

SPORTECH PLC
('Sportech', the 'Group' or the 'Company')

Final Results

Sportech, an international betting & technology business, is pleased to announce its final results for the year ended 31 December 2022.

Continuing Operations	2022 £'000	Actual Reported 2021 £'000	Constant Currency 2021 £'000
Revenue	26,004	22,942	25,608
Gross profit	14,157	11,453	12,792
Adjusted ¹ EBITDA	1,599	(1,783)	(1,641)
Adjusted loss before tax	(99)	(3,358)	n/a
Loss before tax ²	(934)	(246)	n/a
Adjusted cash ³	7,420	21,912	n/a

1. Adjusted EBITDA excludes expenditure that management believe should be added back (separately disclosed items) and other income. See note 1 of this announcement.
2. Includes separately disclosed items
3. Adjusted cash excludes customer balances at 31 December 2022. Adjusted Cash at 31 March 2023 was £ 8.5 million

Financial Overview

Continuing operations:

- Strong operational performance.
- Stable revenue growth +2% to £26.0 million.
- Gross profit +11% to £14.2 million.
- Adjusted EBITDA returned to positive £1.6 million (2021: £1.8 million loss).

Group:

- Year end 2022 cash net of customer balances was £7.4 million (2021: £21.9 million).
- £7 million dividend paid during 2022 (7p per share).

Post Year end:

- Successful receipt of CN \$2 million earn-out related to a 2021 disposal.
- Following the sale of lottery contracts late in 2021, the remaining Lot.to systems operating assets were sold to Inspired Entertainment in February 2023 for £500,000 (plus a £500,000 contingent performance earnout).
- Adjusted cash at 31 March 2023 was £8.5 million.
- 2023 Q1 Retail Sports Betting Hold +39% vs. Q1 2022

Group Developments

- Stable revenue growth + 2% to £26.0 million.
- Strong operational performance, adjusted EBITDA returning to positive territory of £1.6 million (2021: a loss of £1.8 million).
- Disposals: Post year end the Group sold further non-core assets as noted above and received an additional £1m, net of fees and incentives relating to the 2021 Bump 50:50 sale.
- Corporate: During 2022 the Company continued to return capital to investors, via a £7 million (7p per share) dividend. The 2023 dividend will be announced before the Annual General Meeting, scheduled for 30 May 2023. All Corporate costs continue to be reviewed to improve Group efficiency and capital retention.
- Venues: The Group's core business line delivered a strong performance, with traditional Pari-Mutuel handle declining only 4.7% on a like-for-like basis despite the introduction of additional competing betting products such as iLottery, iCasino, and Sports Betting. Throughout the year, the Group focused on investing in building a solid foundation to expand opportunities for delivering Sports Betting to retail customers.
- Sports Betting: In August 2021, Sportech agreed to become a distributor for the Connecticut Lottery Corporation's (CLC) sports betting product at the majority of venues across the state. Through Sportech Venues, the gross retail sports betting handle during the year was an impressive \$98.7 million, from which Sportech received a percentage of the net hold.
- Digital: In recent years the Company has advanced two online pool betting sites in the US, both of which delivered revenue growth in the year. Additional opportunities for these sites are under review.
- Plc Board: The Board was reshaped following various departures during the year to better align with the Company's evolved strategy.
- Strategy: The Board are focused on delivering further corporate opportunities; materially reducing the corporate cost base; delivering further capital returns to shareholders, while evaluating significant growth opportunities that build on the core skills withing the Group.

Richard McGuire, Executive Chairman of Sportech, said:

"2022 was a year of consolidation and progress and the team are excited about the potential in 2023. Our investment in the growth of US sports betting has started to deliver results. 2022 Operational leverage was impressive, as modest revenue gains translated to impressive gross profit gains and a return to positive EBITDA during the year. We are reviewing various strategic options for the current business lines while evaluating online betting opportunities that leverage our brand, people and expertise. Cash position is strong and we will update the market regarding potential further shareholder capital returns ahead of the May AGM."

Shareholder briefing:

The summary presentation will be available on the Company website

<https://www.sportechplc.com/investors/results/>.

Management is available as required for analyst and investor meetings; requests should be made via Peel Hunt.

Contacts:

Sportech PLC

Richard McGuire, Executive Chairman

Clive Whiley, Senior Independent Director

ir@sportech.net

Forward-looking statements *This announcement contains certain statements that are forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, results of our operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. These forward-looking statements include all matters that are not historical facts. By their nature, these statements involve risks and uncertainties since future events and circumstances can cause results and developments to differ materially from those anticipated. Any such forward-looking statements reflect knowledge and information available at the date of preparation of this announcement. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation (596/2014), as it applies in the UK), the Company undertakes no obligation to update or revise any such forward-looking statements. Nothing in this announcement should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this announcement save as would arise under English law.*

Notes to Editors:

About Sportech

Sportech operates in the gaming market and has two main businesses. Firstly, it runs Sports Bars and other betting venues in Connecticut, USA, where it has an exclusive license to offer pari-mutuel wagering, it also has a distribution agreement with the Connecticut Lottery Corporation to provide retail sports betting. Secondly, Sportech provides online gaming through two separate lines of business. Mywinners.com operates under an exclusive license to offer pari-mutuel betting online in Connecticut, while 123bet.com offers pari-mutuel betting online across the wider USA.

Operating Review

2022 was year of consolidation and progress

After selling several business lines and moving to the Alternative Investment Market (AIM), the Group achieved operational stability and growth in 2022.

The introduction of the Sports Betting product suite in late 2021 required significant capital investment, but the Venues business, now including sports betting, is experiencing a period of positive change with busier operations and a new crowd of patrons to service. Despite the Omicron surge affecting early 2022, the food and beverage revenues performed well, and the retail division's focus on delivering sports betting was the major difference in the company's operations.

The company's business relationship with the Connecticut Lottery Corporation (CLC) continues to strengthen, with a more robust agreement progressed to build on the early success of sports betting across the state. One non-performing location was closed, and certain leases were extended to meet demand and secure the profitable estate.

The UK-based digital technology team executed and delivered a contracted digital solution to a major client, and post year-end, the team was transferred to Inspired Entertainment with additional Lot.to Systems assets.

A focus on efficient use of cash and accurately measuring returns on capital deployed remain core metrics. The introduction of the Sports Betting product suite in late 2021, required obvious capital investment to secure our position with the master wagering licensee, the Connecticut Lottery Corporation (CLC). Moreover, the United States as a whole remains a land of new opportunity in the gambling sector as sports betting continues to enter the pantheon of entertainment State by State. Sportech, as a participant with a significant USP in its Venues business, has the ability both to seize the immediate opportunities in Connecticut and demonstrate its skills in doing so to position itself for other opportunities which may arise across the rest of the US. Accordingly, there will be extra focus on operational efficiency and service to ensure that the value of this USP is maximised.

The introduction of Sports Betting to the Connecticut Venues business and the successful rollout across locations demanded a significant amount of management focus and planning and given the opportunity will continue to be a core part of business planning in 2023 and beyond. Adding this additional betting product to our existing pari-mutuel product range has clearly increased consumer traffic driving a higher F&B revenue and proportionally reduced the Pari-Mutuel cost base as costs are allocated proportionally between F&B, pari mutuel and sports betting.

Food and beverage revenues in 2022 performed well despite the Omicron surge negatively affecting the early months: +46% at £3.44m (2021: £2.37m). Sports betting handle comparisons are not a useful measure as 2022 was the initial year for sports betting. However worth noting early progress in 2023 with Q1 handle +18% and Q1 hold +39%, vs. Q1 2022.

Delivering Sports Betting across our retail division was the major difference to the operational focus during the year. Retail Sports Betting handle was an impressive \$98.7 million in this initial year, across our eight approved locations. The core 'hold' metric was a solid 9.4% during the year, significantly better than forecast (hold being the gross profit from wager), primarily driven by 40% of gross handle being accumulator wagers with respective higher risk and therefore higher potential margin.

Major League Baseball topped the handle charts, however the importance of American Football, both NFL and NCAAF remains evident for both sports betting and F&B demand. Soccer, is not a major sport yet in the US however, we noted increasing volume in major European leagues. Our retail clients beat our book in the World Cup as they supported an Argentina victory and France to be top European team resulting in modest loss for the book. That said, the attendance when USA played, across our sports bars was very strong, delivering impressive F&B surges.

Our business relationship with the CLC, continues to strengthen and we have progressed a new agreement with CLC, providing further commitment to build on the early success of Sports Betting across the State.

During 2022, one non-performing location was closed and certain leases extended to meet demand and secure the profitable estate. Whilst the significant New Haven, lease was extended to February 2024, it is expected that the business will move out of this property to a new venue in the vicinity, to maintain betting handle growth. Additionally two new locations are being evaluated that would provide pari-mutuel and sports betting product suite to more Connecticut retail consumers and in doing so will create the blueprint for a future Venue model for the business.

The UK based digital technology team executed and delivered a contracted digital solution to the customer as part of the lottery contract concluded in late 2021. Post year end the team were transferred to Inspired Entertainment with additional assets, for £500,000. This transfer will reduce costs and ultimately enhance Group cashflow during 2023.

During the year the Group concluded and exited various legacy litigation claims in California and have now successfully exited that historic endeavour. The tax position in relation to the treatment of the £4.6m gain included in the 2016 financial statements for the Spot the Ball VAT refund remains uncertain. The Company has made payment of the amount at issue, in order to freeze the accumulation of interest, although the directors continue to dispute that this amount is ultimately payable. The directors await HMRC's final assessments whereupon they will consider if any further actions are appropriate.

The 2022 dividend reduced the cash position of the Group to a comfortable level to enable the business to explore further organic investment opportunities in broader initiatives within the gaming sector.

