

**Webis Holdings plc**  
**(“Webis” or “the Group”)**

**Annual Report and Financial Statements for the year ended 31 May 2022**

**Notice of Annual General Meeting**

Webis Holdings plc, the global gaming group, today announces its audited results and the publication of its 2022 Report and Accounts (“Accounts”) for the year ended 31 May 2022, extracts from which are set out below.

The Accounts are being posted to shareholders today together with the Notice of Annual General Meeting, and will be available on the Group’s website [www.webisholdingsplc.com](http://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 10.00 a.m. on 30 January 2023.

**Chairman’s Statement**

**Introduction**

The Board is satisfied with the progress of the business over the year reported. It has been difficult to make comparisons with prior years with the impact of Covid-19 lock downs impacting business in various ways for at least the last two years. The positive factors have been our continued growth in our B2C sector and our continued good performance at our racetrack, Cal Expo in Sacramento. Against that we have seen a decline in our B2B business, which we see as a mature business model.

On a macro level, we are pleased with a continued licensed presence across the USA and, of course, our existing business in California. Shareholders will have noted the “no” votes on sports betting in California. The bills were badly constructed on many levels, and as a result now leave us even better positioned in the State. Sports wagering will happen in California - the State finance deficit dictates so - and with our long-term lease at Cal Expo, we are very much part of the process.

I am also pleased to report that the Board has agreed a clear business strategy for a minimum of the next two years. This is largely based upon generating significant growth for our B2C sector, which we consider an asset, in conjunction with our increasing licensed presence within the USA. We consider that focusing on these two areas of growth will maximise value for shareholders.

In summary, we know that we need to improve our day-to-day performance (as commented on below) and are confident that we can achieve that. Finally, I can report we continue to have the full support of our principal shareholder to drive the growth strategy forwards in the USA.

**Year End Results Review**

The Group amounts wagered for the year ended 31 May 2022 were US\$ 120.1 million (2021: US\$ 132.1 million). Gross Profit reported was US \$ 5.1 million (2021: US\$ 5.8 million).

Operating costs were up on last year at US\$ 5.6 million (2021 US\$ 5.3 million), primarily from increased race days at the Cal Expo racetrack, whilst we also managed the business effectively during the Covid-19 pandemic.

This resulted in a loss on the year of US\$ 0.374 million, a downturn on the 2021 profit of US\$ 0.824 million, albeit last year was an exceptional year.

Shareholder equity stands at US\$ 1.3 million (2021: US\$ 1.7 million). Total cash stands at US\$ 4.1 million (2021: US\$ 5.1 million), which includes ring-fenced funds held as protection against our player liability as required under USA and Isle of Man gambling legislation.

**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\*\*](http://www.watchandwager.com/mobile)

We have been encouraged by the performance of the B2C business over the period reported. This continues the positive momentum that we enjoyed in the previous financial year. Comparisons are very difficult to make against prior years due to the impact of the COVID-19 pandemic. As previously reported, this sector performed well last year during a scenario where live racing continued across the world but, in many circumstances, customers were not permitted to visit the tracks. This year, thankfully, saw a gradual relaxation of the policies around the pandemic, which was most welcome for the industry as a whole, but also made trading more competitive.

Given these points, we have analysed our key metrics versus pre-pandemic levels, and we have shown significant growth on the website/mobile. Most importantly, overall handle (amounts wagered) in the period reported from players on our interactive platforms has increased by 40% versus the FY ending in May 2019, and 66% versus the FY ending in May 2018. FY 2020/21 was to an extent a freak year, for the reasons above, and we saw a small drop off in handle against last year. This is not wholly surprising looking at the market overall, but it is vital we keep this positive momentum going.

We consider our growing B2C business as one of our principal assets of the company. To that end, our executive team is currently conducting a detailed strategic review of this sector, with a view to further invest in software development, marketing and related resource to grow this area even faster. This is commented upon further in Subsequent Events.

#### **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, we consider this model to be a mature business, albeit one that is still important to the overall Group. Over the period reported, we saw a decline in handle and in addition some issues with our key customers’ ability to return a positive investment on their wagers. This is, of course, fundamental to the pari-mutuel business model of churn that we operate. There is no easy solution to this issue. The fact is that the sector is overly competitive with our main host global racetracks continuing to request a greater margin from this type of betting. At the same time, the key high roller clients are also requesting preferential rates based upon their volumes. Obviously, this squeezes an operator such as ourselves.

### **Cal Expo**

We raced between October 2021 and May 2022 during the period with 45 nights of live racing. Overall, we were pleased with our performance and this sector continues to show a consistent level of profitability. The reason for this is we have achieved unique positioning on the West Coast with our product. We had good horse level numbers throughout the season, competitive betting action and good levels of exposure from the TV channels. This is a recipe for strong levels of handle throughout the season. In addition, we continue to benefit from the “dark monies”, namely revenues accrued whilst we were not racing. As a reminder to shareholders, we have secured the lease at the property until 2030. We still consider Cal Expo to be a key asset as we grow our presence in California.

