cash flows	**(106)**	**(111)**	**(217)**
Other changes			
Liability-related			
Rent concession received	–	(5)	(5)
Interest expense	101	24	125
Total liability-related other changes	**101**	**19**	**120**
Balance at 31 May 2021	**1,375**	**292**	**1,667**

17 Share capital

	No.	**2021 US$000**	2020 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 (2020: 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 2021 were as follows:

	No.
At 31 May 2020 – 1p ordinary shares	14,000,000
Options granted	–
Options lapsed	–
Options exercised	–
At 31 May 2021 – 1p ordinary shares	14,000,000

During 2016 the Group established an equity-settled share-based option program. The fair value of options granted is recognised as an expense, with a corresponding increase in equity. The fair value is measured at grant date using a Black-Scholes model and is spread over the vesting period. The amount recognised in equity is adjusted to reflect the actual number of share options which are expected to vest. By taking into consideration the volatility of the shares over the 3 years prior to granting, the volatility of the options is calculated at 75%, with a risk-free interest rate of 0.86%.

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

The charge for share options recorded in profit and loss for the year was US$Nil (2020: US$Nil). Since the grant date, the total charge in relation to the share options was US$42,126.

18 Capital commitments

As at 31 May 2021, the Group had no capital commitments (2020: US$Nil).

19 Leases

A. Leases as lessee

The Group leases office and racetrack facilities. The office facility is leased until May 2021, with an average length of renewal of between two to three years. The racetrack facility is leased until May 2025, with extensions or renewals typically ranging between three to five years.

The Group also leases additional office facilities with contract terms of no more than one year. These leases are short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented within property, equipment and motor vehicles.

Group	**Property US$000**	**Total US$000**
Cost		
Balance at 1 June 2019	–	–
Additions during the year	473	473
Balance at 31 May 2020	473	473
Balance at 1 June 2020	473	473
Additions during the year	–	–
Balance at 31 May 2021	**473**	**473**
Depreciation		
Balance at 1 June 2019	–	–
Charge for the year	98	98
Balance at 31 May 2020	98	98
Balance at 1 June 2020	98	98
Charge for the year	98	98
Balance at 31 May 2021	**196**	**196**
Carrying amounts		
At 1 June 2019	–	–
At 31 May 2020	375	375
At 31 May 2021	**277**	**277**

ii. Amounts recognised in profit or loss

	2021 US$000	2020 US$000
Interest on lease liabilities	24	25
Depreciation expense	98	98
Rent concessions received	(5)	(13)
Expenses relating to short-term leases	69	47

iii. Amounts recognised in statement of cash flows

	2021 US$000	2020 US$000
Total cash outflow for leases	111	101

20 Related party transactions

Identity of related parties

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

Transactions with and between subsidiaries

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

Transactions with entities with significant influence over the Group

Rental and service charges of US$45,652 (2020: US$26,273) and Directors' fees of US$26,461 (2020: US$45,435) were charged in the year by Burnbrae Limited, of which Denham Eke is a common Director. The Group also had loans of US$1,350,000 (2020: US$1,350,000) from Galloway Ltd, a company related to Burnbrae Limited by common ownership and Directors (note 17).

Transactions with key management personnel

The total amounts for Directors' remuneration were as follows:

	2021 US$000	2020 US$000
Emoluments — salaries, bonuses and taxable benefits	**366**	368
— fees	**73**	64
	439	432

Directors' Emoluments

	Basic salary US$000	Fees US$000	Bonus US$000	Termination payments US$000	Benefits US$000	**2021 Total US$000**	2020 Total US$000
Executive							
Ed Comins	310	—	35	—	21	**366**	368
Non-executive							
Denham Eke*	—	26	—	—	—	**26**	25
Nigel Caine	—	20	—	—	—	**20**	20
Sir James Mellon	—	20	—	—	—	**20**	19
Richard Roberts	—	7	—	—	—	**7**	—
Aggregate emoluments	310	73	35	—	21	**439**	432

* Paid to Burnbrae Limited.