As the Group transitions through 2023, revenues and profitability will return to the fore as key metrics. The tail of legacy issues that affected the business are concluded and we have a simpler business with clear strategy aligned to stakeholders' interests. For the first time in many years, we can provide with some accuracy a future outlook for 2023, having emerged from the depths of COVID, and having experience of a full year of Sports Betting in Connecticut.

Management are confident that trade is recovering, Q1 2023 has delivered early encouraging performance and a good rate of handle and growth is being experienced in the new sports product.

DIVISIONAL

SPORTECH VENUES

Sportech Venues, ('Venues') operates across the State of Connecticut offering legal betting through two distinct types of operations.

Firstly, Venues offer pari-mutuel betting on horseracing, greyhound racing and jai alai through both online and venue-based operations under an exclusive and perpetual licence. Secondly, they offer sports betting under a distributorship type arrangement with the Connecticut Lottery Corporation.

Their venues operations are of two types: Sports Bar/Restaurants and Off-Track Betting (OTB) shops. The Sports Bar/Restaurants offer a main-stream leisure-based experience where betting is an exciting additional customer attraction. The Off-Track Betting (OTB) shops are dedicated primarily to retail gambling operations, although they do offer some light refreshments and other products.

£'000	2022	Constant currency 2021
Wagering revenue	19,116	21,835
Commission from sports betting	1,974	313
Food and beverage revenue	3,443	2,366
Total revenue	24,533	24,514
Contribution	13,240	12,048
<i>Contribution margin</i>	<i>54.0%</i>	<i>49.1%</i>
Adjusted ¹ operating expenses	(9,194)	(10,453)
Adjusted ¹ EBITDA	4,046	1,595
Capex	142	27

1. *Adjusted amounts excludes expenditure that management believe should be added back (separately disclosed items) and other income. See note 1&2 of this announcement*

Developments during the year

Connecticut has three licensed sports books in operation: Mohegan casino engaged Fan Duel, the Mashantucket Pequot casino engaged Draft Kings, and CLC engaged Rush Street Interactive to provide their Play Sugarhouse sports book, which is delivered across most of the retail outlets.

CLC is the only licensee authorized to provide retail sports betting across the state. The two casinos are limited to within casino property. All three are authorized to provide online sports betting (1 online skin each), and the casinos are also authorized and provide iCasino.

Sports betting was the major feature and focus of 2022, and Sportech Venues increased staffing to manage the additional regulatory, planning, and execution requirements. This was the first full year of sports betting in Connecticut and a learning curve for all state participants.

Sportech Venues provides a sports betting product range across eight venues under a commercial agreement with the CLC, and they also receive a modest share of online sports betting net hold.

Sports betting handle grew during the year to an impressive \$98.7 million from the Group's eight sports betting locations, with an equally impressive 9.42% hold. US Sports dominate the 'action' with Baseball, American Football, and Basketball leading the turnover. Post-year-end, the Company continues to note significant increases in sports betting handle with January and February 2023 +33% and +18% respectively vs 2022.

Pari-mutuel handle remained stable in the face of increased competition for discretionary gambling dollars, dropping only 4.7% on a like-for-like basis. The non-retail component (online and tele-betting) represented 25.4% of the total handle in 2022, which is higher than the pre-Covid level of 18.9% in FY 2019.

Sports betting provides a strong vertical that attracts new patronage to the venues. Therefore, it leverages both pre-existing products with new sales and existing cost base with new revenues, enhancing the entire operation.

Looking forward

Plans for 2023 include the delivery of an improved pari-mutuel website, providing additional marketing opportunities and closer management of online clientele. In addition the Group is working with Sports Betting partners to progress a retail client relationship management rewards initiative.

Sport and capturing the wagering revenues of its followers is clearly the opportunity for the Venues business and we continue to reshape the business accordingly.

Management have developed a retail brand and experience format optimising the mix of formats and locations of venues to further enhance and better capture the sports betting market without detracting from the mainstay earnings of pari-mutuel betting.

We see the most promising signs of improvement in bar and restaurant formats, which cater to sports patrons and offer a close-to-live game experience for customers.

To capitalize on the sports betting market without compromising on our main source of earnings from pari-mutuel betting, the management team have developed a retail brand and experience format. This approach optimizes the mix of formats and locations of venues, enhancing our ability to capture the sports betting market opportunity.

SPORTECH DIGITAL

Sportech Digital is comprised of two small, digitally focused businesses.

The first is a US-facing B2C trading operation called 123Bet.com, which was previously a white-label customer of the now-discontinued Racing and Digital business. In 2019, it was brought in-house, and since then, it has operated with experienced management and a tight marketing budget derived from its own profits. Despite its small size, 123Bet.com has

achieved success and continues to grow. We believe that it is ready for a refreshed offer and the next stage of growth.

The second business in 2022, was a B2B operation based in Chester, UK, that served markets with a proprietary platform for lottery management.

£'000	Constant currency	
	2022	2021
Services revenue	1,471	1,094
Contribution	531	409
<i>Contribution margin</i>	36.1%	37.4%
Adjusted ¹ operating expenses	(838)	(1,021)
Adjusted¹ EBITDA	(307)	(612)
Capex	201	169

1. *Adjusted amounts excludes expenditure that management believe should be added back (separately disclosed items) and other income. See note 1&2 of this announcement*

The team at Lot.to Systems, based in Chester, provided invaluable research and development support to several Sportech businesses, including the Global Tote and the Lotteries division. Their contributions enhanced the capabilities and profile of these business lines, resulting in improved client deliverables, numerous contract extensions, and ultimately, sales of certain business lines in 2021.

In 2022, the team delivered the online lottery product as contracted to do within the late 2021 sale of the LEIDSA lottery contract. Their successful delivery of this product demonstrates their expertise and commitment to providing high-quality solutions that meet client needs.

Developments post year end

After selling significant operational businesses in 2021 and successfully delivering the online platform, Sportech decided to sell certain assets of Lot.to Systems Ltd, and transfer the team to Inspired Entertainment. The sale was for £0.5 million (a further £0.5m being an unrecognised, contingent performance earnout). This decision was made early in 2023.

Sportech remains optimistic about the future of 123Bet.com. We believe that this business line has a strong future and going forward we will be reporting the results within our retail Venues business.

GROUP OUTLOOK

There is little doubt that the pandemic tested our organisation in recent years, however Sportech employees are professionals who work with incredible passion and purpose and the Board continues to be inspired by their dedication to improve in every area.

2022 marked a year of consolidation and redefining growth opportunities within the Group. Within the Venues business, the attraction of Sports Betting boosted F&B revenue while the team catered to a new clientele eager to find that live game experience.

The emphasis on accountability and an ownership culture that commenced in 2020 thrives as the entire team promote an entrepreneurial attitude to client service and growth opportunities.

A summary of our strategic objectives for 2023 includes:

1. Evaluate and execute further corporate opportunities.
2. Materially reduce the corporate cost base.
3. Evaluate and execute growth opportunities across the gaming sector.
4. Deliver further capital returns to shareholders.

The Board and management remain fully engaged and focused on enhancing shareholder value and effectively managing opportunities.

Richard McGuire
Executive Chairman
18 April 2023

FINANCIAL REVIEW

Income Statement - Detailed View

		Constant
	Reported	Currency
£'000	2022	2021 ¹
Service revenue	20,587	20,547
Sports betting commission	1,974	280
F&B revenue	3,443	2,115
Total revenues	26,004	22,942
Cost of sales	(11,847)	(11,489)
Gross profits	14,157	11,453
Marketing and distribution costs	(386)	(276)
Contribution	13,771	11,177
<i>Contribution margin %</i>	53.0%	48.7%
Adjusted operating expenses ²	(12,172)	(12,960)
Impact of FX on reported earnings	-	142
Adjusted EBITDA	1,599	(1,783)
Separately disclosed items	(657)	(1,101)
Other income	120	4,101
<i>Non-cash items:</i>		
Share option charges	-	(334)
Depreciation	(1,366)	(982)
Amortisation of software	(252)	(129)
Amortisation of acquired intangibles	(29)	(509)
Reversal of impairment of Property, Plant & Equipment	190	335
Impairment of goodwill	(517)	-
Total – non-cash items	(1,974)	(1,619)
LBIT	(912)	(402)
Net finance (charges)/income	(22)	156
LBT	(934)	(246)
Taxation – continuing operations	(79)	(192)
Result after taxation – continuing operations	(1,013)	(438)
Result after taxation – discontinued operations	1,183	35,001
Profit for the year	170	34,563
Adjusted loss before tax for the year from continuing operations ¹	(99)	(3,358)

1. Adjusted loss before tax for the year from continuing operations is the aggregate of adjusted EBITDA, share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles), and certain finance charges (see note 1 for reconciliation).

2. Adjusted operating expenses exclude depreciation, amortisation, impairments, share option charges, other income and separately disclosed items.

Revenue – continuing operations

£'000	Reported		Constant
	2022	2021	Currency 2021
Wagering revenue	19,116	19,515	21,835
Sports betting commission	1,974	280	313
F&B revenue	3,443	2,115	2,366
Total Sportech Venues	24,533	21,910	24,514
Total Sportech Digital	1,471	1,032	1,094
Total revenues	26,004	22,942	25,608

Revenue from continuing operations increased by 2% on a constant currency basis. The growth in F&B and Sports betting helping to offset the wagering revenue decline. A further location was closed during 2022, resulting in the Venues business operating nine current locations. The Digital revenue was principally supported by improved performance from the online pari-mutuel operations.