### **Key risk factors**

During the period we have updated our Risk Assessment procedures and will continue to do so. The Board conducts regular risk assessments on a micro and macro level.

### **Licences, Regulatory and Compliance**

I am pleased to report that during the period we renewed all our key licences, and in addition we fully expect all our licenses subsequent to the period to be approved before the calendar year end 2022.

In addition, I can report that the Group did not have any regulatory breaches or complaints from our regulators and our content providers during the period, and indeed to date. There were also no AML issues reported to the regulatory authorities during the period. There were also no Health and Safety issues over the period. We consider compliance and social responsibility to be important to the brand and company.

## **Subsequent Events (post period reported)**

### **Trading**

I am pleased to report that we had a good first quarter of the new financial year, June-August was overall strong, where we continued to show good levels of growth in our B2C sector and also in revenues from Cal Expo. Against that, B2B business continued to be stagnant.

It should be noted, however, that as anticipated we saw a slowing in business through September and October, mainly due to reduced quality of USA content. This is normal seasonality, however there is no doubt that USA and global economic factors are becoming a threat to the business and industry generally.

### **License Renewals**

As reported, we have renewed or are in the process of renewing all our key licenses in both the Isle of Man and the USA. Significantly, we extended our Webis license with the Isle of Man Gambling Supervision Commission in August of this year. Whilst of course the US is the key generator of business, we do consider our continued presence in the Isle of Man as strategically important.

In the USA, as well as our Cal Expo license, and as previously reported, we renewed our online license with the California Horseracing Board on 22 November. This is a vitally important license for reasons given below.

### **Arizona Downs**

Shareholders should be updated on this project. We have signed a lease agreement with the landlord at the venue in Prescott Valley, AZ. However, at time of writing we still have not had our license hearing with the State regulators. This has been frustrating, but we fully expect to be licensed by the end of this year, or at worst early in 2023. Based upon that, we would immediately commence operations as a licensee, and plan to commence actual live racing in September and October 2023. We still believe that this project will be profitable and will assist our other live operations at Cal Expo. We will keep shareholders fully informed of progress on this matter.

### **USA/CA regulated sports betting**

As shareholders are aware, on Tuesday 8 November the two Californian Sports Betting Propositions failed to receive the number of votes required for them to go into law. Contrary to some opinions, this was actually a very positive development for our Californian business. The comments for both propositions were seen to be ill thought-out, highly protective, and in the case of 27, potentially misleading. Initial indications since the elections show that this subject is far from dead in California. Simply put, the market for Californian sports betting is too big for it not to happen.

We much prefer working closely with the State legislature in Sacramento to devise a State-driven Bill that is fair and equitable for all interested parties and, most importantly, the Californian customer. We believe that this can happen in 2023 with a view for live operations in 2024 and will work to ensure that our assets in California will be included in such a Bill.

### **Strategic Outlook**

We have now completed a comprehensive strategic review of our operations and goals for the business through the next two years, all linked to achieving profitability. We have identified growing the B2C sector as our principal aim with a view to at least doubling player numbers within the next two years. We have developed a detailed software and marketing plan to that end which has been approved by the Board with detailed budgets until the end of 2024 which project this sector and indeed the whole operation to be profitable.

In conjunction with that, we have several aims to improve our licensed position in the USA, especially in CA and AZ. We believe that it is vitally important for growth that we continue to ensure the highest levels of regulatory compliance as a company in the USA.

A combination of growth in our core business as detailed above plus our unique presence in key States will greatly enhance the valuation of the business. Related to that, we continue to assess more strategic developments and have not ruled out alliances, mergers or acquisitions to fast-track our growth. We will keep shareholders fully up to date on developments in this area.

### **Summary**

Finally, I would like to thank all our shareholders and customers for their continued loyalty. In addition, I would like to thank all our staff and team for their work and commitment over the year.

**Denham Eke**

**Non-executive Chairman**

**28 November 2022**

**For further information:**

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Denham Eke

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Roland Cornish/James Biddle

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## **Consolidated Statement of Comprehensive Income**

For the year ended 31 May 2022

	Note	2022 US\$000	2021 US\$000
<b>Amounts wagered</b>		<b>120,140</b>	132,149
Revenue	1.2	<b>53,612</b>	55,668
Cost of sales	1.2	<b>(48,462)</b>	(49,757)
Betting duty paid		<b>(101)</b>	(114)
<b>Gross profit</b>		<b>5,049</b>	5,797
Operating costs		<b>(5,604)</b>	(5,314)
Loss allowance on trade receivables	21	<b>11</b>	7
Other gains		<b>20</b>	2
Government grant	15	<b>(48)</b>	272
Other income		<b>324</b>	185
<b>Operating (loss) / profit</b>	3	<b>(248)</b>	949
Finance costs	4	<b>(126)</b>	(125)
<b>(Loss) / profit before income tax</b>		<b>(374)</b>	824
Income tax expense	6	<b>—</b>	—
<b>(Loss) / profit for the year</b>		<b>(374)</b>	824
<b>Total comprehensive (loss) / profit for the year</b>		<b>(374)</b>	824
<b>Basic earnings per share for (loss) / profit attributable to the equity holders of the Company during the year (cents)</b>	7	<b>(0.10)</b>	0.21
<b>Diluted earnings per share for (loss) / profit attributable to the equity holders of the Company during the year (cents)</b>	7	<b>(0.09)</b>	0.20