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

21 Financial risk management

Capital structure

The Group's capital structure is as follows:

	2021 US$000	2020 US$000
Cash and cash equivalents	**3,238**	2,499
Loans and similar liabilities	**(1,375)**	(1,380)
Net funds	**1,863**	1,119
Shareholders' equity	**(1,692)**	(868)
Capital employed	**171**	251

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

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

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

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

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

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

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

The following are the contractual maturities of financial liabilities:

2021
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	**(686)**	**(686)**	**(686)**	**–**	**–**
Amounts due to customers	**(2,968)**	**(2,968)**	**(2,968)**	**–**	**–**
Other payables, loans and deferred income	**(2,269)**	**(2,507)**	**(947)**	**(893)**	**(667)**
Lease liabilities	**(292)**	**(338)**	**(13)**	**(72)**	**(253)**
	(6,215)	**(6,499)**	**(4,614)**	**(965)**	**(920)**

2020
Financial liabilities

	Carrying amount US$000	Contractual cash flow US$000	6 months or less US$000	Up to 1 year US$000	1–5 years US$000
Trade payables	(603)	(603)	(603)	–	–
Amounts due to customers	(2,446)	(2,446)	(2,446)	–	–
Other payables, loans and deferred income	(1,967)	(2,306)	(640)	(52)	(1,614)
Lease liabilities	(384)	(454)	(29)	(87)	(338)
	(5,400)	(5,809)	(3,718)	(139)	(1,952)

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

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

	2021 US$000	2020 US$000
Non-credit impaired trade receivables	**16**	23
Credit impaired trade receivables	**62**	62
Total impairment losses	**78**	85

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

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

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

While there has been an impact from Covid-19 across many industries worldwide, horse racing was one of the few events that managed to maintain some activity during the initial months of the pandemic, and which therefore assisted in the recommencement of operations for those tracks which had temporarily halted operations for a period of time. While we saw a slowdown of settlements from settling agents and tracks at the end of 2019/20, settlements and recovery are now back in line with general terms of business. The Group has continued to take a conservative approach to the assessment of the Weighted Average Loss Rate and maintained rates that are considered to reflect the risk that exists under current market conditions.

The following table provides information about exposure to credit risk and expected credit losses for trade receivables as at 31 May 2021:

2021	**Weighted Average Loss Rate (%)**	**Gross Carrying Amount US$000**	**Loss Allowance US$000**	**Net Carrying Amount US$000**	**Credit Impaired**
Current (not past due)	1.00%	479	(5)	474	No
1-30 days past due	2.00%	406	(8)	398	No
31-60 days past due	5.00%	10	(1)	9	No
61-90 days past due	7.00%	20	(1)	19	No
More than 90 days past due	10.00%	8	(1)	7	No
More than 90 days past due	100.00%	62	(62)	—	Yes
		985	**(78)**	**907**	

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

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

Classes of financial assets — carrying amounts

	2021 US$000	2020 US$000
Cash and cash equivalents	**3,238**	2,499
Bonds and deposits	**983**	983
Trade and other receivables	**1,766**	1,184
	5,987	4,666

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:

	2021 US$000	2020 US$000
Pari-mutuel	**1,766**	1,184

Of the above receivables, US$907,000 (2020: US$675,000) relates to amounts owed from racing tracks. These receivables are actively monitored to avoid significant concentration of credit risk and the Directors consider there to be no significant concentration of credit risk.

The Directors consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The banks have external credit ratings of at least Baa3 from Moody's.

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

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

Any movement in interest rates would not be considered to have any significant impact on net assets at the balance sheet date as the Group and Parent Company do not have floating rate loans payable.

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

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

At the reporting date the Group had the following exposure:

2021	**USD US$000**	**GBP US$000**	**EUR US$000**	**HKD US$000**	**Total US$000**
Current assets	**6,710**	**283**	**78**	**659**	**7,730**
Current liabilities	**(4,778)**	**(339)**	**(85)**	**(700)**	**(5,902)**
Short-term exposure	**1,932**	**(56)**	**(7)**	**(41)**	**1,828**

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

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 2021 would have increased / (decreased) equity and profit and loss by the amounts shown below:

2021	**GBP US$000**	**EUR US$000**	**HKD US$000**	**Total US$000**
Current assets	**14**	**4**	**33**	**51**
Current liabilities	**(17)**	**(4)**	**(35)**	**(56)**
Net assets	**(3)**	–	**(2)**	**(5)**

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

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

22 Controlling party and ultimate controlling party

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

23 Subsequent events

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