Adjusted EBITDA – continuing operations

£'000	Reported		Constant
	2022	2021	currency 2021
Sportech Venues	4,046	1,620	1,595
Sportech Digital	(307)	(579)	(612)
Central costs	(2,140)	(2,824)	(2,624)
Adjusted EBITDA	1,599	(1,783)	(1,641)

The significant Adjusted EBITDA improvement from a loss of £(1,783)k, which included a £260,000 sports betting investment, representing lobbying costs, in 2021. Returning to a profit of £1,599k from continuing operations, was delivered through improvements across all divisions. The Venues business more than offset the decline in pari-mutuel revenue through its strong results in its first full year of sports betting commission in addition to the recovery of the F&B product after COVID. The digital division reduced its losses, with growth through CRM in the 123.bet online business. Central costs were also reduced significantly in the year.

Discontinued operations

Further consideration was received from the Bump 50:50 businesses of £1,229k, (£1,013k net of fees) as well as retrospective receipt of other income of £170k in respect of the CARES Act in relation to the Global Tote business.

Separately disclosed items

	Note	2022 £000	2021 £000
Continuing operations			
Included in operating costs:			
Onerous contract provisions and other losses resulting from exit from Californian operations		(120)	91
Redundancy and restructuring costs ¹		414	625
Corporate activity costs		57	21
Costs in relation to the Spot the Ball VAT refund		-	10
Settlement of a contract ²		304	-
Costs in relation to exiting the Group's interests in India		2	13
Costs in relation to the Group's move from Main Market to AIM		-	341
		657	1,101
Discontinued operations			
Included in operating costs	11	-	371
Total included in operating costs		657	1,472
Included in finance costs – continuing operations:			
Interest accrued on corporate tax related to the STB refund received in 2016		24	150
	8	24	150
Net separately disclosed items		681	1,622

1. The redundancy and restructuring costs relate to settlements made to former Directors in lieu of notice.
2. Settlement of a contract relates to the Group exiting a royalty arrangement in the period relating to branding at its Connecticut venues. This required a termination fee to be paid and will financially benefit the Group in the long term.

The Group's lease issues in California were finally resolved during the year, avoiding further litigation and bringing those matters to a close, below the previous provisions.

Cash flow

The Group's cash flow for the year is as follows (including discontinued operations):

£'000	2022	2021
Adjusted EBITDA – continuing operations	1,599	(1,783)
Adjusted EBITDA – discontinued operations	1,183	6,879
Total Adjusted EBITDA	2,782	5,096
Payment of lease liabilities including interest	(1,357)	(1,512)
EBITDA after lease payments	1,425	3,584
Add:		
Net proceeds from disposals	-	41,040
Less:		
Capitalised software	(196)	(1,012)
Property plant and equipment (net of proceeds from sales)	(147)	(582)
Separately disclosed items and other income (net)	(657)	76
Working capital	(3,398)	(2,418)
Tax and interest (paid)/received	(5,083)	438
Dividends paid	(7,000)	-
Share buy-back including expenses	-	(35,880)
FX impact	565	(171)
Net cash flows in year	(14,491)	5,075
Opening cash, excluding customer balances	21,912	16,837
Closing cash, excluding customer balances	7,420*	21,912

* There is a modest rounding adjustment of £1,000, within the aggregate table above to match Closing cash.

Net cash outflow (excluding movement in customer balances) in the year was £14,491k.

The significant outflow items related to distributions to shareholders with a £7,000k dividend paid during the year and the agreement to place in Escrow an amount related to a potential tax liability, in order to stop interest accruing with no settlement yet reached with HMRC.

The business generated EBITDA on its continuing operations, improving on this measure year-on year.

Following the disposals of major businesses in 2021, the capitalized software and PPE investment were reduced for the continuing 2022 business. The Venues business introduced a significant new product line late 2021 and expanded upon that during 2022, requiring additional working capital during the period.

Consolidated Income Statement

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	2	26,004	22,942
Cost of sales	3	(11,847)	(11,489)
Gross profit		14,157	11,453
Marketing and distribution costs	3	(386)	(276)
Contribution		13,771	11,177
Operating costs	3	(14,803)	(15,680)
Other income	10	120	4,101
Operating loss		(912)	(402)
Finance costs	8	(254)	(305)
Finance income	8	232	461
Loss before tax from continuing operations		(934)	(246)
Tax – continuing operations	9	(79)	(192)
Loss for the year – continuing operations		(1,013)	(438)
Profit after taxation from discontinued operations	11(g)	1,183	35,001
Profit for the year		170	34,563
Attributable to:			
Owners of the Company		170	34,563
Basic (loss)/earnings per share attributable to owners of the Company			
From continuing operations	12(a)	(1.0)p	(0.3)p
From discontinued operations	12(a)	1.2p	20.6p
Total	12(a)	0.2p	20.3p
Diluted (loss)/earnings per share attributable to owners of the Company			
From continuing operations	12(b)	(1.0)p	(0.3)p
From discontinued operations	12(b)	1.2p	20.6p
Total	12(b)	0.2p	20.3p
Adjusted loss per share attributable to owners of the Company			
Basic	12(c)	(0.1)p	(1.7)p
Diluted	12(c)	(0.1)p	(1.7)p

See note 1 for a reconciliation of the above statutory income statement to the adjusted performance measures used by the Board of Directors to assess divisional performance.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Profit for the year		170	34,563
Other comprehensive income:			
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial gain/(loss) on retirement benefit liability – discontinued operations		-	186
		170	186
<i>Items that may be subsequently reclassified to profit and loss</i>			
Currency translation differences – continuing operations		1,047	(617)
Currency translation differences – discontinued operations		-	(550)
Less: gain reclassified to profit and loss on disposal of foreign operations	11		(3,373)
		1,047	(4,540)
Total other comprehensive income/(expense) for the year, net of tax		1,217	(4,354)
Total comprehensive income for the year		1,217	30,209
Attributable to:			
Owners of the Company		1,217	30,209

Consolidated Balance Sheet

As at 31 December 2022

	Note	2022 £000	2021 £000
ASSETS			
Non-current assets			
Goodwill	13	87	604
Intangible fixed assets	14	6,939	6,357
Property, plant and equipment	15	4,522	4,261
Right-of-use assets	16	5,042	4,657
Trade and other receivables	18	177	158
Deferred tax assets	19	15	-
Total non-current assets		<u>16,782</u>	<u>16,037</u>
Current assets			
Trade and other receivables	18	1,978	1,750
Inventories	20	146	124
Current tax receivable	9	228	-
Contingent consideration (gross receivable)	11(e)	1,229	-
Cash and cash equivalents	21	7,811	22,367
Total current assets		<u>11,392</u>	<u>24,241</u>
TOTAL ASSETS		<u>28,174</u>	<u>40,278</u>
LIABILITIES			
Current liabilities			
Trade and other payables	22	(6,564)	(7,945)
Provisions	23	-	(736)
Contingent consideration (bonuses payable)	11(e)	(216)	-
Lease liabilities	24	(1,155)	(923)
Current tax liabilities	9	-	(4,718)
Total current liabilities		<u>(7,935)</u>	<u>(14,322)</u>
Net current assets		<u>3,457</u>	9,919
Non-current liabilities			
Lease liabilities	24	(6,200)	(6,091)
Deferred tax liabilities	19	-	(43)
Total non-current liabilities		<u>(6,200)</u>	<u>(6,134)</u>
TOTAL LIABILITIES		<u>(14,135)</u>	<u>(20,456)</u>
NET ASSETS		<u>14,039</u>	19,822
EQUITY			
Ordinary shares	28	1,000	1,000
Other reserves		4,574	3,527
Retained earnings		8,465	15,295
TOTAL EQUITY		<u>14,039</u>	<u>19,822</u>

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Other reserves				Retained earnings £000	Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000		
At 1 January 2022	1,000	888	314	2,325	15,295	19,822
Comprehensive income						-
Profit for the year	-	-	-	-	170	170
Other comprehensive items						-
Currency translation differences arising in the year	-	-	-	1,047	-	1,047
Total other comprehensive items	-	-	-	1,047	-	1,047
Total comprehensive items	-	-	-	1,047	170	1,217
Transactions with owners						-
Dividend paid	-	-	-	-	(7,000)	(7,000)
Total transactions with owners	-	-	-	-	(7,000)	(7,000)
Total changes in equity	-	-	-	1,047	(6,830)	(5,783)
At 31 December 2022	1,000	888	314	3,372	8,465	14,039

for the year ended 31 December 2021

	Other reserves				Retained earnings £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 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 disposed of, transferred to retained earnings	-	-	766	-	(766)	-
Currency translation differences arising in the year	-	-	-	(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

Consolidated Statement of cash flows

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Cash (used in)/generated from operations, before separately disclosed items	29	119	511
Tax refund received	9	-	1,442
Tax paid	9	(5,083)	(1,029)
Net cash (used in)/generated from operating activities before separately disclosed items		(4,964)	924
Cash inflows – other income	10	-	2,483
Cash outflows - separately disclosed items	4	(1,457)	(2,407)
Cash generated from operations		(6,421)	1,000
Cash flows from investing activities			
Disposal of Sports Haven (net of transaction costs)		-	4,193
Disposal of Bump 50:50 (net of cash disposed of and transaction costs)		-	4,644
Disposal of LEIDSA contract (net of cash disposed of and transaction costs)		-	9,417
Disposal of Global Tote (net of cash disposed of and transaction costs)		-	22,636
Proceeds from sale of intangible assets	14	-	150
Investment in intangible fixed assets	14	(196)	(1,012)
Purchase of property, plant and equipment	15	(147)	(582)
Net cash (used in)/generated from investing activities		(343)	39,446
Cash flows used in financing activities			
Principal paid on lease liabilities		(1,127)	(1,333)
Interest paid on lease liabilities		(230)	(179)
Share buy-back including transaction costs	28	-	(35,880)
Dividend paid		(7,000)	-
Interest received		-	27
Interest paid		-	(2)
Cash used in financing activities		(8,357)	(37,367)
Net (decrease)/increase in cash and cash equivalents		(15,121)	3,079
Effect of foreign exchange on cash and cash equivalents		565	(171)
Cash and cash equivalents at the beginning of the year		22,367	11,821
Opening cash included in asset held for sale and excluded from cash and cash equivalents		-	7,638
Group cash and cash equivalents at the end of the year	21	7,811	22,367
Represented by:			
Cash and cash equivalents	21	7,811	22,367
Less customer funds	21	(391)	(455)
Adjusted net cash at the end of the year	21	7,420	21,912

