

Sportech PLC
("Sportech" or the "Group" or the "Company")

Interim Results

Sportech (AIM:SPO), an international betting technology business, is pleased to announce its interim results for the six months ended 30 June 2022 ("H1 2022" or the "period").

Summary

The Group stabilised revenue, improved EBITDA and returned £7 million to shareholders during the period as a result of online retail marketing projects, lower costs, the development of sports betting initiatives in Connecticut and the proceeds from an asset sale announced on 4 January 2022.

Group Adjusted EBITDA improved markedly during the period to £0.3 million (H1 2021: loss of £0.9 million). The commencement of Sports Betting in Connecticut in late 2021, where the Group has a commercial retail sports betting arrangement with the State via the Connecticut Lottery Corporation; stronger food and beverage revenues, digital business growth and lower corporate costs supported the improvement.

Following a return to pre-COVID revenues, a significant part of the former Sportech Lotteries division was sold to Inspired Entertainment Inc, as announced on 4 January 2022 (LEIDSA disposal). This enabled the Group to return a further £7 million to shareholders by means of a 7p per share dividend, announced on 27 April 2022, taking shareholder repayments to £42.5 million during the last 12 months and £117.5 million since 2017. Comparatives for H1 2021 have been restated to classify LEIDSA operating results to discontinued operations.

£m's	H1 2022	Constant Currency⁴ H1 2021	Restated Reported Currency⁴ H1 2021
Revenue	12.6	12.6	11.8
Gross Profit	6.5	6.4	5.8
Contribution ¹	6.3	6.2	5.6
Adjusted EBITDA ²	0.3	(0.8)	(0.9)
(Loss)/profit pre-tax from continuing operations	(0.8)	0.4	0.3
Adjusted loss before tax ³	(0.4)	(1.7)	(1.7)
Distributions to shareholders	7.0	35.5	35.5

1. Contribution is defined as gross profit, less marketing and distribution costs.
2. Adjusted EBITDA is earnings from continuing operations before interest, taxation, depreciation and amortisation, share option charges, impairments and separately disclosed items as reported in note 1 of the Interim Financial Statements.
3. Adjusted loss is the aggregate of Adjusted EBITDA, share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles) and certain finance charges.
4. Prior year comparatives have been adjusted for discontinued operations (LEIDSA contract).

As the Group moves through the rest of the financial year, the corporate focus remains on delivering positive shareholder returns, operationally executing the delivery of sports betting across key locations and escalating the Group's digital wagering opportunities. The Board remain positive in the quality of the Group's innovative products, management strategy and continuing commercial relationships and are confident of achieving full year 2022 forecasts. There remains deferred contingent consideration potentially due to the Group in Q1 2023 of c£1.1 million (CAD\$2 million) in connection with the Bump disposal, however this has not been recognised on the Group's balance sheet as a receivable due to the uncertainty over the revenue hurdle being achieved.

The business transformation continues with the following objectives:

- Secure position within Connecticut expanded gaming.
- Deliver a less capital-intensive business and significantly reduce the future corporate cost base.
- Execute further licensing opportunities within digital lottery.
- Evaluate and execute material corporate opportunities, delivering tangible investor returns.

Richard McGuire, Executive Chairman of Sportech, said: *“The first half of 2022 recorded the successful execution of Group strategic objectives. Online revenue growth; non-core asset disposals; further shareholder capital returns and a US team focused on developing sports betting initiatives, all positive hallmarks of 2021, continued during the period. As previously announced, Nicola Rowlands, our outgoing CFO, will be leaving at the end of September, we wish her continued success. We also welcome Paul Humphreys to the Board as of today, as an Independent Non-executive Director. Paul’s appointment further strengthens the Board, and he brings with him significant experience that is highly relevant to the strategy of the Group. Paul will chair the Group’s Audit Committee.*

The Group has a clear vision, a strong Board, a variety of attractive operating assets, no debt, and cash to meet strategic objectives in the second half of 2022 and beyond.”

For further information, please contact:

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Group Overview

The Group underwent significant restructuring during 2021, completing the sale of various operational divisions, returning significant capital to investors and retaining sufficient net cash for a potential combination of growth investment and future investor returns. That momentum continued in H1 2022, following the sale of Sportech Lotteries LLC on 31 December 2021 and the payment of a 7p dividend per share. Positive marketing initiatives, lower costs and sports betting resulted in positive EBITDA despite a modest reduction in gross revenues, on a constant currency basis.

£'000	Revenue		EBITDA	
	H1 2022	H1 2021 ¹	H1 2022	H1 2021 ¹
Continuing operations				
Venues	11,714	12,235	1,525	1,097
Digital	857	351	(107)	(375)
Corporate costs	-	-	(1,107)	(1,497)
Total at constant currency	12,571	12,586	311	(775)
Exchange rate impact	-	(759)	-	(121)
Total reported	12,571	11,827	311	(896)

1. 2021 numbers are at constant currency.

Sportech Digital

The acquisition of the technology platforms and talent of Lot.to Systems and the integration of these assets into Sportech's organisation completed in early 2019, resulting in further expansion of the Group's B2B lottery capabilities with a key mobile component and robust administrative, CRM and marketing tools. The team advanced digital lottery capabilities facilitating the sale of Sportech Lotteries LLC and the agreement to provide a digital lottery platform to Inspired Entertainment Inc.

The continuing digital business revenues increased versus H1 2021, and expenses were reduced resulting in an improved EBITDA for the period. The core focus for the Digital team, based in Chester, UK, remains pursuing licensing opportunities drawing on the Sportech brand, legacy, and digital expertise to deliver an enhanced consumer experience.

Digital £'000	H1 2022	Constant Currency H1 2021	Reported Currency ² H1 2021
Service revenue	857	351	322
Contribution	355	127	115
Contribution margin	41.4%	36.2%	35.7%
Adjusted operating expenses ¹	(462)	(502)	(496)
Adjusted EBITDA	(107)	(375)	(381)
Intangible assets capex	97	95	95
Tangible assets capex	22	2	2
Total capex	119	97	97

1. Adjusted operating expenses exclude depreciation and amortisation, impairments and separately disclosed items as reported in note 1 of the Interim Financial Statements.

2. Prior year comparatives have been adjusted for discontinued operations (LEIDSA contract).

Sportech Venues

Sportech Venues operates ten gaming venues, providing betting on horse racing, greyhound racing and jai alai in the State of Connecticut under an exclusive and in-perpetuity licence for retail, online, and telephone betting. In 2021, an agreement was concluded whereby Sportech can offer betting on all other sports across a number of Venue locations under licence of the Connecticut Lottery Corporation, (CLC). Management have worked tirelessly with the CLC to introduce retail sports betting across the State since Q4 2021 and have comprehensive marketing plans in place ahead of the 2022/23 American football season, commencing September 2022.

COVID related travel and hospitality restrictions within retail outlets eased during the period resulting in an 80.6% increase in food and beverage ("F&B") revenue. However, the H1 F&B revenue of £1.6 million remains below the £2.5 million H1 2018 high, indicating upward potential when office workers return to 'normal occupancy'.

Sportech was delighted to announce in August 2021 a commercial arrangement with the Connecticut Lottery Corporation ("CLC") which, subject to required regulatory consents, provided Sportech Venues Inc., in conjunction with CLC's sports book provider Rush Street Interactive Inc. ("RSI"), an ability to deliver sports betting across certain locations and promote CLC's online and mobile channels.

Contribution margin of 50.7% (H1 2021: 49.7%) was marginally better despite the costs of introducing sports betting capabilities during the period. At the end of the period, the division operated nine leasehold premises and one freehold premise in Connecticut, USA.

Venues		H1 2021	H1 2021
£'000	H1 2022	Constant	Reported
		Currency	Currency
Wagering revenue	9,412	11,358	10,681
F&B	1,584	877	824
Sports betting commission	718	-	-
Total revenue	11,714	12,235	11,505
Contribution	5,939	5,864	5,506
Contribution margin	50.7%	47.9%	47.9%
Adjusted operating expenses ¹	(4,414)	(4,767)	(4,505)
Adjusted EBITDA	1,525	1,097	1,001
Total capex	15	-	-

1. Adjusted operating expenses exclude depreciation and amortisation and separately disclosed items as reported in note 1 of the Interim Financial Statements.