## Statements of Financial Position

As at 31 May 2022

	Note	31.05.22 Group US\$000	31.05.22 Company US\$000	31.05.21 Group US\$000	31.05.21 Company US\$000
<b>Non-current assets</b>					
Intangible assets	8	11	—	12	—
Property, equipment and motor vehicles	9	724	3	380	6
Investments	10	—	3	—	3
Bonds and deposits	11	100	—	101	—
<b>Total non-current assets</b>		<b>835</b>	<b>6</b>	493	9
<b>Current assets</b>					
Bonds and deposits	11	883	—	882	—
Cash, cash equivalents and restricted cash	12	4,139	1,266	5,083	2,142
Trade and other receivables	13	1,190	821	1,896	150
<b>Total current assets</b>		<b>6,212</b>	<b>2,087</b>	7,861	2,292
<b>Total assets</b>		<b>7,047</b>	<b>2,093</b>	8,354	2,301
<b>Equity</b>					
Called up share capital	17	6,334	6,334	6,334	6,334
Share option reserve	17	42	42	42	42
Retained losses		(5,058)	(5,711)	(4,684)	(5,516)
<b>Total equity</b>		<b>1,318</b>	<b>665</b>	1,692	860
<b>Current liabilities</b>					
Trade and other payables	14	3,640	78	4,995	91
Loans, borrowings and lease liabilities	16	109	—	572	500
<b>Total current liabilities</b>		<b>3,749</b>	<b>78</b>	5,567	591
<b>Non-current liabilities</b>					
Loans, borrowings and lease liabilities	16	1,980	1,350	1,095	850
<b>Total non-current liabilities</b>		<b>1,980</b>	<b>1,350</b>	1,095	850
<b>Total liabilities</b>		<b>5,729</b>	<b>1,428</b>	6,662	1,441
<b>Total equity and liabilities</b>		<b>7,047</b>	<b>2,093</b>	8,354	2,301

## Statements of Changes in Equity

For the year ended 31 May 2022

Group	Called up share capital US\$000	Share option reserve US\$000	Retained earnings US\$000	Total equity US\$000
<b>Balance as at 31 May 2020</b>	6,334	42	(5,508)	868
<b>Total comprehensive loss for the year:</b>				
Profit for the year	—	—	824	824
<b>Balance as at 31 May 2021</b>	6,334	42	(4,684)	1,692

Group	Called up share capital US\$000	Share option reserve US\$000	Retained earnings US\$000	Total equity US\$000
<b>Total comprehensive profit for the year:</b>				
Loss for the year	—	—	(374)	(374)
<b>Balance as at 31 May 2022</b>	<b>6,334</b>	<b>42</b>	<b>(5,058)</b>	<b>1,318</b>

Company	Called up share capital US\$000	Share option reserve US\$000	Retained earnings US\$000	Total equity US\$000
<b>Balance as at 31 May 2020</b>	6,334	42	(5,526)	850
<b>Total comprehensive loss for the year:</b>				
Profit for the year	—	—	10	10
<b>Balance as at 31 May 2021</b>	6,334	42	(5,516)	860
<b>Total comprehensive profit for the year:</b>				
Loss for the year	—	—	(195)	(195)
<b>Balance as at 31 May 2022</b>	<b>6,334</b>	<b>42</b>	<b>(5,711)</b>	<b>665</b>

## Consolidated Statement of Cash Flows

For the year ended 31 May 2022

	Note	2022 US\$000	2021 US\$000
<b>Cash flows from operating activities</b>			
(Loss) / profit before income tax		(374)	824
Adjustments for:			
- Depreciation of property, equipment and motor vehicles	9	128	119
- Amortisation of intangible assets	8	7	26
- Rent concessions received	19	(2)	(5)
- Loan interest paid		101	101
- Re-recognition of PPP loan	15	48	—
- Government grant utilised		—	(272)
- Decrease / (increase) in movement of restricted cash*		768	(375)
- Increase in lease liabilities		25	24
- Other foreign exchange movements		(66)	222
Changes in working capital:			
- Decrease / (increase) in receivables		706	(640)
- (Decrease) / increase in payables		(1,355)	1,246
<b>Net cash (used in) / generated from operating activities</b>		<b>(14)</b>	<b>1,270</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	8	(6)	(8)
Purchase of property, equipment and motor vehicles	9	—	(84)
<b>Net cash used in investing activities</b>		<b>(6)</b>	<b>(92)</b>