The financial statements were approved and authorised for issue by the Board of Directors on 17 April 2023 and were signed on its behalf by:

Richard McGuire
 Director
 Company Registration Number: SC069140

Notes to the financial statements

for the year ended 31 December 2022

All accounting policies applied in this Preliminary Statement are consistent with those in the full financial statements which have yet to be published. The preliminary results for the year ended 31 December 2022 were approved by the Board of Directors on 17 April 2023. The financial information set out in this announcement does not constitute statutory financial statements for the years ended 31 December 2022 and 2021 within the meaning of Section 435 of the Companies Act 2006, but is extracted from those financial statements. The auditors have reported on those financial statements and have given an unqualified report which does not contain a statement under Section 498 of the Companies Act 2006.

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 consolidated financial statements of the Company as at and for the period ended 31 December 2022 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the "Group"). 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 business (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 2022. Following the disposals the Group continued to provide pari-mutuel betting (B2C) and lottery technology (B2B).

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing of these accounts. At the 31st December 2022 the Group had unrestricted cash of £7.4 million, with no debt in the business.

The Directors have prepared forecasts covering the period to December 2024, built from the detailed Board-approved budget for 2023.

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. The downside case makes far more pessimistic commercial assumptions, for instance that online handle remains flat rather than continue on growth trajectory, and a significant reduction in the contribution from sports betting. It also considers the impact of a weakening dollar.

Both the base plan and downside scenario forecasts led the Directors to have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Basis of accounting

All accounting policies applied in this Preliminary Statement are consistent with those in the full financial statements which have yet to be published. The preliminary results for the year ended 31 December 2022 were approved by the Board of Directors on 17 April 2023. The financial information set out in this

announcement does not constitute statutory financial statements for the years ended 31 December 2022 and 2021 within the meaning of Section 435 of the Companies Act 2006, but is extracted from those financial statements. The auditors have reported on those financial statements and have given an unqualified report which does not contain a statement under Section 498 of the Companies Act 2006.

1. 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 that 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	2022 £000	2021 £000
Continuing operations			
Operating costs per income statement		(14,803)	(15,680)
Add back:			
Depreciation	15,16	1,216	982
Amortisation, excluding acquired intangible assets	14	252	129
Amortisation of acquired intangible assets	14	29	509
Impairment of goodwill	13	517	-
Reversal of impairment of property, plant and equipment	15	(190)	(335)
Loss on sale of property, plant and equipment	15,16	150	-
Share option charge	2	-	334
Separately disclosed items (net)	4	657	1,101
Adjusted operating costs		(12,172)	(12,960)

Adjusted EBITDA is calculated as below:

	2022 £000	2021 £000
Continuing operations		
Revenue	26,004	22,942
Cost of sales	(11,847)	(11,489)
Gross profit	14,157	11,453
Marketing and distribution costs	(386)	(276)
Contribution	13,771	11,177
Adjusted operating income and costs	(12,172)	(12,700)
Adjusted EBITDA	1,599	(1,523)

The 2021 Adjusted EBITDA reported in 2021, included an amount of £260,000 Sports betting investment and therefore a total 2021 Adjusted EBITDA of £(1,783). This has been adjusted to provide clarity and consistency and 'like for like' reporting.

Adjusted profit/(loss) is also an adjusted performance measure used by the Group. This uses adjusted EBITDA, 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.

	2022	2021
	£000	£000
From continuing operations:		
Adjusted EBITDA	1,599	(1,783)
Share option charge	-	(334)
Depreciation	(1,216)	(982)
Amortisation (excluding amortisation of acquired intangibles)	(252)	(129)
Net finance costs (note 8)	(230)	(130)
Adjusted profit/(loss) before tax	(99)	(3,358)
Tax	(79)	551
Adjusted profit/(loss) after tax	(178)	(2,807)

	Note	2022	2021
		£000	£000
From discontinued operations:			
Adjusted EBITDA	11	1,183	6,879
Depreciation	11	-	(221)
Amortisation	11	-	(151)
Net finance costs	11	-	54
Adjusted profit before tax		1,183	6,561
Tax		-	(1,693)
Adjusted profit after tax		1,183	4,868

2. Segmental reporting

2022	Sportech Digital	Sportech Venues	Corporate costs	Group
	£000	£000	£000	£000
Revenue from sports betting services	-	1,974	-	1,974
Revenue from food and beverage sales	-	3,443	-	3,443
Revenue from rendering of services	1,471	19,116	-	20,587
Total revenue	1,471	24,533	-	26,004
Cost of sales	(944)	(10,903)	-	(11,847)
Gross profit	527	13,630	-	14,157
Marketing and distribution costs	4	(390)	-	(386)

Contribution	531	13,240	-	13,771
Adjusted net operating costs (note 1)	(838)	(9,194)	(2,140)	(12,172)
Adjusted EBITDA	(307)	4,046	(2,140)	1,599
Depreciation	(10)	(1,192)	(14)	(1,216)
Amortisation (excluding amortisation of acquired intangible assets)	(162)	-	(90)	(252)
Amortisation of acquired intangibles	(29)	-	-	(29)
Loss on sale of property, plant and equipment	-	(133)	(17)	(150)
Impairment of goodwill	(517)	-	-	(517)
Reversal of impairment	-	190	-	190
Other income	-	120	-	120
Separately disclosed items	-	(307)	(350)	(657)
Operating (loss)/profit	(1,025)	2,724	(2,611)	(912)
Net finance income				(22)
Loss before taxation from continuing operations				(934)
Taxation – continuing operations				(79)
Loss for the year from continuing operations				(1,013)
Net profit from discontinued operations				1,183
Loss for the year				170

	Sportech Digital	Sportech Venues	Corporate costs	Group
	£000	£000	£000	£000
Segment assets	951	27,055	168	28,174
Segment liabilities	(50)	(12,831)	(1,254)	(14,135)
Other segment items – capital expenditure				
Intangible assets (continuing operations)	196	-	-	196
Property, plant and equipment (continuing operations)	5	142	-	147

2021	Sportech Digital	Sportech Venues	Corporate costs	Group
	£000	£000	£000	£000
Revenue from sports betting services	—	280	—	280
Revenue from food and beverage sales	—	2,115	—	2,115
Revenue from rendering of services	1,032	19,515	—	20,547
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)	(9,149)	(2,564)	(12,700)
Adjusted EBITDA (pre sports betting investment)	(579)	1,620	(2,564)	(1,523)
Sports betting investment	—	(260)	—	(260)
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 income				156
Loss before taxation from continuing operations				(246)
Taxation – continuing operations				(192)
Loss for the year from continuing operations				(438)
Profit after tax from discontinued operations				35,001
Profit for the year				34,563

	Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Group £000
Segment assets	1,252	20,288	18,738	40,278
Segment liabilities	(208)	(12,144)	(8,104)	(20,456)
Other segment items – capital expenditure				
Intangible assets (continuing operations)	165	—	—	165
Intangible assets (discontinued operations)	847	—	—	847
Property, plant and equipment (continuing operations)	4	27	—	31
Property, plant and equipment (discontinued operations)	551	—	—	551

2b Information by geographical area

	Revenues from external customers Continuing operations		Revenues from external customers Discontinued operations		Non-current assets	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
United Kingdom	93	62	-	1,867	702	1,316
North and South America	25,911	22,880	-	12,534	16,080	14,721
Europe	-	-	-	1,724	-	-
Other	-	-	-	294	-	-
Total	26,004	22,942	-	16,419	16,782	16,037

3. Expenses by nature

	Note	2022 £000	2021 £000
Cost of sales			
Tote and track fees		10,208	10,205
F&B consumables		1,144	818
Betting and gaming duties and licences		125	99
Repairs and maintenance cost of sales		28	34
Programs		256	266
Other cost of sales		86	67
Total cost of sales		<u>11,847</u>	<u>11,489</u>
Marketing and distribution costs			
Marketing		368	253
Vehicle costs		18	23
Total marketing and distribution costs		<u>386</u>	<u>276</u>
Operating costs			
Staff costs – gross, excluding share option charges		6,323	6,661
Less amounts capitalised		(171)	(165)
Staff costs – net		<u>6,152</u>	6,496
Property costs		2,688	2,581
IT & Communications		628	457
Professional fees and licences		1,524	2,323
Insurance		913	968
Travel and entertaining		94	26
Banking transaction costs and FX		107	109
Other costs		66	-
Adjusted operating costs (including sports betting investment)		<u>12,172</u>	12,960
Share option charge			334
Depreciation	15,16	1,216	982
Loss on sale of property, plant and equipment		150	-
Amortisation, excluding amortisation on acquired intangibles	14	252	129
Amortisation of acquired intangibles	14	29	509
Impairment of goodwill	13	517	-
Impairment reversal of property, plant and equipment and right-of-use assets	15,16	(190)	(335)
Separately disclosed items	15	657	1,101
Total operating costs		<u>14,803</u>	<u>15,680</u>

4. Separately disclosed items

	Note	2022 £000	2021 £000
Continuing operations			
Included in operating costs:			
Onerous contract provisions and other losses resulting from exit from Californian operations		(120)	91
Redundancy and restructuring costs ¹		414	625

Corporate activity costs		57	21
Costs in relation to the Spot the Ball VAT refund		-	10
Settlement of a contract ²		304	-
Costs in relation to exiting the Group's interests in India		2	13
Costs in relation to the Group's move from Main Market to AIM		-	341
		657	1,101
Discontinued operations			
Included in operating costs	11	-	371
		657	1,472
Included in finance costs – continuing operations:			
Interest accrued on corporate tax relating to the balance sheet date on STB refund received in 2016		24	150
	8	24	150
Net separately disclosed items		681	1,622

1. Redundancy and restructuring costs relate to settlements made to former Directors in lieu of notice.
2. Settlement of a contract relates to the Group exiting a royalty arrangement in the period relating to branding at its Connecticut venues. This required a termination fee to be paid.