Corporate Costs

Corporate costs reduced by £0.4 million to £1.1 million due to staff costs savings, having restructured in H2 2021, as well as a general drive to reduce costs of the PLC. Costs are expected to continue to be reduced through H2 2022 as we aim to align the costs as close as possible to the reduced size of the Group.

Depreciation and Amortisation

Capital expenditure and depreciation/amortisation is much reduced in the continuing group from that of the Group prior to the 2021 disposals. Depreciation and amortisation in the period reduced from £0.8 million to £0.7 million. This is despite 2022 depreciation increasing following the change in assumption on the lease term of the Stamford venue as at 31 December 2021 and the upward revaluation of certain assets at the same venue.

Separately Disclosed Items

The Group incurred administration costs in continuing operations during the period of £0.6 million (H1 2021: £0.5 million) which are shown as separately disclosed items. H1 2022 items include pay in lieu of notice payments to former Directors and settlement of contract liabilities. The Company does not expect further costs in H2 2022 as the business has mostly completed restructuring.

Net Finance Income

The Group has no debt. The Group had a net finance income in continuing operations of £0.1 million (H1 2021: £0.1 million), including £nil (H1 2021: £0.1 million) interest accrued on potential tax liabilities payable, £0.1 million (H1 2021: £0.1 million) interest payable on lease liabilities and £0.2 million (H1 2021: £0.2 million) foreign exchange gain on financial assets and liabilities denominated in foreign currency.

Taxation

Taxation is provided based on management's best estimate of the expected weighted average annual taxation rate for the full year. The estimated weighted average annual tax rate for the year ended 31 December 2022 is (3.7)% (2021: 49%). The movement

is a result of a change in mix of profits/(losses) in jurisdictions with varying tax rates, the non-recognition of deferred tax on losses in the UK due to uncertainty of non-recovery as well as the utilization of previously unprovided tax assets in the US.

The Group paid tax on account during the period of £4.6 million to HMRC for tax potentially due on the 2016 Spot the Ball VAT refund (excluding interest). The payment was in line with the tax provision held on the balance sheet of £4.6 million at both 30 June 2021 and 31 December 2021. The current tax asset on the balance sheet as at 30 June 2022 is an estimated overpayment of preliminary taxes in the US on profits generated in the six months to 30 June 2022.

Net Cash

The Group held cash balances of £8.1 million, excluding customer balances (31 December 2021: £21.9 million). The reduction is due to the payment of a £7.0 million dividend, settling lease and other legacy liabilities as well as paying tax on account of £4.6 million relating to the Spot the Ball tax dispute with HMRC. Legacy liabilities are now substantially settled.

Capital Expenditure

Capital expenditure was controlled again in the period and amounted to £0.1 million (H1 2021: £1.1 million). £1.0 million in the prior year related to the discontinued operations and was mainly staff costs capitalised or expenditure agreed to be reimbursed by the buyer of the operation. Capital expenditure will increase into H2 2022 and 2023 as venues are improved to support continued sports betting growth and with the move of Sports Haven to a new building.

Shareholders' Funds

Shareholders' funds decreased by £6.8 million from 31 December 2021 to £13.0 million (31 December 2021: £19.8 million) following the dividend paid in the period. The loss made in the period of £0.8 million is offset in reserves by a foreign exchange gain on translation of net assets denominated in US dollar of £1.0 million, given the weakening of Sterling over the period.

Going Concern

After making reasonable enquiries and forecasting the Group's cash flows with reasonable downside assumptions applied, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements. The Directors have not included in the downside model any assumption of a further local or more widespread "lockdown" as a result of COVID-19 cases or a new pandemic arising. Under this scenario the Directors will take all actions necessary (as evidenced in 2020 and 2021) and make use of all government support available to ensure the Company and the Group continues in operational existence.

Outlook

Enhancing Group value remains the Board's key focus and the Group strategy is structured accordingly with regard to this central measure.

Interim consolidated income statement

For the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Revenue		12,571	11,827	22,942
Cost of sales	6	(6,043)	(5,982)	(11,489)
Gross profit		6,528	5,845	11,453
Marketing and distribution costs	6	(234)	(224)	(276)
Contribution		6,294	5,621	11,177
Other income	20a&23	155	2,575	4,101
Operating costs	6	(7,390)	(8,019)	(15,680)
Operating (loss)/profit		(941)	177	(402)
Finance costs	8	(93)	(154)	(305)
Finance income	8	232	230	461
(Loss)/profit before taxation from continuing operations		(802)	253	(246)
Taxation – continuing operations	9	(29)	(170)	(192)
(Loss)/profit for the period from continuing operations		(831)	83	(438)
Profit after taxation from discontinued operations	20g	—	26,699	35,001
(Loss)/profit for the period		(831)	26,782	34,563
Attributable to:				
Owners of the Company		(831)	26,782	34,563
Basic (loss)/profit per share attributable to owners of the Company				
From continuing operations	10	(0.8)p	—	(0.3)p
From discontinued operations	10	—	14.1p	20.6p
Total	10	(0.8)p	14.1p	20.3p
Diluted (loss)/profit per share attributable to owners of the Company				
From continuing operations	10	(0.8)p	—	(0.3)p
From discontinued operations	10	—	14.1p	20.6p
Total	10	(0.8)p	14.1p	20.3p
Adjusted loss per share attributable to owners of the Company				
Basic	10	(0.4)p	(0.7)p	(1.7)p
Diluted	10	(0.4)p	(0.7)p	(1.7)p

See note 4 for a reconciliation of the above interim consolidated income statement to the adjusted performance measures used by the Board of Directors to assess divisional performance.

Prior half year comparatives have been restated to exclude the results of the LEIDSA contract which have been included with the results of the Global Tote and Bump 50:50 within profit after taxation from discontinued operations.

Interim consolidated statement of comprehensive income

For the six months ended 30 June 2022

	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
(Loss)/profit for the period	(831)	26,782	34,563
Other comprehensive expense:			
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial gain on retirement benefit liability	—	186	186
	—	186	186
<i>Items that may be subsequently reclassified to profit and loss</i>			
Currency translation differences – continuing operations	983	(1,324)	(617)
Currency translation differences – discontinued operations	—	432	(550)
Less: gain reclassified to profit and loss on disposal of foreign operations	—	(3,133)	(3,373)
	983	(4,025)	(4,540)
Total other comprehensive income/(expense) for the period, net of tax	983	(3,839)	(4,354)
Total comprehensive income for the period	152	22,943	30,209
Attributable to:			
Owners of the Company	152	22,943	30,209

The prior half year comparatives have been restated to show the reclassification of the cumulative foreign exchange gain on disposal of foreign operations to the profit and loss account, as well as splitting the currency translation differences in the period to 30 June 2021 between continuing operations and discontinued operations.

Interim consolidated statement of changes in equity

For the six months ended 30 June 2022

Six months ended 30 June 2022	Other reserves				Retained earnings/ accumulated losses £000	Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000		
At 1 January 2022 (audited)	1,000	888	314	2,325	15,295	19,822
Comprehensive expense						
Loss for the period	—	—	—	—	(831)	(831)
Other comprehensive items						
Currency translation differences	—	—	—	983	—	983
Total other comprehensive items	—	—	—	983	—	983
Total comprehensive items	—	—	—	983	(831)	152
Transactions with owners						
Dividend paid	—	—	—	—	(7,000)	(7,000)
Total transactions with owners	—	—	—	—	(7,000)	(7,000)
Total changes in equity	—	—	—	983	(7,831)	(6,848)
At 30 June 2022 (unaudited)	1,000	888	314	3,308	7,464	12,974

Six months ended 30 June 2021 (Restated)	Other reserves				Retained earnings/ accumulated losses £000	Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000		
At 1 January 2021 (audited)	37,750	10,312	(638)	6,865	(29,130)	25,159
Comprehensive income						
Profit for the period	—	—	—	—	26,782	26,782
Other comprehensive items						
Actuarial gain on defined benefit pension liability*	—	—	186	—	—	186
Cumulative actuarial loss on defined benefit pension liability	—	—	766	—	(766)	—
Disposed of, transferred to retained earnings	—	—	—	—	—	—
Currency translation differences	—	—	—	(4,025)	—	(4,025)
Total other comprehensive items	—	—	952	(4,025)	(766)	(3,839)
Total comprehensive items	—	—	952	(4,025)	26,016	22,943
Transactions with owners						
Share option charge	—	—	—	—	261	261
Total transactions with owners	—	—	—	—	261	261
Total changes in equity	—	—	952	(4,025)	26,277	23,204
At 30 June 2021 (unaudited)	37,750	10,312	314	2,840	(2,853)	48,363

* Net of deferred tax.