	Note	2022 US\$000	2021 US\$000
<b>Cash flows from financing activities</b>			
Loan interest paid		(101)	(101)
Payment of lease liabilities - principal	19	(92)	(92)
Payment of lease liabilities - interest	19	(25)	(24)
Rent concessions received	19	2	5
Repayment of loans and borrowings		(6)	(5)
<b>Net cash used in financing activities</b>	16	<b>(222)</b>	(217)
Net (decrease) / increase in cash and cash equivalents		(242)	961
Cash and cash equivalents at beginning of year		3,238	2,499
Exchange gains / (losses) on cash and cash equivalents		66	(222)
<b>Cash and cash equivalents at end of year</b>	12	<b>3,062</b>	3,238

\*Decrease / (increase) in movement of restricted cash, has been reclassified to Operating activities from Cash and cash equivalents. The reclassification has been made to achieve better presentation, as the restricted cash relates to player liabilities, which is part of the operating activity of the Group. The impact of this reclassification on net cash (used in) / generated from operating activities is a decrease of USD 375k on the total as previously reported of USD 1,645k.

## Notes to the Financial Statements

For the year ended 31 May 2022

### 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 consolidated financial statements as at and for the year ended 31 May 2022 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 UK Adopted – International Accounting Standards post Brexit.

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 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 UK Adopted – International Accounting Standards post Brexit 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 incurred a net loss in the current year of US\$374,000 (2021: profit of US\$824,000) and due to that, net assets reduced from US\$1,692,000 to US\$1,318,000.

2020/21 results benefitted from the horseracing industry continuing to operate during the lockdown period of the Covid pandemic in 2020, which allowed the industry to attract higher player numbers and wagering volumes, which resulted in improved performance and increased Group profitability during that financial year. While there has been an expected reduction in retail customer numbers as other sports and wagering opportunities opened again, overall, there has still been an improvement in net results when compared to years prior to 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.

The Group has maintained sufficient operational cash to allow it 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 continuing to pursue 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 2022.

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 current 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 2021. 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'). As the primary activities of the Group and the primary transactional currency of the Group's customers are carried out in US Dollars, the consolidated financial statements have been presented in US Dollars. The determination of the presentation currency does not involve significant judgement as the primary activities of the Group are in US Dollars.

### **(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. Where the Group acts as a principal, the entire wager is recognised as revenue and where it is an agent the wagering commission the Group retains is recognised as revenue.

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.

## **Cost of sales**

The Group recognises cost of sales related to the Racetrack operations in which it is the race host. The cost of sales includes direct costs such as purses, hub fees, import fees, pay-outs, and other statutory distributions.

## **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. Renewal costs are expensed in the year they relate to.

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	Fixtures and fittings	3 years
Motor vehicles	5 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.

### *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'). Any financial asset that had been outstanding for greater than 90 days would be assessed on an individual basis to determine if it qualified as a significant increase in credit risk. 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. Any recognised liability would be settled within 12 months of the year end.

#### **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. The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

## Standards

**Effective date**  
(accounting periods  
commencing on or  
after)  
1 January 2022

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)  
2022 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 2023

IFRS 17 Insurance Contracts  
Classification of liabilities as current or non-current (Amendments to IAS 1)  
Amendments to IFRS 17  
Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2)  
Definition of Accounting Estimate (Amendments to IFRS 8)  
Deferred Tax related Asset and Liabilities Arising from a Single Transaction – Amendments to IAS  
12 Income Taxes  
Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures  
(Amendments to FRS 10 and IAS 28)

## 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.

	<u>Reportable segments</u>		Corporate operating costs 2022 US\$000	Total 2022 US\$000
	Racetrack 2022 US\$000	ADW 2022 US\$000		
External revenues	51,225	2,387	–	53,612
<b>Segment revenue</b>	<b>51,225</b>	<b>2,387</b>	<b>–</b>	<b>53,612</b>
Segment profit / (loss) before tax	259	(438)	(195)	(374)
Interest expense	(22)	(6)	(98)	(126)
Depreciation and amortisation	(88)	(44)	(3)	(135)
Other material non-cash items:				
- Impairment movement on trade receivables	–	11	–	11
<b>Segment assets</b>	<b>2,324</b>	<b>3,387</b>	<b>1,336</b>	<b>7,047</b>
<b>Segment liabilities</b>	<b>1,522</b>	<b>2,779</b>	<b>1,428</b>	<b>5,729</b>

### Reportable segments

	<u>Reportable segments</u>		Corporate operating costs 2021 US\$000	Total 2021 US\$000
	Racetrack 2021 US\$000	ADW 2021 US\$000		

External revenues	52,640	3,028	–	55,668
<b>Segment revenue</b>	<b>52,640</b>	<b>3,028</b>	<b>–</b>	<b>55,668</b>
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
<b>Segment assets</b>	<b>2,138</b>	<b>3,915</b>	<b>2,301</b>	<b>8,354</b>
<b>Segment liabilities</b>	<b>1,409</b>	<b>3,812</b>	<b>1,441</b>	<b>6,662</b>