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

	2022	2021
	£000	£000
Continuing operations – cash outflows from separately disclosed items:		
Onerous contract provisions and other losses resulting from exit from Californian operations	(688)	-
Settlement of a contract	(304)	-
Redundancy and restructuring costs	(414)	(625)
Costs in relation to the Spot the Ball VAT refund	-	(37)
Costs in relation to corporate activity	(49)	(71)
Costs in relation to the Group's move to AIM	-	(341)
Costs in relation to the Group's lease in Norco, California	-	(785)
Costs in relation to exiting the Group's interests in India	(2)	(13)
Cash outflows from separately disclosed items – continuing operations (net)	(1,457)	(1,872)
Cash outflows from separately disclosed items – discontinued operations (net)	-	(535)
Cash outflows from separately disclosed items - total	(1,457)	(2,407)

5. Employment costs

Average number of monthly employees (full-time equivalents) including Executive Directors comprised:

	Continuing 2022 Number	Discontinued 2022 Number	Total 2022 Number	Continuing 2021 Number	Discontinued 2021 Number	Total 2021 Number
Continuing operations						
Sales and marketing	5	-	5	4	13	17
Operations and distribution	140	-	140	134	195	329
Administration and management	12	-	12	12	24	36
Total employees	157	-	157	150	232	382

Their aggregate remuneration comprised:

	Continuing		Discontinued	
	2022	2021	2022	2021
	£000	£000	£000	£000
Wages and Salaries	5,545	5,933	-	4,145
Social security costs	530	475	-	406
Pension costs – defined contribution scheme (note 25)	75	88	-	225
Employee remuneration, excluding share option charges	6,150	6,496		4,776
Share option expense	-	334		-
Total remuneration	6,150	6,830		4,776

6. Directors and key management remuneration

	Directors & Key Management	
	2022	2021
	£000	£000
Short-term employee benefits	365	1,701
Share-based payments	-	-
Pay in lieu of notice	266	368
Post-employment benefits	-	-
Total remuneration	631	2,069

In the above table, the prior year includes approved bonuses for 2021 and excludes any bonus which was contingent on the completion of the disposal of the held for sale assets at 31 December 2021. Those bonuses which have now been paid in 2021 have been included in the 2021 amounts in the above table.

7. Auditor remuneration

Fees paid to the Auditors of the consolidated financial statements during the period comprise:

	2022	2021
	£000	£000
Audit fees	258	264
Corporate finance services	-	55
Other assurance services	15	18
Total fees	273	337

8. Net finance income/(costs)

	2022	2021
	£000	£000
Continuing operations:		
Finance costs:		
Interest accrued and paid on tax liabilities	(24)	(150)
Interest on lease obligations (note 24)	(230)	(155)
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	-	-
Total finance costs	(254)	(305)

Finance income:		
Interest received on bank deposits	-	25
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	232	436
Total finance income	232	461
Discontinued operations	-	54
Net finance (costs)/income	(22)	210

Of the above amounts the following have been excluded for the purposes of deriving the alternative performance measures in note 1.

Continuing operations:	2022	2021
	£000	£000
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	232	436
Interest accrued and paid on tax liabilities	(24)	(150)
	208	286

9. Taxation

The Group's tax charge from continuing and discontinued operations comprises:

	2022	2021
	£000	£000
Current tax:		
Current tax on profit for the year	287	1,219
Adjustments in respect of prior years	(150)	6
Total current tax	137	1,225
Deferred tax:		
Origination and reversal of temporary differences	(43)	(56)
Change in rates	-	(4)
Adjustments in respect of prior years	(15)	13
Derecognition of previously recognised deferred tax assets	-	-
Total deferred tax	(58)	(47)
Total tax charge	79	1,178

		2022	2021
		£000	£000
Total tax charge in continuing operations		79	192
Total tax charge in discontinued operations	11	-	986
Total tax charge		79	1,178

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits and losses of the consolidated entities as follows:

		2022	2021
		£000	£000
Profit for the year		169	34,563
Total tax charge		79	1,178
Profit before tax		248	35,741

Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	44	8,065
Tax effects of:		
– income not taxable net of expenses not deductible for tax purposes	201	(5,282)
– foreign taxes paid not provided for	-	689
– adjustments in respect of prior years – current tax	(150)	6
– adjustments in respect of prior years – deferred tax	(15)	13
– effect of change in rates	-	(4)
– deferred tax not recognised during the year	-	319
– deferred tax not previously provided	-	(2,628)
– derecognition of previously recognised deferred tax assets	-	-
Total tax charge	79	1,178

No deferred tax asset has been recognised in the US businesses as at 31 December 2022 or 2021 as there is not sufficient certainty over the recoverability of these against suitable future profits. There are no changes expected in the US federal income tax rate from the current rate of 21%.

These financial statements account for the change in the UK Corporation Tax rate from 19% to 25% based on enacted legislation..

The tax position in relation to the treatment of the £4.6m gain included in the 2016 financial statements for the Spot the Ball VAT refund remains uncertain. The directors continue to consider that this amount is in dispute and await the HMRC final determination of assessments whereupon they will consider if any further actions are appropriate. No contingent asset is provided in this respect.

An analysis of the net current tax (assets)/ liabilities is as follows:

	2022	2021
	£000	£000
At 1 January	4,718	3,258
Charged to the income statement – continuing operations	153	239
Charged to the income statement – discontinued operations*	-	791
Paid during the year – continuing operations	(5,083)	(105)
Received during the year – continuing operations	-	1,442
Paid during the year – discontinued operations*	-	(904)
Transferred to liabilities associated with assets held for sale	-	-
Foreign exchange movements	(16)	(3)
At 31 December	(228)	4,718
Included in:		
Current assets	(228)	-
Current liabilities	-	4,718
	(228)	4,718

* Relating to LEIDSA contract. Tax paid in the other discontinued operations was £20k.

10. Other income

Other income recognised in the income statement during the year is as follows:

	2022	2021
Note	£000	£000

Settlement for early termination of a contract		-	100
CARES Act credits received – continuing operations		120	1,426
Profit on disposal of Sports Haven		-	2,575
Total – continuing operations		120	4,101
CARES Act credits received – discontinued operations	11c	170	1,057
Total		290	5,158

CARES Act credits were received given the impact on the Group’s operations of the COVID-19 restrictions imposed in the USA. All amounts were received in cash either during the year or in February 2023. Proceeds from the settlement for early termination of a contract are due to be received in early Q2 of 2022.

11. Discontinued operations and assets held for sale

11a) 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 was leased back for an initial 18 months to 31 October 2022, then extended to February 2024 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.

11b) On 2 June 2021 the Group completed the disposal its 50:50 lottery division, Bump 50:50. In addition to the consideration received during 2021, further consideration was received by the group in March 2023 following Bump 50:50 achieving the revenue trigger in the financial year ending 31 December 2022. The gross amount received of £1,229k has been recognised within discontinued operations in the Income Statement with a net gain of £1,013k.

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

Bump (Worldwide) Inc.:	Note	Period ended 2	
		2022 £000	June 2021 £000
Revenue		1,229	810
Cost of sales, marketing and distribution and adjusted operating expenses		(216)	(487)
Adjusted EBITDA		1,013	323
Depreciation and amortisation		-	-
Separately disclosed items		-	-
Finance income		-	78
Profit before tax		1,013	401
Tax, excluding tax arising on disposal		-	-
Profit after tax		-	401
Gain from selling discontinued operations after tax (net of disposal costs)	11e	1,013	3,805
Profit for the period		1,013	4,206
Net cash flow from operating activities		-	462
Net cash flow (used in) investing activities		-	(37)
Net cash inflow/(outflow)		-	425

11c) 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. Gross Consideration amounts 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 plus a settlement of net working capital which was in excess of an agreed Target working capital (and other adjustments) of £559k also delivered. 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 Group has recognised £170k relating to Cares Act claims for the period prior to disposal which were received by the Group in 2023.