Year ended 31 December 2021 (Audited)	Other reserves				Retained earnings/ accumulated losses £000	Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000		
At 1 January 2021	37,750	10,312	(638)	6,865	(29,130)	25,159
Comprehensive (expense)/income						
Profit for the year	—	—	—	—	34,563	34,563
Other comprehensive items						
Actuarial gain on defined benefit pension liability*	—	—	186	—	—	186
Cumulative actuarial loss on defined benefit pension liability	—	—	766	—	(766)	—
Disposed of, transferred to retained earnings	—	—	—	(4,540)	—	(4,540)
Currency translation differences	—	—	—	(4,540)	—	(4,540)
Total other comprehensive items	—	—	952	(4,540)	(766)	(4,354)
Total comprehensive items	—	—	952	(4,540)	33,797	30,209
Transactions with owners						
Share option charge	—	—	—	—	334	334
Cancellation of capital redemption reserve	—	(10,312)	—	—	10,312	—
Capital reduction	(35,862)	—	—	—	35,862	—
Fees in relation to capital reduction	—	—	—	—	(66)	(66)
Fees in relation to share buy-back	—	—	—	—	(314)	(314)
Share buy-back	(888)	888	—	—	(35,500)	(35,500)
Total transactions with owners	(36,750)	(9,424)	—	—	10,628	(35,546)
Total changes in equity	(36,750)	(9,424)	952	(4,540)	44,425	(5,337)
At 31 December 2021	1,000	888	314	2,325	15,295	19,822

* Net of deferred tax

Interim consolidated balance sheet

As at 30 June 2022

	Note	As at 30 June 2022 (Unaudited) £000	Restated As at 30 June 2021 (Unaudited) £000	As at 31 December 2021 (Audited) £000
ASSETS				
Non-current assets				
Goodwill		604	604	604
Intangible fixed assets	11	6,939	6,657	6,357
Property, plant and equipment	12	4,409	4,932	4,261
Right-of-use assets	13	4,813	1,079	4,657
Trade and other receivables	14	176	154	158
Total non-current assets		16,941	13,426	16,037
Current assets				
Trade and other receivables	14	1,393	5,694	1,750
Inventories		140	128	124
Current tax receivable		54	—	—
Cash and cash equivalents	15	8,588	49,139	22,367
Total current assets		10,175	54,961	24,241
TOTAL ASSETS		27,116	68,387	40,278
LIABILITIES				
Current liabilities				
Trade and other payables	16	(6,959)	(9,754)	(7,945)
Provisions	17	(17)	(1,402)	(736)
Lease liabilities	19	(678)	(1,099)	(923)
Current tax liabilities		—	(4,871)	(4,718)
Deferred tax liabilities		—	(46)	—
Total current liabilities		(7,654)	(17,172)	(14,322)
Net current assets		2,521	37,789	9,919
Non-current liabilities				
Lease liabilities	19	(6,477)	(2,852)	(6,091)
Deferred tax liabilities		(11)	—	(43)
		(6,488)	(2,852)	(6,134)
TOTAL LIABILITIES		(14,142)	(20,024)	(20,456)
NET ASSETS		12,974	48,363	19,822
EQUITY				
Ordinary shares		1,000	37,750	1,000
Other reserves		4,510	13,466	3,527
Retained earnings/(accumulated losses)		7,464	(2,853)	15,295
TOTAL EQUITY		12,974	48,363	19,822

Interim consolidated statement of cash flows

For the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Cash flows (used in)/from operating activities				
Cash (used in)/generated from operations, before separately disclosed items	18	(544)	2,467	511
Interest received		—	27	—
Interest paid		—	(2)	—
Tax refund received		—	1,442	1,442
Tax paid		(4,843)	(378)	(1,029)
Net cash generated (used in)/from operating activities before separately disclosed items		(5,387)	3,556	924
Cash inflows – other income	23	100	1,057	2,483
Cash outflows - separately disclosed items	7	(1,219)	(634)	(2,407)
Cash generated (used in)/from operations		(6,506)	3,979	1,000
Cash flows (used in)/from investing activities				
Disposal of freehold property in New Haven, Connecticut (net of disposal costs)	20a	—	4,193	4,193
Disposal of LEIDSA contract (net of cash disposed of and transactions costs)	20f	26	—	9,417
Proceeds net of cash disposed of and disposal costs – Global Tote	20f	—	18,664	22,636
Proceeds net of cash disposed of and disposal costs – Bump 50:50	20f	—	4,732	4,644
Proceeds from sale of other intangible assets	20c	—	150	150
Investment in intangible fixed assets	11,20	(97)	(920)	(1,012)
Purchase of property, plant and equipment	12,20	(38)	(146)	(582)
Net cash generated from/(used in) investing activities		(109)	26,673	39,446
Cash flows used in financing activities				
Principal paid on lease liabilities	19,20	(622)	(675)	(1,333)
Interest paid on lease liabilities	19,20	(69)	(103)	(179)
Share buy-back including transaction costs		—	—	(35,880)
Dividend paid		(7,000)	—	—
Interest received		—	—	27
Interest paid		—	—	(2)
Cash used in financing activities		(7,691)	(778)	(37,367)
Net (decrease)/increase in cash and cash equivalents		(14,306)	29,874	3,079
Effect of foreign exchange on cash and cash equivalents		527	(194)	(171)
Cash and cash equivalents at the beginning of the year		22,367	11,821	11,821
Add cash included in assets held for sale		—	7,638	7,638
Group cash and cash equivalents at the end of the period	15	8,588	49,139	22,367
Represented by:				
Cash and cash equivalents	15	8,588	49,139	22,367
Less customer funds	15	(450)	(530)	(455)
Adjusted net cash at the end of the period	15	8,138	48,609	21,912

Notes to the consolidated interim financial statements

For the six months ended 30 June 2022

1. General information

Sportech PLC (the “Company”) is a company domiciled in the UK and listed on the London Stock Exchange’s Alternative Investment Market (“AIM”). The Company’s registered office is Collins House, Rutland Square, Edinburgh, Midlothian, Scotland EH1 2AA. The condensed consolidated interim financial statements of the Company as at and for the period ended 30 June 2022 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the “Group”). The Company’s accounting interim reference date is 30 June 2022. The principal activities of the Group were the provision of pari-mutuel betting (B2C) and the supply of wagering technology solutions (B2B) up until the disposal of the Group’s Global Tote business on 17 June 2021, the disposal of the Group’s 50:50 Lottery division (Bump 50:50) on 2 June 2021 and the disposal of the Group’s supply contract with LEIDSA in the Dominican Republic on 31 December 2021. Following the disposals, the Group now operates ten retail venues and MyWinners.com offering pari-mutuel betting (and also betting through an arrangement with the Connecticut Lottery Corporation) as well as a pari-mutuel betting site, 123Bet.com and a has a lottery technology development arm (B2B).