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

	2022 US\$000	2021 US\$000
<b>i. Revenues</b>		
Total revenue for reportable segments	53,612	55,668
<b>Consolidated revenue</b>	<b>53,612</b>	<b>55,668</b>
<b>ii. (Loss) / profit before tax</b>		
Total (loss) / profit before tax for reportable segments	(179)	814
(Loss) / profit before tax for other segments	(195)	10
<b>Consolidated (loss) / profit before tax</b>	<b>(374)</b>	<b>824</b>
<b>iii. Assets</b>		
Total assets for reportable segments	5,711	6,053
Assets for other segments	1,336	2,301
<b>Consolidated total assets</b>	<b>7,047</b>	<b>8,354</b>
<b>iv. Liabilities</b>		
Total liabilities for reportable segments	4,301	5,221
Liabilities for other segments	1,428	1,441
<b>Consolidated total liabilities</b>	<b>5,729</b>	<b>6,662</b>
<b>v. Other material items</b>		
Interest expense	(126)	(125)
Depreciation and amortisation	(135)	(145)
Impairment movement on trade receivables	11	7

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.

		2022 US\$000	2021 US\$000
<b>Revenue</b>			
Racetrack operations	North America	51,225	52,640
ADW operations	North America	1,833	2,294

ADW operations	British Isles	527	734
ADW operations	Caribbean	27	–
		<b>53,612</b>	55,668

## 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 the Group's assets.

	2022 US\$000	2021 US\$000
United States of America	731	386
Isle of Man	4	6
	<b>735</b>	392

Non-current assets exclude financial instruments.

## 3 Operating (loss) / profit

Operating (loss) / profit is stated after charging:

	2022 US\$000	2021 US\$000
Auditors' remuneration — audit	153	136
Depreciation of property, equipment and motor vehicles	128	119
Amortisation of intangible assets	7	26
Exchange losses / (gains)	7	(2)
Directors' fees	96	73

## 4 Finance costs

	2022 US\$000	2021 US\$000
Loan interest payable	(126)	(125)
<b>Finance costs</b>	<b>(126)</b>	<b>(125)</b>

## 5 Staff numbers and cost

	2022	2021
Average number of employees – Pari-mutuel and Racetrack Operations	52	52

The aggregate payroll costs of these persons were as follows:

	2022 US\$000	2021 US\$000
<b>Pari-mutuel and Racetrack Operations</b>		
Wages and salaries	1,707	1,676
Social security costs	127	116
	<b>1,834</b>	1,792



## 6 Income tax expense

### (a) Current and Deferred Tax Expenses

The current and deferred tax expenses for the year were US\$Nil (2021: 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

	2022 US\$000	2021 US\$000
(Loss) / profit before tax	(374)	824
Tax charge at IOM standard rate (0%)	–	–
Adjusted for:		
Tax credit for US tax (losses) gains (at 21%)	(91)	118
Add back deferred tax losses / (gains) not recognised	91	(118)
<b>Tax charge for the year</b>	<b>–</b>	<b>–</b>

The maximum deferred tax asset that could be recognised at year end is approximately US\$985,000 (2021: US\$894,000). The Group has not recognised any asset as it might not be recoverable within the allowed period.

## 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.

	2022 US\$000	2021 US\$000
(Loss) / profit for the year	(374)	824
	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)	(0.10)	0.21
Diluted earnings per share (cents)	(0.09)	0.20

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

	Software & development costs			Total	
	Goodwill				
	Group US\$000	Group US\$000	Company US\$000	Group US\$000	Company US\$000
<b>Cost</b>					
Balance at 1 June 2020	177	598	15	775	15
Additions during the year	–	8	–	8	–

	Goodwill	Software & development costs		Total	
	Group US\$000	Group US\$000	Company US\$000	Group US\$000	Company US\$000
<b>Balance at 31 May 2021</b>	177	606	15	783	15
Balance at 1 June 2021	177	606	15	783	15
Additions during the year	–	6	–	6	–
<b>Balance at 31 May 2022</b>	<b>177</b>	<b>612</b>	<b>15</b>	<b>789</b>	<b>15</b>
<b>Amortisation and Impairment</b>					
Balance at 1 June 2020	177	568	15	745	15
Amortisation for the year	–	26	–	26	–
<b>Balance at 31 May 2021</b>	177	594	15	771	15
Balance at 1 June 2021	177	594	15	771	15
Amortisation for the year	–	7	–	7	–
<b>Balance at 31 May 2022</b>	<b>177</b>	<b>601</b>	<b>15</b>	<b>778</b>	<b>15</b>
<b>Carrying amounts</b>					
At 1 June 2020	–	30	–	30	–
<b>At 31 May 2021</b>	–	12	–	12	–
<b>At 31 May 2022</b>	–	11	–	11	–

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).