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

	Note	2022 £000	Period ended 17 June 2021 £000
Global Tote Group:			
Revenue		-	12,245
Cost of sales, marketing and distribution and adjusted operating expenses		-	(8,140)
Adjusted EBITDA		-	4,105
Other income		170	1,057
Depreciation and amortisation		-	-
Profit on disposal of intangible assets		-	68
Separately disclosed items		-	(371)
Finance costs		-	(24)
Profit before tax		170	4,835
Tax, excluding tax arising on disposal		-	(195)
Profit after tax		-	4,640
Gain from selling discontinued operations after tax (net of disposal costs)	11e	170	17,051
Profit for the period		170	21,691
Net cash flow from operating activities		-	1,944
Net cash flow (used in) investing activities		-	(930)
Net cash flow (used in) financing activities		-	(160)
Net cash inflow		-	854

11d) The profit for the period and cashflows from Sportech Lotteries, LLC are shown below:

	Note	2022 £000	2021 £000
Sportech Lotteries, LLC:			
Revenue		-	3,364
Cost of sales, marketing and distribution and adjusted operating expenses		-	(913)
Adjusted EBITDA		-	2,451
Depreciation and amortisation		-	(372)
Profit on disposal of property, plant and equipment		-	47
Profit before tax		-	2,126
Tax, excluding tax arising on disposal		-	(791)
Profit after tax		-	1,335
Gain from selling discontinued operations after tax (net of disposal costs)	11e	-	7,769
Profit for the period		-	9,104
Net cash flow from operating activities		-	1,068
Net cash flow (used in) investing activities		-	(429)
Net cash inflow		-	639

11e) A summary of the gain on disposal 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		170	1,229	-	1,399

Cash consideration received and receivable net of cash disposed of	170	1,229	-	1,399
Costs of disposal	-	(216)	-	(216)
Pre-tax gain on disposal of discontinued operations Taxation	170	1,013	-	1,183
Gain on disposal of discontinued operations	170	1,013	-	1,183

Costs of disposal include bonuses paid to Group employees and former employees of £216k for Bump.

11f) A summary of the cash consideration received and receivable net of cash disposed of is as follows:

	Global Tote Group	Bump (Worldwide) Inc.	Sportech Lotteries LLC	Total
Note	£000	£000	£000	£000
Cash consideration received and receivable net of cash disposed of before disposal costs paid in the period	170	1,229	-	1,399

11g) Reconciliation to profit/(loss) for the period included in the income statement:

	Note	2022 £000	2021 £000
Global Tote	11c	170	21,691
Bump	11b	1,013	4,206
Sportech Lotteries, LLC	11d	-	9,104
		1,183	35,001

12. Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year.

	Continuing 2022 £000	Discontinued 2022 £000	Total 2022 £000	Continuing 2021 £000	Discontinued 2021 £000	Total 2021 £000
(Loss)/profit attributable to the owners of the Company	(1,014)	1,183	169	(438)	35,001	34,563
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	169,785	169,785	169,785
Basic (loss)/earnings per share	(1.0)p	1.2p	0.2p	(0.3)p	20.6p	20.3p

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Where there is a loss attributable to owners of the Company, the earnings per share is not diluted.

	Continuing 2022 £000	Discontinued 2022 £000	Total 2022 £000	Continuing 2021 £000	Discontinued 2021 £000	Total 2021 £000
Profit attributable to the owners of the Company	(1,014)	1,183	169	(438)	35,001	34,563

Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	169,785	169,785	169,785
Dilutive potential ordinary shares	(1.0)p	1.2p	0.2p	N/A	N/A	N/A
Total potential ordinary shares	100,000	100,000	100,000	169,785	169,785	169,785
Diluted earnings per share	(1.0)p	1.2p	0.2p	(0.3)p	20.6p	20.3p

The number of potentially dilutive shares not taken into account in respect of the VCP in prior year was unlimited. The VCP expired on 31 December 2022 and there are no longer any potentially dilutive shares.

c) Adjusted

Adjusted EPS is calculated by dividing the adjusted loss after tax (as defined in note 1) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022			2021		
	Adjusted loss after tax £000	Weighted average number of shares £000	Per share amount Pence	Adjusted loss after tax £000	Weighted average number of shares £000	Per share amount Pence
Continuing operations						
Basic adjusted EPS	(143)	100,000	(0.1)p	(2,807)	169,785	(1.7)p
Diluted adjusted EPS	(143)	100,000	(0.1)p	(2,807)	169,785	(1.7)p

13. Goodwill

Goodwill cost brought forward arose on the acquisition of Lot.to Systems Limited (which is now subsumed into Sportech Digital) in February 2019. The goodwill is attributable to the knowledge and expertise of the workforce.

Movements in the Group's goodwill are shown below:

	2022	2021
	£000	£000
Cost		
At 1 January	604	604
At 31 December	604	604
Accumulated impairment charges		
At 1 January		-
Impairment charge	517	-
At 31 December	517	-
Closing net book value	87	604

As required by IAS 36, an impairment test has been carried out as at 31 December 2022.

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The key base case assumptions made in calculating the value-in-use were:

On 3 February, Lot.to Systems Limited received £500k cash in initial consideration for the disposal of its trade and assets to Inspired Gaming Ltd. The purchase consideration represented value for the transfer under TUPE of the development team and the intangible assets, being the software they had internally developed with the costs of their time having been capitalised in previous periods.

The carrying value of the acquired goodwill in the Group in respect of Lotto is £604k which along with the intangible assets of £412k comes to £1,016k. This means an impairment loss of £517k is required to write down the fixed assets to the value of the purchase consideration.

14. Intangible fixed assets

2022

	Software £000	Licences £000	Total £000
Cost			
At 1 January 2022	4,576	5,696	10,272
Additions – continuing operations	196	-	196
Disposals - continuing operations	(2)	-	(2)
At 31 December 2022	4,770	5,696	10,466
Accumulated amortisation			
At 1 January 2022	3,592	914	4,506
Charge for year – continuing operations	277	4	281
Disposal – continuing operations	2	-	2
At 31 December 2022	3,871	918	4,789
Exchange differences at 1 January 2022	(247)	838	591
Movement in the year	0	671	671
Exchange differences at 31 December 2022	(247)	1,509	1,262
Net book amount at 31 December 2022	652	6,287	6,939

Of the amounts capitalised in the year in continuing operations, £196k arose from capitalising staff costs for development expenditure (2021: £165k). Amortisation has been included within operating costs.

Impairment - Licences

The Group holds a licence in perpetuity to offer pari-mutuel off-track betting in the State of Connecticut in the US for its Venues division. This asset has a book value in GBP at the reporting date, prior to any impairment that may be considered necessary, of £6,287k (\$7,569k, 2021: £5,616k, \$7,569k). Given this licence is in perpetuity, the book value of the asset is not amortised and the useful economic life allocated to the asset is indefinite.

As required by IAS 36, an impairment test has been carried out as at 31 December 2022. In testing for impairment, other assets used solely to generate cash flows in the Venues CGU are also included, totalling (together with the licence carrying value) £15,814k, \$19,039k (2021: £12,680k, \$17,088k).

The recoverable amount of the asset has been determined based on a value-in-use calculation. The key base case assumptions made in calculating the value-in-use were:

- EBITDA forecasts assume year-on-year handle decline in the core operating business of 2.8% in the next 5 years and a 2% decline into perpetuity;
- a significant increase in F&B revenues in 2023 reflecting a full recovery from the overhang of COVID-19 restrictions, thereafter the revenue is held flat into perpetuity;
- Online and Sports betting revenues are forecasted to increase by 2% into perpetuity (is it assumed the 10-year contract with CLC will be renewed in perpetuity);
- capital expenditure was included in the cash flows at management’s best estimate of industry norm for reinvestment in retail outlets of the kind under review; and
- a post-tax discount rate of 13.9% (2021: 13.5%) was used representing a market-based weighted average cost

of capital appropriate for the Sportech Venues CGU.

The above assumptions are together considered by management to be the most likely trading performance outcome for the CGU, having taken into account past experience and knowledge of the future trading environment.

Following the impairment review, the recoverable amount of those assets was deemed to be £17,726k (\$21,340k) and accordingly no impairment was identified (2021: no impairment).

The below assumptions represent a reasonable downside case for sensitivity purposes. This would reduce the carrying value of the trading assets in the business to £12,946k, being headroom to the carrying value of £266k.

- 4% decline for 2023 through 2025 rather than 2% for core wagering handle;
- No growth in the F&B revenue;
- On line and sports betting revenues growth rate halved to 1%
- All other costs remain constant;

2021

	Software £000	Licences £000	Total £000
Cost			
At 1 January 2021	5,353	5,696	11,049
Additions – continuing operations	165	-	165
Additions – discontinued operations	23	-	23
Disposal	(965)	-	(965)
At 31 December 2021	4,576	5,696	10,272
Accumulated amortisation			
At 1 January 2021	3,594	879	4,473
Charge for year – continuing operations	603	35	638
Charge for year – discontinued operations	151	-	151
Disposal	(756)	-	(756)
At 31 December 2021	3,592	914	4,506
Exchange differences at 1 January 2021	-	767	767
Movement in the year	-	71	71
Disposal	(247)	-	(247)
Exchange differences at 31 December 2021	(247)	838	591
Net book amount at 31 December 2021	737	5,620	6,357

15. Property, plant and equipment

2022	Leasehold improvements and owned land and buildings	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2022	8,393	502	3,598	1	12,494
Additions – continuing operations	-	3	109	35	147
Disposals	(193)	-	(374)	-	(567)
At 31 December 2022	8,200	505	3,333	36	12,074
Accumulated depreciation					
At 1 January 2022	4,640	1	3,508	-	8,149

Charge for year – continuing operations	231	21	182	-	434
Reversal of impairment	(190)	-	-	-	(190)
Disposals	(119)	-	(315)	-	(434)
At 31 December 2022	4,562	22	3,375	-	7,959
Exchange differences at 1 January 2022	54	(472)	333	1	(84)
Movement in the year	441	3	47	-	491
Disposals	-	-	-	-	-
Exchange differences at 31 December 2022	495	(469)	380	1	407
Net book amount at 31 December 2022	4,133	14	338	37	4,522

Depreciation charges and the loss on disposal of PPE have been included in operating costs.