The condensed consolidated interim financial statements were approved for issue on 31 August 2022.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors on 31 March 2022 and delivered to the Registrar of Companies. The Report of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

- a. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 ‘*Interim Financial Reporting*’ and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021 which have been prepared in accordance with UK adopted international accounting standards.
- b. After making reasonable enquiries and forecasting the Group’s cash flows with reasonable downside assumptions applied, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements. The forecasts used in the analysis of the Group’s ability to continue in operational existence for the foreseeable future include both the base plan and downside scenarios which although Sportech has no connections with Russia or Ukraine through its operations (no employees located there nor any customers or suppliers in the region), include assumptions taking into account macro-economic potential indirect impacts of the events unfolding including impacts of prices rising globally.
- c. The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, significant judgements have been made by management with respect to the assumptions underpinning the Group’s tax liabilities, the valuation of contingent consideration receivable and the carrying value of intangible fixed assets.
- d. The principal risks and uncertainties for the Group remain the same as those detailed on pages 17 to 19 of the 2021 Sportech PLC Annual Report and Accounts, where descriptions of mitigating activities carried out by the Group are also outlined. Those risks are regulation, product popularity, third party technology, foreign exchange, political marginalisation in Connecticut and global pandemics.

3. Accounting policies

There are no new standards or amendments to standards or interpretations that are mandatory for the first time for the financial year beginning 1 January 2022 that would impact the Group financial statements. Therefore, all accounting policies applied in

these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

The standards, amendments and interpretations that are not yet effective and have not been adopted early by the Group are listed in the 2021 Annual Report and accounts.

4. Adjusted performance measures

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of expenditure management believe should be added back (separately disclosed items) and other income. The share option expense is also excluded given it is not directly linked to operating performance of the divisions. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. This measure provides the most reliable indicator of underlying performance of each of the trading divisions as it is the closest approximation to cash generated by underlying trade, excluding the impact of separately disclosed items and working capital movements.

Adjusted EBITDA is not an IFRS measure, nevertheless although it may not be comparable to adjusted figures used elsewhere, it is widely used by both the analyst community to compare with other gaming companies and by management to assess underlying performance.

A reconciliation of the adjusted operating expenses used for statutory reporting and the adjusted performance measures is shown below:

	Note	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Operating costs per income statement		(7,390)	(8,019)	(15,680)
Add back:				
Depreciation	12,13,20d	537	379	982
Amortisation, excluding acquired intangible assets	11	132	131	129
Amortisation of acquired intangible assets	11	29	254	509
Reversal of impairment of property, plant and equipment	12	—	—	(335)
Loss on disposal of property, plant and equipment	12	131	—	—
Share option charge	5	—	261	334
Separately disclosed items	7	578	477	1,101
Total adjusted net operating costs		(5,983)	(6,517)	(12,960)

Adjusted EBITDA is calculated as follows:

	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Revenue	12,571	11,827	22,942
Cost of sales	(6,043)	(5,982)	(11,489)
Gross profit	6,528	5,845	11,453
Marketing and distribution costs	(234)	(224)	(276)
Contribution	6,294	5,621	11,177
Adjusted net operating costs	(5,983)	(6,517)	(12,960)
Adjusted EBITDA	311	(896)	(1,783)

Prior year comparatives for the period ended 30 June 2021 have been adjusted for discontinued operations related to the LEIDSA contract (prior full year comparatives were adjusted in the 2021 financial statements to exclude results of the Global Tote, Bump 50:50 business and LEIDSA).

Adjusted profit is also an adjusted performance measure used by the Group. This uses adjusted EBITDA, as defined above as defined above as management's view of the closest proxy to cash generation for underlying divisional performance, and deducting share option charges, depreciation, amortisation of intangible assets (other than those which arise in the acquisition of businesses) and certain finance charges. This provides an adjusted profit before tax measure, which is then taxed by applying an estimated adjusted tax measure. The adjusted tax charge excludes the tax impact of income statement items not included in adjusted profit before tax.

	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
<i>From continuing operations:</i>			
Adjusted EBITDA	311	(896)	(1,783)
Share option charge	—	(261)	(334)
Depreciation	(537)	(379)	(982)
Amortisation (excluding amortisation of acquired intangibles)	(132)	(131)	(129)
Net finance costs (excluding certain finance costs – note 8)	(69)	(55)	(130)
Adjusted loss before tax	(427)	(1,722)	(3,358)
Tax at 6.0% (30 June 2021: 20.1%, 31 December 2021: 16.4%)	26	346	551
Adjusted loss after tax	(401)	(1,376)	(2,807)

	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
<i>From discontinued operations:</i>			
Adjusted EBITDA	—	5,590	6,879
Depreciation	—	(100)	(221)
Amortisation (excluding amortisation of acquired intangibles)	—	(75)	(151)
Net finance costs (excluding certain finance costs – note 8)	—	(24)	54
Adjusted profit before tax	—	5,391	6,561
Tax at n/a% (30 June 2021: 22.9%, 31 December 2021: 25.8%)	—	(1,234)	(1,693)
Adjusted profit after tax	—	4,157	4,868

5. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, which makes strategic and operational decisions.

The Group has identified its operating segments as outlined below:

- Sportech Digital – a pari-mutuel betting website and provision of lottery software and services worldwide;
- Sportech Venues – off-track betting venue management; and
- Corporate costs – central costs relating to the overall management of the Group.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA as defined in note 4. The share option expense is also excluded. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. Sales between segments are at arm's length.

	Six months ended 30 June 2022 (Unaudited)			
	Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Group £000
Revenue from rendering of services	857	9,412	—	10,269
Revenue from food and beverage sales	—	1,584	—	1,584
Revenue from sports betting services	—	718	—	718
Total revenue	857	11,714	—	12,571
Cost of sales	(452)	(5,591)	—	(6,043)
Gross profit	405	6,123	—	6,528
Marketing and distribution costs	(50)	(184)	—	(234)
Contribution	355	5,939	—	6,294
Adjusted operating costs	(462)	(4,414)	(1,107)	(5,983)
Adjusted EBITDA	(107)	1,525	(1,107)	311
Depreciation	(6)	(518)	(13)	(537)
Amortisation (excluding amortisation of acquired intangibles)	(69)	(1)	(62)	(132)
Segment result	(182)	1,006	(1,182)	(358)
Amortisation of acquired intangibles	(29)	—	—	(29)
Loss on disposal of Property, plant and equipment	—	(131)	—	(131)
Separately disclosed items	—	(307)	(271)	(578)
Other income	—	155	—	155
Operating (loss)/profit	(211)	723	(1,453)	(941)
Net finance income				139
Loss before taxation from continuing operations				(802)
Taxation – continuing operations				(29)
Loss for the period from continuing operations				(831)
Profit after taxation from discontinued operations				—
Loss for the period				(831)
Other segment items – capital expenditure				
Intangible fixed assets	97	—	—	97
Property, plant and equipment	22	15	1	38

Six months ended 30 June 2021 (Unaudited)

	Restated Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Restated Group £000
Revenue from rendering of services	322	10,681	—	11,003
Revenue from food and beverage sales	—	824	—	824
Total revenue	322	11,505	—	11,827
Cost of sales	(188)	(5,794)	—	(5,982)
Gross profit	134	5,711	—	5,845
Marketing and distribution costs	(19)	(205)	—	(224)
Contribution	115	5,506	—	5,621
Adjusted operating costs	(496)	(4,505)	(1,516)	(6,517)
Adjusted EBITDA	(381)	1,001	(1,516)	(896)
Share option charge	—	—	(261)	(261)
Depreciation	(5)	(366)	(8)	(379)
Amortisation (excluding amortisation of acquired intangibles)	(41)	—	(90)	(131)
Segment result	(427)	635	(1,875)	(1,667)
Amortisation of acquired intangibles	(254)	—	—	(254)
Profit on disposal of Sports Haven	—	2,575	—	2,575
Separately disclosed items	(173)	(8)	(296)	(477)
Operating (loss)/profit	(854)	3,202	(2,171)	177
Net finance income				76
Profit before taxation from continuing operations				253
Taxation – continuing operations				(170)
Profit for the period from continuing operations				83
Profit after taxation from discontinued operations				26,699
Profit for the period				26,782
Other segment items – capital expenditure				
Intangible fixed assets	95	—	—	95
Property, plant and equipment	2	—	—	2

The above table has been restated to exclude discontinued activities in relation to the LEIDSA contract. Results from the LEIDSA contract were within the Sportech Digital division in 2021, formally known as Sportech lotteries. Those in relation to Global Tote and Bump 50:50 were classified as discontinued in 2021 also.