## 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
<b>Cost</b>					
Balance at 1 June 2020	162	241	50	473	926
Additions during the year	4	80	–	–	84
<b>Balance at 31 May 2021</b>	166	321	50	473	1,010
Balance at 1 June 2021	166	321	50	473	1,010
Additions during the year	–	–	–	472	472
<b>Balance at 31 May 2022</b>	<b>166</b>	<b>321</b>	<b>50</b>	<b>945</b>	<b>1,482</b>
<b>Depreciation</b>					
Balance at 1 June 2020	155	241	17	98	511
Charge for the year	5	9	7	98	119
<b>Balance at 31 May 2021</b>	160	250	24	196	630
Balance at 1 June 2021	160	250	24	196	630
Charge for the year	3	18	7	100	128
<b>Balance at 31 May 2022</b>	<b>163</b>	<b>268</b>	<b>31</b>	<b>296</b>	<b>758</b>

Group	Computer Equipment US\$000	Fixtures, Fittings & Track Equipment US\$000	Motor Vehicles US\$000	Right-of- use Assets US\$000	Total US\$000
<b>Carrying amounts</b>					
At 1 June 2020	7	–	33	375	415
<b>At 31 May 2021</b>	<b>6</b>	<b>71</b>	<b>26</b>	<b>277</b>	<b>380</b>
<b>At 31 May 2022</b>	<b>3</b>	<b>53</b>	<b>19</b>	<b>649</b>	<b>724</b>

Company	Computer Equipment US\$000	Fixtures & Fittings US\$000	Total US\$000
<b>Cost</b>			
Balance at 1 June 2020		33	80
Additions during the year		4	–
<b>Balance at 31 May 2021</b>		<b>37</b>	<b>80</b>
Balance at 1 June 2021		37	80
Additions during the year		–	–
<b>Balance at 31 May 2022</b>		<b>37</b>	<b>80</b>

Company	Computer Equipment US\$000	Fixtures & Fittings US\$000	Total US\$000
<b>Depreciation</b>			
Balance at 1 June 2020	26	80	106
Charge for the year	5	–	5
<b>Balance at 31 May 2021</b>	<b>31</b>	<b>80</b>	<b>111</b>
Balance at 1 June 2021	31	80	111
Charge for the year	3	–	3
<b>Balance at 31 May 2022</b>	<b>34</b>	<b>80</b>	<b>114</b>
<b>Carrying amounts</b>			
At 1 June 2020	7	–	7
<b>At 31 May 2021</b>	<b>6</b>	<b>–</b>	<b>6</b>
<b>At 31 May 2022</b>	<b>3</b>	<b>–</b>	<b>3</b>

## 10 Investments

Investments in subsidiaries are held at cost. Details of investments at 31 May 2022 are as follows:

Subsidiaries	Country of incorporation	Activity	Holding (%)
WatchandWager.com Limited	Isle of Man	Operation of interactive wagering totaliser hub	100

Subsidiaries	Country of incorporation	Activity	Holding (%)
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

Technical Facilities & Services Limited was dissolved after the year end. A wholly owned subsidiary, B. E. Global Services Ltd was dissolved in May 2022.

## 11 Bonds and deposits

	Group		Company	
	2022 US\$000	2021 US\$000	2022 US\$000	2021 US\$000
Bonds and deposits which expire within one year	883	882	–	–
Bonds and deposits which expire within one to two years	–	–	–	–
Bonds and deposits which expire within two to five years	100	101	–	–
	<b>983</b>	<b>983</b>	<b>–</b>	<b>–</b>

Cash bonds of US\$875,000 have been paid as security deposits in relation to various US State ADW licences (2021: 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 8 years (2021: US\$100,000). This is held by an entity of the Californian state government and is therefore considered fully recoverable. Rent and other security deposits total US\$8,227 (2021: US\$8,315). These deposits are repayable upon completion of the relevant lease term, under the terms of legally binding agreements. The fair value of the bonds and deposits approximates to the carrying value.

## 12 Cash, cash equivalents and restricted cash

	Group		Company	
	2022 US\$000	2021 US\$000	2022 US\$000	2021 US\$000
Cash and cash equivalents – company and other funds	3,062	3,238	189	312
Restricted cash – protected player funds	1,077	1,845	1,077	1,830
<b>Total cash, cash equivalents and restricted cash</b>	<b>4,139</b>	<b>5,083</b>	<b>1,266</b>	<b>2,142</b>

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	
	2022 US\$000	2021 US\$000	2022 US\$000	2021 US\$000
Trade receivables	395	907	–	–
Amounts due from Group undertakings	–	–	757	98

	Group		Company	
	2022 US\$000	2021 US\$000	2022 US\$000	2021 US\$000
Other receivables and prepayments	795	989	64	52
	<b>1,190</b>	1,896	<b>821</b>	150

Included within trade receivables are impairment provisions of US\$67,293 (see note 21), (2021: US\$78,002). Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

#### 14 Trade and other payables

	Group		Company	
	2022 US\$000	2021 US\$000	2022 US\$000	2021 US\$000
Trade payables	659	686	7	33
Amounts due to customers	2,037	2,968	–	–
Taxes and national insurance	16	15	2	2
Accruals and other payables	928	1,326	69	56
	<b>3,640</b>	4,995	<b>78</b>	91

#### 15 Deferred income (Government Grant)

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 had ascertained reasonable assurance that the loan should be forgiven in its entirety and the application for forgiveness was submitted in June 2021, with the application agreed by the lending bank. The grant was recognised in profit or loss in the periods that the relevant expenses were recognised. After final review by the Small Business Administration, it was determined that the lending bank had calculated and advanced a loan amount greater than it should have. The resultant difference of US\$48,427 is recognised as a loan (financial liability) at year end (see note 16).