Reversal of impairment

The assets at the Stamford sports bar venue in Connecticut, USA were fully impaired in prior periods. Given the new arrangement for sports betting in the venue which came into force in late October 2021, management have considered whether any of the previous impairment of assets should be reversed based on the venue's trading performance. Modelling was undertaken to calculate the value-in-use of the assets at the venue. The following key assumptions were made in the value-in-use calculation:

- The break clause in May 2025 will not be activated to end the lease in June 2026 and the trade at the venue will continue into perpetuity (this a reversal of the assumption taken in June 2020 that the break would be taken). This has been reflected in the year with the lease liability remeasured resulting in an increase in the lease liability of £2,835K and a corresponding increase in the right-of-use asset was made (see note 16 and 24);
- All operating assumptions driving revenues and costs were considered in the same way as the overall venues business;
- Capital expenditure will average at \$60k per annum until 2025 and then \$40k per annum into perpetuity; and
- a post-tax discount rate of 13.9% (2021: 13.5%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU.

As part of the discounted cashflow exercise with the above assumptions the recoverable amount of those assets was deemed to be £4,071k Accordingly a reversal of impairment of £190k was identified and has been credited to the income statement within operating costs.

No indicators of impairment of other property, plant and equipment arose in the second half of the year.

2021	Leasehold improvements and owned land and buildings	Plant and machinery	Fixtures and fittings	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2021	8,393	3,022	3,553	31	14,999
Additions – continuing operations	-	16	45	(30)	31
Additions – discontinued operations	-	343	-	64	407
Disposals	-	(2,879)	-	(64)	(2,943)
At 31 December 2021	8,393	502	3,598	1	12,494
Accumulated depreciation					
At 1 January 2021	4,780	1,513	3,274	-	9,567

Charge for year – continuing operations	195	19	234	-	448
Charge for year – discontinued operations	-	221	-	-	221
Reversal of impairment	(335)	-	-	-	(335)
Disposals	-	(1,752)	-	-	(1,752)
At 31 December 2021	4,640	1	3,508	-	8,149
Exchange differences at 1 January 2021	122	(672)	195	-	(355)
Movement in the year	(68)	1	138	1	72
Disposals	-	199	-	-	199
Exchange differences at 31 December	54	(472)	333	1	(84)
Net book amount at 31 December 2021	3,807	29	423	2	4,261

16. Right-of-use assets

2022

	Land and buildings £000	Vehicles £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2022	8,881	29	53	8,963
Additions	652	-	-	652
Disposals	(102)	-	-	(102)
At 31 December 2022	9,431	29	53	9,513
Accumulated depreciation				
At 1 January 2022	4,217	7	37	4,261
Charge for year	765	5	12	782
Disposals	(85)	-	-	(85)
At 31 December 2022	4,897	12	49	4,958
Exchange differences at 1 January 2022	(42)	(1)	(2)	(45)
Movement in the year	520	4	8	532
Exchange differences at 31 December 2022	478	3	6	487
Net book amount at 31 December 2022	5,012	20	10	5,042

The addition in year relates to the extension of the existing lease of the Sports Haven venue.

2021

	Land and buildings £000	Vehicles £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2021	6,941	29	53	7,023
Additions	1,240	-	-	1,240

Reassessment of lease term	604	-	-	604
Transferred from held for sale	96	-	-	96
At 31 December 2022	8,881	29	53	8,963
Accumulated depreciation				
At 1 January 2021	5,878	2	27	5,907
Charge for year	519	5	10	534
Reassessment of lease term	(2,231)	-	-	(2,231)
Transferred from held for sale	51	-	-	51
At 31 December 2022	4,217	7	37	4,261
Exchange differences at 1 January 2021	20	(1)	(2)	17
Movement in the year	(62)	-	-	(62)
Exchange differences at 31 December 2022	(42)	(1)	(2)	(45)
Net book amount at 31 December 2022	4,622	21	14	4,657

Depreciation charges have been included in operating costs.

Reassessment of lease assumption – break clause

During the year ended 31 December 2020, management had judged that the break clause in the lease of the Stamford sports bar venue in Connecticut, USA, would be exercised and that the venue would be exited in May 2025.

Following the new arrangement which came into force in late October 2021 and allowed sports betting to commence in the venue, management now consider that the break will not be taken and the Group will continue to operate the venue until at least the end of the lease in May 2035. As a result, during the year ended 31 December 2021, the lease liability was remeasured resulting in an increase of £2,835k (see note 24) and a corresponding increase in the right-of-use asset.

This £2,835k increase to the right-of-use asset should wholly be recognised as an increase in cost but £2,231k was taken against accumulated depreciation with only £604k recognised as an increase in cost. This is to ensure that the correct closing cost and accumulated depreciation figures are reported as, during the year ended 31 December 2020, the reassessment of the lease term which led to a decrease in the right of use asset of £2,231k was shown as an increase in accumulated depreciation when it should have been recognised as a reduction in cost. This had no impact on the net book amount of the right-of-use asset reported nor on profit for the year. Rather than restate the cost and accumulated depreciation figures for the year ended 31 December 2020 with no overall impact, management have reversed the £2,231k adjustment to accumulated depreciation during the year ended 31 December 2021 and correctly recognised the excess of £604k as an increase in cost.

Value in use

Management considered that indicators of impairment of the right-of-use assets of the Stamford sports bar lease in Connecticut, USA, following the reassessment of the break clause assumption. The carrying value was considered to be supported by the discounted future cashflows and as a result no further impairment was identified. See note 15 for details of assumptions used in the forecasting.

No indicators of impairment arose in relation to any other right-of-use asset during the period.

Further lease disclosures are given in note 24.

17. Net investment in joint venture

The Group held a 50% investment in Striders sports bar in San Diego, as part of the joint venture company S&S Venues California, LLC. Striders is a food and beverage venue with on-site wagering facilities in California. It commenced trading in February 2017 and ceased trading in December 2019. The Group's obligations in relation to the joint venture have been settled and the legal process to dissolve the joint venture company was completed in 2022.

18. Trade and other receivables

	2022	2021
	£000	£000
Non-current		
Other receivables	177	158
Non-current trade and other receivables	<u>177</u>	<u>158</u>
Current		
Trade receivables	1,112	781
Less provision for impairment of receivables	-	-
Trade receivables – net	<u>1,112</u>	<u>781</u>
Other receivables	491	480
Accrued income	231	279
Prepayments	144	210
Current trade and other receivables	<u>1,978</u>	<u>1,750</u>
Total trade and other receivables	<u>2,155</u>	<u>1,908</u>

The fair value of trade and other receivables is not considered to be different from the carrying value recorded above.

Movements in the provision for impairment of receivables in the year is shown below:

	2022	2021
	£000	£000
At 1 January	-	111
Charged to the income statement – discontinued operations	-	-
Utilisation of provision	-	(111)
Transferred to held for sale	-	-
Foreign exchange movements	-	-
At 31 December	<u>-</u>	<u>-</u>

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2022	2021
	£000	£000
Sterling	104	233
US Dollar	1,835	1,675
Total	<u>1,939</u>	<u>1,908</u>

Trade receivables that are not more than three months past due are not considered impaired. As at 31 December 2022, £48k (2021: £102k) of trade receivables were more than three months past due and not impaired. Management also considers that these receivables are recoverable in full.

19. Deferred tax

The movement on the net deferred tax balance is as follows:

	Asset	Liability	Net	
	2022	2022	2022	2021
Note	£000	£000	£000	£000
Net deferred tax asset at 1 January		(43)	(43)	(90)
Income statement credit – continuing operations	9	58	58	47
Net deferred tax asset at 31 December		<u>15</u>	<u>15</u>	<u>(43)</u>

Included in:

Non-current assets	-	15	15	-
Current liabilities	-	-	-	-
Non-current liabilities	-	-	-	(43)
	-	15	15	(43)

Deferred tax liabilities

	Other temporary differences £000	Total £000
At 1 January 2021	(90)	(90)
Income statement credit – continuing operations	47	47
At 1 January 2022	(43)	(43)
Income statement credit– continuing operations	58	58
At 31 December 2022	15	15

20. Inventories

	2022 £000	2021 £000
Finished goods	146	124
	146	124

The cost of inventories (food and beverage inventory) recognised as an expense and included in cost of sales amounted to £1,147k (2021: £818k). Food and beverage inventory is included in finished goods. There was no provision for obsolescence held against inventories at 31 December 2022 (2021: £nil).

21. Cash and cash equivalents

	Note	2022 £000	2021 £000
Cash and short-term deposits		7,420	21,912
Customer funds	22	391	455
		7,811	22,367

The fair value of cash and cash equivalents is not considered to be different from the carrying value recorded in the financial statements.

Cash balances of £391k (2021: £455k) are held on behalf of customers in respect of certain online and telephone betting activities (amounts deposited by telephone betting customers in Connecticut, USA are held in separate accounts). The corresponding liability is included within trade and other payables (see note 22).

22. Trade and other payables

	Note	2022 £000	2021 £000
Trade payables		4,588	3,545
Other taxes and social security costs		148	178
Accruals		1,437	3,767
Player liability	21	391	455
		<u>6,564</u>	<u>7,945</u>

There is no difference between book values and fair values of trade and other payables. All amounts are due within one year.

23. Provisions

	Total £000
At 1 January 2021	1,442
Utilised during the year	(785)
Transferred to liabilities associated with assets held for sale	91
Currency differences	(12)
At 1 January 2022	<u>736</u>
Utilised during the year	(677)
Released to the income statement	(69)
Currency differences	10
At 31 December 2022	<u>-</u>
Of which:	
Current provisions	<u>-</u>

Provisions have been recognised where the Group has contractual obligations to provide services where the estimated unavoidable costs to carry out the obligation exceed the expected future economic benefits to be received.