	Year ended 31 December 2021 (Audited)			
	Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Group £000
Revenue from rendering of services	1,032	19,515	—	20,547
Revenue from food and beverage sales	—	2,115	—	2,115
Revenue from sports betting services	—	280	—	280
Total revenue	1,032	21,910	—	22,942
Cost of sales	(548)	(10,941)	—	(11,489)
Gross profit	484	10,969	—	11,453
Marketing and distribution costs	(76)	(200)	—	(276)
Contribution	408	10,769	—	11,177
Adjusted net operating costs (note 1)	(987)	(9,409)	(2,564)	(12,960)
Adjusted EBITDA	(579)	1,360	(2,564)	(1,783)
Share option charge	—	—	(334)	(334)
Depreciation	(10)	(950)	(22)	(982)
Amortisation (excluding amortisation of acquired intangible assets)	(97)	—	(32)	(129)
Segment result before amortisation of acquired intangibles	(686)	410	(2,952)	(3,228)
Amortisation of acquired intangibles	(509)	—	—	(509)
Reversal of impairment of property, plant and equipment	—	335	—	335
Separately disclosed items	(165)	(84)	(852)	(1,101)
Other income	100	4,001	—	4,101
Operating (loss)/profit	(1,260)	4,662	(3,804)	(402)
Net finance costs				156
Loss before taxation from continuing operations				(246)
Taxation				(192)
Loss for the year from continuing operations				(438)
Profit after tax from discontinued operations				35,001
Profit for the year				34,563
Other segment items – capital expenditure				
Intangible fixed assets (continuing operations)	165	—	—	165
Intangible fixed assets (discontinued operations)	847	—	—	847
Property, plant and equipment (continuing operations)	4	27	—	31
Property, plant and equipment (discontinued operations)	551	—	—	551

6. Expenses by nature

	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Cost of sales			
Tote and track fees	5,266	5,426	10,205
F&B consumables	536	305	818
Betting and gaming duties	54	48	99
Repairs and maintenance cost of sales	15	18	34
Programs	127	147	266
Cost of sales	45	38	67
Total cost of sales	6,043	5,982	11,489
Marketing and distribution costs			
Marketing	224	210	253
Vehicle costs	10	14	23
Total marketing and distribution costs	234	224	276
Operating costs			
Staff costs – gross, excluding share option charges	3,161	3,415	6,661
Less amounts capitalised	(89)	(95)	(165)
Staff costs - net	3,072	3,320	6,496
Property costs	1,201	1,378	2,581
IT & communications	301	224	457
Professional fees and licences	765	959	2,323
Insurance	500	475	968
Travel and entertaining	41	72	26
Banking transaction costs and FX	48	37	109
Other costs	55	52	—
Adjusted operating costs	5,983	6,517	12,960
Share option charge	—	261	334
Depreciation	537	379	982
Amortisation, excluding amortisation of acquired intangibles	132	131	129
Amortisation of acquired intangibles	29	254	509
Loss on disposal of property, plant and equipment	131	—	—
Reversal of impairment of property, plant and equipment	—	—	(335)
Separately disclosed items	578	477	1,101
Total operating costs	7,390	8,019	15,680

7. Separately disclosed items

	Note	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Continuing operations				
Included in operating costs:				
Onerous contract provisions and other losses resulting from exit from California operations	17	(69)	—	91
Redundancy and restructuring costs	i	330	179	625
Corporate activity		8	290	21
Costs in relation to the Spot the Ball VAT refund		—	—	10
Settlement of a contract	ii	304	—	—
Costs in relation to exiting the Group's interests in India		5	8	13
Costs in relation to the Group's move from Main Market to AIM		—	—	341
		578	477	1,101
Discontinued operations				
Included in operating costs	20b,20c	—	371	371
Total included in operating costs		578	848	1,472
Included in finance costs:				
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2016	8	24	74	150
Total Separately disclosed items		602	922	1,622

- i) Redundancy and restructuring costs relate to settlements made to former Directors in lieu of notice.
- ii) The Group exited a royalty arrangement in the period relating to branding at its Connecticut venues. This required a termination fee to be paid amounting to £304k.

Below is a summary of cash outflows from separately disclosed items:

	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Continuing operations - cash outflows from separately disclosed items:			
Redundancy and restructuring costs	(242)	(44)	(625)
Costs in relation to the Spot the Ball VAT refund	—	(27)	(37)
Costs in relation to corporate activity	(8)	(48)	(71)
Costs in relation to the Group's onerous leases in California	(660)	(1)	(785)
Costs in relation to exiting the Group's interests in India	(5)	(8)	(13)
Costs in relation to the Group's move from Main Market to AIM	—	—	(341)
Settlement of a contract	(304)	—	—
	(1,219)	(128)	(1,872)
Cash outflows from separately disclosed items – discontinued operations	—	(506)	(535)
	(1,219)	(634)	(2,407)

8. Net finance costs

		Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Continuing operations:				
Finance costs:				
Interest accrued and paid on tax liabilities		(24)	(74)	(150)
Interest on lease liabilities	19	(69)	(80)	(155)
Total finance costs		(93)	(154)	(305)
Finance income:				
Foreign exchange gain on financial assets and liabilities denominated in foreign currency		232	205	436
Interest received on overpaid tax		—	25	—
Interest received on bank deposits		—	—	25
Total finance income		232	230	461
Discontinued operations	20b,20c	—	54	54
Net finance income		139	130	210

Of the above amounts the following have been excluded for the purposes of deriving the alternative performance measures in note 4.

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Continuing operations			
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	232	205	436
Interest accrued and paid on tax liabilities	(24)	(74)	(150)
	208	131	286

9. Taxation

Taxation is provided based on management's best estimate of the expected weighted average annual taxation rate for the full year. The estimated weighted average annual tax rate for the year ended 31 December 2022 is (3.7)% (2021: 49.0%). The movement is a result of a change in mix of profits/(losses) in jurisdictions with varying tax rates, the non-recognition of deferred tax on losses in UK due to uncertainty of recovery as well as the utilisation of previously unprovided deferred tax assets in the US.

At the prior period ends the Group held a tax provision of £4,600k for tax potentially due on the 2016 Spot the Ball refund (excluding interest). During the current reporting period the Group paid £4,600k into its UK corporate tax account to stop interest potentially payable accruing further. Management continues to remain of the view that the 2016 Sportech Pools Limited tax return was accurately filed, and no further tax is due. If this is ultimately found to be correct, the £4,600k is repayable to the Group plus interest from 15 March 2022. The remaining current tax asset is an estimated overpayment of preliminary taxes in the US on profits generated in the six months to 30 June 2022.

10. Earnings per share

Six months ended 30 June (Unaudited)	2022			2021 (restated)		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Basic EPS						
(Loss)/profit for the period (£000)	(831)	—	(831)	83	26,699	26,782
Weighted average no of shares ('000)	100,000	100,000	100,000	188,751	188,751	188,751
Basic EPS	(0.8)p	—	(0.8)p	—	14.1p	14.1p

Year ended 31 December (Audited)	2021		Total
	Continuing	Discontinued	
Basic EPS			
(Loss)/profit for the year (£000)	(438)	35,001	34,563
Weighted average no of shares ('000)	169,785	169,785	169,785
Basic EPS	(0.3)p	20.6p	20.3p

Six months ended 30 June (Unaudited)	2022			2021 (restated)		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Diluted EPS						
(Loss)/profit for the period (£000)	(831)	—	(831)	83	26,699	26,782
Weighted average no of shares ('000)	100,000	100,000	100,000	188,751	188,751	188,751
Dilutive potential ordinary shares ('000)	N/A	N/A	N/A	N/A	N/A	N/A
Total potential ordinary shares ('000)	100,000	100,000	100,000	188,751	188,751	188,751
Diluted EPS	(0.8)p	—	(0.8)p	—	14.1p	14.1p

Year ended 31 December (Audited)	2021		Total
	Continuing	Discontinued	
Diluted EPS			
(Loss)/profit for the year (£000)	(438)	35,001	34,563
Weighted average no of shares ('000)	169,785	169,785	169,785
Dilutive potential ordinary shares ('000)	N/A	N/A	N/A
Total potential ordinary shares ('000)	169,785	169,785	169,785
Diluted EPS	(0.3)p	20.6p	20.3p

Adjusted EPS

Adjusted EPS is calculated by dividing the adjusted profit after tax attributable to owners of the Company, as defined in note 4, by the weighted average number of ordinary shares in issue during the year.