#### 16 Loans, borrowings and lease liabilities

##### Current liabilities

	Group		Company	
	2022 US\$000	2021 US\$000	2022 US\$000	2021 US\$000
Unsecured loans (current portion)	20	6	–	–
Lease liabilities (current portion)	89	66	–	–
Secured loans – Galloway Limited	–	500	–	500
	<b>109</b>	572	<b>–</b>	500

##### Non-current liabilities

	Group		Company	
	2022 US\$000	2021 US\$000	2022 US\$000	2021 US\$000
Unsecured loans (non-current portion)	47	19	–	–
Lease liabilities (non-current portion)	583	226	–	–
Secured loans – Galloway Limited	1,350	850	1,350	850
	<b>1,980</b>	1,095	<b>1,350</b>	850

#### Terms and repayment schedule

	Nominal interest rate	Year of maturity	2022 Total US\$000	2021 Total US\$000
Unsecured loans	1.00-8.90%	2025	67	25
Lease liabilities	6.00-9.50%	2023-30	672	292
Secured loan – Galloway Limited*	7.75%	2027	500	500
Secured loan – Galloway Limited*	7.00%	2024	350	350
Secured loan – Galloway Limited*	7.00%	2025	500	500
<b>Total loans and borrowings</b>			<b>2,089</b>	<b>1,667</b>

The Group received an unsecured Paycheck Protection Program (“PPP”) loan for US\$48,427, which matures on 7 May 2025 and attracts interest at 1% per annum (see note 15).

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

\*Based on current interest rates, the estimated fair value of the Galloway Limited loans is US\$1.315m.

#### 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
<b>Balance at 1 June 2020</b>	<b>1,380</b>	<b>384</b>	<b>1,764</b>
<b>Changes from financing cash flows</b>			
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)
<b>Total changes from financing cash flows</b>	<b>(106)</b>	<b>(111)</b>	<b>(217)</b>
<b>Other changes</b>			
<b>Liability-related</b>			
Rent concession received	–	(5)	(5)
Interest expense	101	24	125
<b>Total liability-related other changes</b>	<b>101</b>	<b>19</b>	<b>120</b>
<b>Balance at 31 May 2021</b>	<b>1,375</b>	<b>292</b>	<b>1,667</b>
<b>Balance at 1 June 2021</b>	<b>1,375</b>	<b>292</b>	<b>1,667</b>
<b>Changes from financing cash flows</b>			
Proceeds from loans, borrowings and lease liabilities	48	25	73
Repayment of borrowings	(6)	–	(6)
Payment of lease liabilities	–	(115)	(115)
Interest paid	(101)	(25)	(126)
<b>Total changes from financing cash flows</b>	<b>(59)</b>	<b>(115)</b>	<b>(174)</b>
<b>Other changes</b>			
<b>Liability-related</b>			
New leases	–	472	472

	Other loans and borrowings US\$000	Lease liabilities US\$000	Total US\$000
Rent concession received	–	(2)	(2)
Interest expense	101	25	126
<b>Total liability-related other changes</b>	<b>101</b>	<b>495</b>	<b>596</b>
<b>Balance at 31 May 2022</b>	<b>1,417</b>	<b>672</b>	<b>2,089</b>

## 17 Share capital

	No.	2022 US\$000	2021 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 (2021: 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 2022 were as follows:

	No.
At 31 May 2021 – 1p ordinary shares	14,000,000
Options granted	–
Options lapsed	–
Options exercised	–
At 31 May 2022 – 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 (2021: 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 2022, the Group had no capital commitments (2021: US\$Nil).

## 19 Leases

### A. Leases as lessee

The Group leases office and racetrack facilities. The office facility is leased until May 2023, with an average length of renewal of between two to three years. The racetrack facility is leased until May 2030, 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
<b>Cost</b>		
Balance at 1 June 2020	473	473
Additions during the year	–	–
<b>Balance at 31 May 2021</b>	<b>473</b>	<b>473</b>
Balance at 1 June 2021	473	473
Additions during the year	472	472
<b>Balance at 31 May 2022</b>	<b>945</b>	<b>945</b>
<b>Depreciation</b>		
Balance at 1 June 2020	98	98
Charge for the year	98	98
<b>Balance at 31 May 2021</b>	<b>196</b>	<b>196</b>
Balance at 1 June 2021	196	196
Charge for the year	100	100
<b>Balance at 31 May 2022</b>	<b>296</b>	<b>296</b>
<b>Carrying amounts</b>		
At 1 June 2020	375	375
<b>At 31 May 2021</b>	<b>277</b>	<b>277</b>
<b>At 31 May 2022</b>	<b>649</b>	<b>649</b>

**ii. Amounts recognised in profit or loss**

	2022 US\$000	2021 US\$000
Interest on lease liabilities	25	24
Depreciation expense	100	98
Rent concessions received	(2)	(5)
Expenses relating to short-term leases	71	69

**iii. Amounts recognised in statement of cash flows**

	2022 US\$000	2021 US\$000
Payment of lease liabilities - principal	<b>(92)</b>	(92)
Payment of lease liabilities - interest	<b>(25)</b>	(24)
Rent concessions received	<b>2</b>	5



## 20 Related party transactions

### Identity of related parties

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

### Transactions with and between subsidiaries

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

### Transactions with entities with significant influence over the Group

Rental and service charges of US\$46,914 (2021: US\$45,652) and Directors' fees of US\$27,193 (2021: US\$26,461) 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 (2021: US\$1,350,000) from Galloway Limited, a company related to Burnbrae Limited by common ownership and Directors (note 16).

### Transactions with key management personnel

The total amounts for Directors' remuneration were as follows:

	2022 US\$000	2021 US\$000
Emoluments — salaries, bonuses and taxable benefits	345	366
— fees	96	73
	<b>441</b>	439

### Directors' Emoluments

	Basic salary US\$000	Fees US\$000	Bonus US\$000	Termination payments US\$000	Benefits US\$000	2022 Total US\$000	2021 Total US\$000
<b>Executive</b>							
Ed Comins	320	—	—	—	25	345	366
<b>Non-executive</b>							
Denham Eke*	—	27	—	—	—	27	26
Nigel Caine	—	—	—	—	—	—	20
Sir James Mellon	—	21	—	—	—	21	20
Richard Roberts	—	48	—	—	—	48	7
<b>Aggregate emoluments</b>	320	96	—	—	25	441	439

\* 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:

	2022 US\$000	2021 US\$000
Cash and cash equivalents	3,062	3,238
Loans and similar liabilities	(1,417)	(1,375)
<b>Net funds</b>	1,645	1,863
Shareholders' equity	(1,318)	(1,692)
<b>Capital employed</b>	327	171

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 maintain sufficient cash flow in the forthcoming period, to meet its immediate financial obligations.

The following are the contractual maturities of financial liabilities:

### 2022

#### 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	5+ years US\$000
Trade payables	(659)	(659)	(659)	–	–	–
Amounts due to customers	(2,037)	(2,037)	(2,037)	–	–	–
Other payables and loans	(1,899)	(2,214)	(541)	(58)	(1,615)	–
Lease liabilities	(673)	(952)	(26)	(121)	(460)	(345)
	<b>(5,268)</b>	<b>(5,862)</b>	<b>(3,263)</b>	<b>(179)</b>	<b>(2,075)</b>	<b>(345)</b>

### 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	5+ years US\$000
Trade payables	(686)	(686)	(686)	–	–	–
Amounts due to customers	(2,968)	(2,968)	(2,968)	–	–	–
Other payables and loans	(2,269)	(2,507)	(947)	(893)	(667)	–
Lease liabilities	(292)	(338)	(13)	(72)	(253)	–
	<b>(6,215)</b>	<b>(6,499)</b>	<b>(4,614)</b>	<b>(965)</b>	<b>(920)</b>	<b>–</b>

### 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:

	2022 US\$000	2021 US\$000
Non-credit impaired trade receivables	5	16
Credit impaired trade receivables	62	62
Total impairment losses	<b>67</b>	<b>78</b>

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.

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 2022:

2022	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%	374	(4)	370	No
1-30 days past due	2.00%	9	(0)	9	No
31-60 days past due	5.00%	16	(1)	15	No
61-90 days past due	7.00%	(1)	(0)	(1)	No
More than 90 days past due	10.00%	2	(0)	2	No
More than 90 days past due	100.00%	62	(62)	—	Yes
		<b>462</b>	<b>(67)</b>	<b>395</b>	

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
		<b>985</b>	<b>(78)</b>	<b>907</b>	

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

	2022 US\$000	2021 US\$000
Cash and cash equivalents	<b>3,062</b>	3,238
Bonds and deposits	<b>983</b>	983
Trade and other receivables	<b>1,063</b>	1,766
	<b>5,108</b>	5,987

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:

	2022 US\$000	2021 US\$000
Pari-mutuel	<b>1,063</b>	1,766

Of the above receivables, US\$395,000 (2021: US\$907,000) 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:

<b>2022</b>	<b>USD US\$000</b>	<b>GBP US\$000</b>	<b>EUR US\$000</b>	<b>HKD US\$000</b>	<b>Total US\$000</b>
Current assets	5,197	236	85	568	6,086
Current liabilities	(2,705)	(317)	(69)	(642)	(3,733)
<b>Short-term exposure</b>	<b>2,492</b>	<b>(81)</b>	<b>16</b>	<b>(74)</b>	<b>2,353</b>

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

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 2022 would have increased / (decreased) equity and profit and loss by the amounts shown below:

<b>2022</b>	<b>GBP US\$000</b>	<b>EUR US\$000</b>	<b>HKD US\$000</b>	<b>Total US\$000</b>
Current assets	12	4	28	44
Current liabilities	(16)	(3)	(32)	(51)
<b>Net assets</b>	<b>(4)</b>	<b>1</b>	<b>(4)</b>	<b>(7)</b>

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)

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.