Continuing operations	Note	Six months ended	Restated	Year ended
		30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)	31 December 2021 (Audited)
Adjusted loss after tax (£000)	4	(401)	(1,376)	(2,807)
Basic Adjusted EPS (pence)		(0.4)p	(0.7)p	(1.7)p
Diluted Adjusted EPS (pence)		(0.4)p	(0.7)p	(1.7)p

11. Intangible fixed assets

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
At 1 January	6,357	7,343	7,343
Additions	97	95	188
Amortisation charge for period	(161)	(460)	(789)
Disposal	—	(82)	(456)
Movement as a result of foreign exchange	646	(239)	71
Net book amount at end of period	6,939	6,657	6,357

12. Property, plant and equipment

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
At 1 January	4,261	5,077	5,077
Additions	38	2	438
Disposal	—	—	(992)
Depreciation charge for period	(215)	(225)	(669)
Loss on disposal	(131)	—	—
Reversal of impairment	—	—	335
Movement as a result of foreign exchange	456	78	72
Net book amount at end of period	4,409	4,932	4,261

13. Right-of-use assets

	Note	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
At 1 January		4,657	1,133	1,133
Additions		—	169	1,240
Depreciation charge for period		(322)	(254)	(534)
Disposed of – exited lease early		(17)	—	—
Reassessment of lease assumptions – break clause	19	—	—	2,835
Transferred from held for sale		—	—	45
Movement as a result of foreign exchange		495	31	(62)
Net book amount at end of period		4,813	1,079	4,657

14. Trade and other receivables

	As at 30 June 2022 (Unaudited) £000	As at 30 June 2021 (Unaudited) £000	As at 31 December 2021 (Audited) £000
Non-current			
Trade and other receivables	176	154	158
Current			
Trade and other receivables	1,393	5,694	1,750
Total trade and other receivables	1,569	5,848	1,908

Included in current trade and other receivables in the prior half year is £3,377k consideration to be received for the disposal of the Global Tote division (note 20e).

15. Cash and cash equivalents

		As at 30 June 2022 (Unaudited) £000	As at 30 June 2021 (Unaudited) £000	As at 31 December 2021 (Audited) £000
	Note			
Cash and short-term deposits		8,138	48,609	21,912
Customer funds	16	450	530	455
Total cash and cash equivalents		8,588	49,139	22,367

Customer funds are matched by liabilities of an equal value within trade and other payables (see note 16).

16. Trade and other payables

		As at 30 June 2022 (Unaudited) £000	Restated As at 30 June 2021 (Unaudited) £000	As at 31 December 2021 (Audited) £000
	Note			
Trade payables		3,769	3,806	3,545
Other taxes and social security costs		307	575	178
Accruals and other payables		2,433	4,823	3,767
Deferred income		—	20	—
Player liability	15	450	530	455
Total trade and other payables		6,959	9,754	7,945

17. Provisions

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
At beginning of period	736	1,442	1,442
Utilised during the period (Released)/charged to the income statement	(660) (69)	— —	(785) 91
Currency movements	10	(40)	(12)
Total provisions	17	1,402	736
Provisions are in relation to:			
<i>Current provisions</i>			
Onerous contracts	17	1,402	736

The Group had committed financial obligations arising from leases it entered into in California. The amounts provided for in the prior year represented management's best estimate based on scenario analysis of what the Group was expecting to pay to settle the liabilities. During the prior year one lease dispute was settled resulting in a cash outflow of £785k (including legal fees). The second lease dispute was settled in early 2022, for £660k (including legal fees to date). Legal fees estimated as at 31 December 2021 were higher than actual fees incurred and therefore £69k of provision has been released to the income statement in operation expenses and shown as a negative separately disclosed item given the original expense was disclosed here. The estimated remaining legal fees to finalise the Group's exit from California amount to £17k, actual legal fees incurred to complete the process may differ from management's estimate.

18. Cash flow from operating activities before separately disclosed items

Reconciliation of (loss)/profit before taxation to cash flows from operating activities before separately disclosed items:

	Note	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
(Loss)/profit before taxation from continuing operations		(802)	253	(246)
Profit before taxation from discontinued operations	20b,c&d	—	27,332	35,987
Total (loss)/profit before tax		(802)	27,585	35,741
Adjustments for:				
Net Separately disclosed items (included in operating costs)	7	578	848	1,472
Other income (excluding profit on disposal of Sports Haven)	23	(155)	(1,057)	(2,583)
Depreciation and amortisation	11,12,13	698	939	1,992
Loss on disposal of property, plant and equipment	12	131	—	—
Profit on disposal of Sports Haven	20a	—	(2,575)	(2,575)
Profit on disposal of discontinued operations	20e	—	(21,109)	(28,625)
Profit on disposal of software		—	(65)	(68)
Profit on disposal property, plant and equipment		—	—	(47)
Reversal of impairment of assets	12,13	—	—	(335)
Net finance charges	8	(139)	(130)	(210)
Share option expense		—	261	334
Changes in working capital:				
Increase in trade and other receivables		(84)	(5,774)	(2,162)
(Increase)/decrease in inventories		(16)	205	192
(Decrease)/increase in trade and other payables, excluding player liabilities		(750)	2,776	(448)
(Decrease)/increase in player liabilities	15	(5)	563	(2,167)
Cash (used in)/generated from operating activities, before separately disclosed items		(544)	2,467	511

19. Lease liabilities

	As at 30 June 2022 (Unaudited) £000	As at 30 June 2021 (Unaudited) £000	As at 31 December 2021 (Audited) £000
Maturity analysis – contractual undiscounted cashflows			
Less than one year	810	1,416	1,211
Between 2 and 5 years	3,000	2,880	2,615
More than 5 years	5,093	1	4,824
Total	8,903	4,297	8,650

The weighted average incremental borrowing rate applied to the lease liabilities was 4.16%, lowest rate being 4.00% and the highest being 5.75%.

	As at 30 June 2022 (Unaudited) £000	As at 30 June 2021 (Unaudited) £000	As at 31 December 2021 (Audited) £000
Lease liabilities included in the balance sheet			
Current	678	1,099	923
Non-current	6,477	2,852	6,091
Total	7,155	3,951	7,014

		Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Movement in lease liability during the period	Note			
At 1 January		7,014	3,882	3,882
Interest charged to the income statement	8	69	80	155
New leases entered into	13	—	633	1,698
Reassessment of lease assumptions – break clause	13	—	—	2,835
Lease rentals paid		(691)	(621)	(1,354)
Disposed of on settlement of lease dispute		—	—	(169)
Disposal – early exit of lease		(23)	—	—
Movement as a result of foreign exchange		786	(23)	(33)
At period end		7,155	3,951	7,014

20. Discontinued operations and profit on disposal

20a) On 28 April 2021 the Group completed the disposal of its freehold property in New Haven, Connecticut, known as “Sports Haven” for gross consideration of £4,346k (\$6,000k). The asset was classified as held for sale as at 31 December 2020 and was part of the Sportech Venues division. Costs related to the disposal amounted to £153k (\$210k). The property is to be leased back for 18 months to 31 October 2022 at a rental of c£36k per month (\$50k). On disposal, a lease liability of £633k was recognised as well as a right-of-use asset of £169k. The profit on disposal is analysed as follows:

		Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Cash consideration received		—	4,346	4,346
Net book value disposed of		—	(1,154)	(1,154)
Right-of-use asset recognised	13	—	169	169
Lease liability recognised	19	—	(633)	(633)
Costs of disposal		—	(153)	(153)
Profit after tax on disposal net of costs		—	2,575	2,575

20b) On 2 June 2021 the Group completed the disposal of its 100% interest in Bump (Worldwide) Inc. (“Bump”) for gross final consideration of £4,941k (\$8,462k), including a working capital settlement of £277k which differed slightly from the estimate which had been included in the 2021 Interim Financial Statements of £307k (which was received in the period to 30 June 2021). Final settlement was less than management’s estimate and as a result £30k was repaid to the buyer in H2 2021. The division was classified as held for sale as at 31 December 2020 and was part of the Sportech Racing division.

The profit for the period and cashflows from Bump are shown below:

		Period ended 30 June 2022 (Unaudited) £000	Restated Period ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Bump (Worldwide) Inc.:				
Revenue		—	810	810
Cost of sales, marketing and distribution and adjusted operating expenses		—	(487)	(487)
Adjusted EBITDA		—	323	323
Finance income		—	78	78
Profit before tax		—	401	401
Tax, excluding tax arising on disposal		—	—	—
Profit after tax		—	401	401
Gain from selling discontinued operations after tax (net of disposal costs)	20e	—	3,836	3,805
Profit for the period		—	4,237	4,206
Net cash flow from operating activities		—	462	462
Net cash flow used in investing activities		—	(37)	(37)
Net cash generated		—	425	425

The difference in gain from selling discontinued operations after tax (net of disposal costs) between the prior year half year numbers and the full year is the adjustment to the estimated working capital settlement and the amount agreed as final settlement.

Restatements:

- i) Gain on disposal has been restated to recycle the cumulative foreign exchange loss to the gain on disposal from P&L reserve as well as some corrections to disclosure of disposal costs which were incorrectly allocated to the gain on disposal of Global Tote.
- ii) Net cash flow from operating activities was misstated in the prior year interim statements (£134k), and has been restated to the correct amount of £462k in the above table.

Deferred contingent consideration

There remains deferred contingent consideration potentially due to Sportech of c£1.1m (CAD\$2.0m) which is receivable if Bump achieves revenues in 2022 calendar year of CAD\$6.5m or more (net of employee incentives of c£150k). The receivable and incentives payable thereon have not been recognised in the Group Consolidated accounts as at 30 June 2022 due to uncertainty over achievement of the target, see note 22.

20c) On 17 June 2021 the Group completed the disposal of its Global Tote division which also formed part of the Sportech Racing division and was classified as held for sale as at 31 December 2020. Final Gross Consideration amounted to £33,906k including a payment for cash transferred to the buyer with the business of £3,609k net of debt like items of £1,294k, received in July 2021 and a settlement of net working capital which was in excess of an agreed Target working capital (and other adjustments) of £559k. The estimate was lower than management's estimate of £781k which was accrued for at 30 June 2021. In addition, the historical underlying tote software code was disposed of by Sportech PLC to BetMakers Technology Group Limited within the same agreement, proceeds of £150k resulted in a profit on disposal of £68k.

The profit for the period and cashflows from Global Tote are shown below:

		Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Global Tote Group:	Note			
Revenue		—	12,245	12,245
Cost of sales, marketing and distribution and adjusted operating expenses		—	(8,140)	(8,140)
Adjusted EBITDA		—	4,105	4,105
Other income		—	1,057	1,057
Profit on disposal of intangible assets		—	68	68
Separately disclosed items		—	(371)	(371)
Finance costs		—	(24)	(24)
Profit before tax		—	4,835	4,835
Tax, excluding tax arising on disposal		—	(195)	(195)
Profit after tax		—	4,640	4,640
Gain from selling discontinued operations after tax (net of disposal costs)	20e	—	17,273	17,051
Profit for the period		—	21,913	21,691
Net cash flow from operating activities		—	1,944	1,944
Net cash flow used in investing activities		—	(930)	(930)
Net cash flow used in financing activities		—	(160)	(160)
Net increase in cash generated		—	854	854

Separately disclosed items incurred in 2021 were redundancy and restructuring costs in respect of a rationalisation of this business. The difference in gain from selling discontinued operations after tax (net of disposal costs) between the prior year half year numbers and the full year is the adjustment to the estimated working capital settlement and the amount agreed as final settlement.

Restatements:

- i) Gain on disposal has been restated to recycle the cumulative foreign exchange loss to the gain on disposal from P&L reserve as well as certain corrections to disclosure of disposal costs which were incorrectly allocated to the gain on disposal of Bump and under accruals of disposal costs.
- ii) Net cash flow from operating activities was misstated in the prior year interim financial statements (£1,780k), and has been restated to the correct amount of £1,944k in the above table.

20d) On 31 December 2021 the Group completed the disposal of its wholly owned subsidiary, Sportech Lotteries, LLC which had the legal rights to the service contract with LEIDSA who operates the Dominican Republic national lottery. Gross Consideration amounted to £9,854k including an estimate for settlement of net working capital which was in excess of an agreed Target working capital of £431k. Of the consideration, £9,423k was received on 31 December 2021, the final working capital settlement has been received in Q1 2022, there was no variance to estimate as at 31 December 2021.

In addition, the Group's lottery software provider, Lot.to Systems Limited has signed a five-year contract with the buyer of Sportech Lotteries, LLC to provide an online lottery platform for LEIDSA in return for commission revenue up to c£1.5m (\$2.0m) over the period.

The profit for the period and cashflows from Sportech Lotteries, LLC are shown below:

	Note	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Sportech Lotteries, LLC:				
Revenue		—	1,618	3,364
Cost of sales, marketing and distribution and adjusted operating expenses		—	(456)	(913)
Adjusted EBITDA		—	1,162	2,451
Depreciation and amortisation		—	(175)	(372)
Profit on disposal of property, plant and equipment		—	—	47
Profit before tax		—	987	2,126
Tax, excluding tax arising on disposal		—	(438)	(791)
Profit after tax		—	549	1,335
Gain from selling discontinued operations after tax (net of disposal costs)	20e	—	—	7,769
Profit for the period		—	549	9,104
Net cash flow from operating activities		—	327	1,068
Net cash flow used in investing activities		—	—	(429)
Net cash inflow		—	327	639

20e) A summary of the gain on disposal for the year ended 31 December 2021 of each discontinued operation is as follows:

	Note	Global Tote Group £000	Bump (Worldwide) Inc. £000	Sportech Lotteries LLC £000	Total £000
Cash consideration received and receivable		33,906	4,941	9,854	48,701
Cash disposed of		(3,609)	(116)	—	(3,725)
Cash consideration received and receivable net of cash disposed of	20f	30,297	4,825	9,854	44,976
Add cumulative foreign exchange movements recycled to the income statement		3,234	(101)	240	3,373
Costs of disposal		(1,511)	(118)	(405)	(2,034)
Less net assets disposed of:					
Intangibles		6,582	274	209	7,065
Property, plant and equipment		5,001	210	180	5,391
Right-of-use assets		761	—	—	761
Deferred tax assets		12	—	—	12
Trade and other receivables		4,621	380	1,542	6,543
Inventories		2,479	—	—	2,479
Income tax payable		(44)	—	—	(44)
Trade and other payables		(2,660)	(63)	(11)	(2,734)
Lease liabilities		(786)	—	—	(786)
Retirement benefit liability		(997)	—	—	(997)
		14,969	801	1,920	17,690
Pre-tax gain on disposal of discontinued operations		17,051	3,805	7,769	28,625
Taxation		—	—	—	—
Gain on disposal of discontinued operations		17,051	3,805	7,769	28,625

Costs of disposal include bonuses paid to Group employees of £1,173k for Global Tote, £85k for Bump and £375k for Sportech Lotteries, LLC (including employer's taxes payable).

A summary of the gain on disposal for the year ended 30 June 2021 of each discontinued operation is as follows:

Restated		Global Tote Group £000	Bump (Worldwide) Inc. £000	Total £000
	Note			
Cash consideration received and receivable		34,127	4,972	39,099
Cash disposed of		(3,609)	(116)	(3,725)
Cash consideration received and receivable net of cash disposed of	20f	30,518	4,856	35,374
Add cumulative foreign exchange movements recycled to the income statement		3,234	(101)	3,133
Costs of disposal		(1,510)	(118)	(1,628)
Net assets disposed of:				
Intangibles		6,582	274	6,856
Property, plant and equipment		5,001	210	5,211
Right-of-use assets		761	—	761
Deferred tax assets		12	—	12
Trade and other receivables		4,621	380	5,001
Inventories		2,479	—	2,479
Income tax receivable		(44)	—	(44)
Trade and other payables		(2,660)	(63)	(2,723)
Lease liabilities		(786)	—	(786)
Retirement benefit liability		(997)	—	(997)
		14,969	801	15,770
Pre-tax gain on disposal of discontinued operations		17,273	3,836	21,109
Taxation		—	—	—
Gain on disposal of discontinued operations		17,273	3,836	21,109

Costs of disposal include bonuses paid to Group employees of £1,068k for Global Tote and £167k for Bump.

20f) A summary of the cash consideration at the prior year end received and receivable net of cash disposed of is as follows:

	Note	Global Tote Group £000	Bump (Worldwide) Inc. £000	Sportech Lotteries LLC £000	Total £000
Cash consideration received in 2021 net of cash disposed of		24,352	4,825	9,423	38,600
Disposal costs paid in 2021		(1,716)	(181)	(6)	(1,903)
Cash consideration received net of cash disposed of and disposal costs paid in the period		22,636	4,644	9,417	36,697
Add back cash disposal costs paid in the period		1,716	181	6	1,903
Cash consideration received net of cash disposed of before disposal costs paid in the period		24,352	4,825	9,423	38,600
Cash consideration received in 2020 (including FX movement)		5,945	—	—	5,945
Consideration to be received in 2022		—	—	431	431
Cash consideration received and receivable net of cash disposed of before disposal costs paid in the period	20e	30,297	4,825	9,854	44,976

Cash consideration received in 2020 related to an Initial Payment received from BetMakers Technology Group Ltd for the disposal of Global Tote, the deposit was unconditional and non-returnable.

A working capital settlement of £425k was received for the disposal of Sportech Lotteries LLC in H1 2022, costs of disposal were also settled relating to bonuses, including employer taxes (£376k) and legal fees (£23). Net inflow of £26k is shown in investing activities in the cashflow statement.

A summary of the cash consideration at the prior half year end received and receivable net of cash disposed of is as follows:

	Note	Global Tote Group £000	Bump (Worldwide) Inc. £000	Total £000
Cash consideration received in 2020		6,180	—	6,180
Cash consideration received in H1 2021 net of cash disposed of		20,961	4,856	25,817
Disposal costs paid in H1 2021		(2,297)	(124)	(2,421)
Net cash received in H1 2021		18,664	4,732	23,396
Cash consideration receivable in H2 2021		3,377	—	3,377
Cash consideration received and receivable net of cash disposed of and disposal costs paid in the period		28,221	4,732	32,953
Add back cash disposal costs paid in the period		2,297	124	2,421
Cash consideration received and receivable net of cash disposed of before disposal costs paid in the period	20e	30,518	4,856	35,374

20g) Reconciliation to profit for the period included in the income statement:

	Note	Six months ended 30 June 2022 (Unaudited) £000	Restated Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Global Tote	20c	—	21,913	21,691
Bump	20b	—	4,237	4,206
Sportech Lotteries, LLC	20d	—	549	9,104
		—	26,699	35,001

The differences between the prior half year numbers and the full year is true up of estimates in working capital settlements to actual, the half year included estimates for both Global Tote and Bump.

21. Related party transactions

The extent of transactions with related parties of the Group and the nature of the relationship with them are summarised below.

a. Key management compensation is disclosed below:

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Short-term employee benefits	294	722	1,236
Share-based payments	—	51	45
Pay in lieu of notice	245	—	391
Post-employment benefits	11	9	18
Total	550	782	1,690

22. Contingencies

Contingent items

Bump deferred contingent consideration receivable

On 2 June 2021 the Group completed the disposal of its 50:50 lottery division, Bump 50:50. In addition to the consideration received during the year, there is potential further consideration due to the Group of CAD\$2m if Bump 50:50 achieves revenues in the financial year ending 31 December 2022 of CAD\$6.5m or more. The Group has received information from the buyer indicating that they believe Bump is likely to achieve revenue marginally in excess of CAD\$6.5m, however insufficient information was provided for the Directors to conclude that it is virtually certain that the amount will be received. It is therefore concluded there is not sufficient

evidence of virtual certainty to recognise the asset, as such it is being disclosed as a contingent asset. Employee incentives are also payable of c£150k if the contingent consideration is received by the Group.

The recoverability of the receivable is binary (as are the incentives) i.e. it is either paid in 2023 if 2022 revenue is CAD\$6.5m or more, or it is not payable if this level of revenue is not reached. The Directors will reassess the recoverability at each period end.

Tax

The Group's activities in recent periods have resulted in material tax liabilities crystallising. The ultimate tax liability due, in all instances, is subject to a degree of management judgement. The judgements which are made are done so in good faith, with the aim of always paying the correct amount of tax at the appropriate time. Management work diligently with the Group's external financial advisors in quantifying the anticipated accurate and fair tax liability which arises from material one-off events such as the Spot the Ball legal case and the disposal of the Football Pools. Management has an open, transparent and constructive relationship with tax regulators, and engage positively when discussing any difference in legal interpretation between that of the Group and the regulators.

Penalties could potentially be imposed on the Group's corporation tax filing position for the STB VAT refund, however Management consider this possibility to be remote and therefore are not disclosing a contingent liability in relation to this item. The Group has paid on account £4.6m into its corporate tax account in order to cease the accruing of interest, which would be payable if the Group were to accept a restatement of the Sportech Pool's Limited 2016 tax return to tax £23.0m of the STB VAT refund as income not capital. Management believes that the filing position taken was the correct one, however HMRC currently have an open investigation into the return.

Other contingent items are summarised as follows:

M&A activity

Both the 2017 sale of the Football Pools division, the 2018 sale of the Group's Venues business in The Netherlands, the 2021 sale of the Bump 50:50 and the 2021 sale of the Global Tote business have customary seller tax warranties under the terms of the Sale and Purchase Agreements. The possibility of material claims being made under the seller tax warranties in any of the deals is considered by management to be remote. In addition, the sale of Sportech Lotteries, LLC on 31 December 2021 has customary seller warranties under the terms of the Sale and Purchase Agreements. Those warranties have been provided in good faith by management in light of the probability of certain events occurring. The possibility of material claims being made under the seller warranties in the deal is considered by management to be remote.

Legal

The Group has been engaged in certain disputes in the ordinary course of business which could have potentially led to outflows greater than those provided for on the balance sheet. The maximum possible exposure which was considered to exist, in view of advice received from the Group's professional advisors, was up to £0.1m at 30 June 2021 and £0.1m at 31 December 2021, the exposure at 30 June 2022 is nil. Management was of the view that the risk of those outflows arising was not probable and accordingly they were considered contingent items.

23. Other income

Other income recognised in the income statement is as follows:

		Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Settlement for early termination of a contract		—	—	100
CARES Act credits received – continuing operations		155	—	1,426
Profit on disposal of Sports Haven	20a	—	2,575	2,575
Total – continuing operations		155	2,575	4,101
CARES Act credits received – discontinued operations	20c	—	1,057	1,057
Total		155	3,632	5,158

CARES Act credits were received given the impact on the Group's operations of the COVID-19 restrictions imposed in the USA. 2021 amounts from continuing operations were received in cash during H2 2021, those from discontinued operations were received in H1 2021. 2022 amounts relate to amended returns submitted for 2020 and were received in cash in August 2022. Proceeds from the settlement for early termination of a contract (£100k) were received in H1 2022.