The Group had committed financial obligations arising from onerous leases it had entered into in California. The final liability was settled in March 2022.

24. Lease liabilities

	2022 £000	2021 £000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1,435	1,211
Between 2 and 5 years	2,955	2,615
More than 5 years	4,783	4,824
Total	<u>9,173</u>	<u>8,650</u>

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

	2022 £000	2021 £000
Lease liabilities included in the balance sheet		
Current	1,155	923

Non-current		6,200	6,091
Total		7,355	7,014

Movement in lease liability during the year	Note	2022 £000	2021 £000
At 1 January		7,014	3,882
New leases entered into		652	1,698
Reassessment of lease term	16	-	2,835
Interest charged to the income statement – continuing operations	8	230	155
Lease rentals paid – continuing operations		(1,357)	(1,354)
Disposed of on settlement of lease dispute		-	(169)
Movement as a result of foreign exchange		816	(33)
At 31 December		7,355	7,014

25. Pension schemes

The Group now solely operates a single defined contribution scheme in the UK. Prior to their transfer in February 2023, Lot.to employees contributed to a separate defined contribution scheme to that of Sportech PLC employees. In previous years, the Group operated a funded defined benefit scheme and two defined contribution schemes in the US.

Summary of pension contributions paid:

	2022 £000	2021 £000
Defined contribution scheme contributions – continuing operations	75	88

Defined contribution schemes

Continuing and discontinued operations

In the UK, employer contributions for Sportech are set at a maximum of 8% of pensionable salaries.

Pension risks

The Group is no longer subject to risks associated with defined benefit pension schemes having transferred the US scheme with the disposal entities to Betmakers Technology Group Limited.

26. Financial instruments

Financial risk management policies and objectives

The key financial risks borne by the Group, and the policy of managing those risks, are outlined below:

Liquidity risk

The Group is exposed to liquidity risk and has to manage its cash requirements. In managing short term divisional liquidity risks, cash flow forecasting is performed on a weekly basis in the operating entities and is aggregated by Group finance. This weekly forecasting recognises committed short-term payables of the Group which are monitored and managed through regular discussions with suppliers. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure each operating entity has sufficient cash to meet operational needs. Cash surpluses are managed centrally by Group finance and cash swept up/pushed down as cash surpluses/requirements arise.

Credit risk

The Group's main exposure to credit risk is in accounts receivable and is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default

risk associated with the industry, country in which customers operate. Credit risk is managed locally by assessing the creditworthiness of each new customer before agreeing payment and delivery terms.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on annual revenue and the corresponding historical credit losses experienced over the past five years as annual percentages. On that basis, no loss allowance as at 31 December 2022 (2021: £nil) was determined other than specific provisions for bad debts in trade receivables.

The Group does not hold significant amounts of deposits with banks and financial institutions and the cash which is deposited is spread over a few of financial institutions with Moody's ratings of A or above (defined as upper-medium grade and subject to low credit risk). Amounts held in cash for the Sportech Venues division are held in highly secure environments.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from transactions undertaken in foreign currencies, the translation of foreign currency monetary assets and liabilities and from the translation into Sterling of the results and net assets of overseas operations.

The Group continually monitors the foreign currency risks and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. In doing so, the Group considers whether use of foreign exchange forward contracts would be appropriate in fixing the economic impact of forecasted profitability. As at 31 December 2022, there were no outstanding commitments on foreign exchange forward contracts (2021: none). The Group did not enter into any forward contracts during the year (2021: the Group did not enter into any forward contracts).

The functional currencies of the individual entities in the Group is kept under review.

The average rate for the US Dollar and Euro in both the current and previous reporting period are as outlined below.

	2022		2021	
	Average	Closing	Average	Closing
US Dollars	1.23	1.20	1.37	1.35
Euro	1.17	1.13	1.16	1.19

If the exchange rates in 2022 were comparable to those in 2021, profit after tax would have been £98,473 and the net assets would have been £12,666k at 31 December 2022.

If exchange rates had be 1% higher/lower in 2021 than the prevailing rates during the year, profit for the year would have been £1k higher/lower and net assets as at 31 December 2022 would have been £154k higher/lower.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to achieve an efficient capital structure to minimise the cost of capital.

Financial assets and liabilities

At each reporting date, the Group had the following categories of financial assets and liabilities:

	2022	2021
	£000	£000
Financial assets measured at amortised cost	9,755	24,065
Financial liabilities measured at amortised cost	13,309	(14,781)

Maturity of financial liabilities

Except for lease obligations (see note 24) all non-derivative financial liabilities are all payable within twelve months.

27. Contingencies and commitments

Capital commitments

The Group had no contracts placed for capital expenditure that were not provided for in the financial statements at the current or prior year end dates.

Operating lease commitments

The Group includes all leases on balance sheet as Right-of-use assets with a corresponding lease liability, other than leases which are short leases (terms of 12 months or less) or low value leases, being leases with asset value of less than £4,000 (\$5,000). Leases that qualify for these exemptions are included within the disclosures below.

The expenditure charged to the income statement was £158k (2021: £114k).

The future aggregate minimum lease payments under non-cancellable leases not accounted for elsewhere under IFRS 16, are as follows:

	2022	2021
	£000	£000
No later than one year	13	26
Later than one year and no later than five years	-	1
Total	13	27

Contingent items

Bump contingent consideration receivable

In addition to the consideration received during 2021, further consideration was received by the group in March 2023 following Bump 50:50 achieving the revenue trigger in the financial year ending 31 December 2022. The gross amount received of £1,229k has been recognised within discontinued operations in the Income Statement with a net gain of £1,013k.

Tax

The Group's only remaining open case is in relation to the treatment of the £4.6m gain included in the 2016 financial statements for the Spot the Ball VAT refund. The directors continue to consider that this amount is not payable and await the HMRC final determination of assessments whereupon they will consider if any further actions are appropriate.

Certain contingent items exist at the reporting date with respect to tax liabilities as outlined below.

Other contingent items

M&A activity

Both the 2017 sale of the Football Pools division and the 2018 sale of the Group's Venues business in The Netherlands 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 either deal is considered by management to be remote. In addition, the 2021 sales of the Bump 50:50, the Global Tote business and Sportech Lotteries, LLC have 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 either deal is considered by management to be remote.

28. Ordinary shares

Authorised, issued and fully paid ordinary shares of 1p	2022		2021	
	'000	£000	'000	£000
At 1 January	100,000	1,000	188,751	37,750
Cancellation of 19p nominal value	-	-	-	(35,862)
Buy-back and cancellation	-	-	(88,751)	(888)

At 31 December

100,000	1,000	100,000	1,000
---------	-------	---------	-------

29. Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations, before separately disclosed items:

	Note	2022 £000	2021 £000
Loss before tax – continuing operations	2	(934)	(246)
Profit before tax – discontinued operations	11e	1,183	35,987
Total profit before tax		249	35,741
Adjustments for:			
Separately disclosed items (included in operating costs)	4	657	1,472
Other income (excluding profit on disposal of Sports Haven)	10	(120)	(2,583)
Depreciation and amortisation	14,15,16	1,497	1,992
(Profit) on disposal of discontinued operations		-	(28,625)
(Profit) on disposal of Sports Haven		-	(2,575)
Profit on sale of property, plant and equipment	15, 16	150	(47)
Profit on sale of intangible assets		-	(68)
Impairment of goodwill	13	517	-
Impairment of assets(reversal of impairment)	15	(190)	(335)
Net finance income/(costs)	8	22	(210)
Share option expense		-	334
Changes in working capital:			
Decrease in trade and other receivables		(1,476)	(2,162)
(Increase)/Decrease in inventories		(22)	192
Decrease in trade and other payables		(1,101)	(448)
Decrease in customer funds		(64)	(2,167)
Cash generated from operating activities, before separately disclosed items		119	511

30. Related party transactions

- i. The extent of transactions with related parties of Sportech PLC and the nature of the relationships with them are summarised below. Key management compensation is disclosed in note 6.
- ii. No cash was invested in and there were no trading transactions between the Group and any of its joint ventures during the year or prior year, and no amounts outstanding at the reporting date (2021: £nil).

31. Related undertakings

Subsidiaries, excluding dormant companies	Country of incorporation	Registered address	Class of shares held	Shareholding
Sportech Group Holdings Limited	England & Wales	1	Ordinary	85%
Sportech Gaming Limited	England & Wales	1	Ordinary	100%
Sportech Pools Limited	England & Wales	1	Ordinary	100%
Sportech Pools Games Limited	England & Wales	1	Ordinary	100%
Sportech Holdco 2 Limited	England & Wales	1	Ordinary	100%
Lot.to Systems Limited	England & Wales	1	Ordinary	100%
Sportech Mauritius Limited	Mauritius	2	Ordinary	100%
Sportech, Inc.	United States	3	Ordinary	100%
Sportech Venues, Inc.	United States	3	Ordinary	100%
Sportech Venues California, LLC ²	United States	3	Ordinary	100%
Sportech Venues CA Holdco, LLC ²	United States	3	Ordinary	100%
Sportech Games Holdco, LLC	United States	3	Ordinary	100%
1891323 Ontario, Inc. ¹	Canada	4	Ordinary	100%
Sportech Racing Limited	British Virgin Islands	5	Ordinary	100%

1. 1891323 Ontario Inc. was dissolved on 6 July 2022.
2. Sportech Venues California, LLC. And Sportech Venues CA Holdco, LLC were dissolved on 28 February 2022.

During the year, the Group held investments in related undertakings as follows:

Joint ventures and associates	Country of incorporation	Registered address	Class of shares held	Shareholding
Sportshub Private Limited	India	6	Ordinary	50%
S&S Venues California, LLC ¹	United States	3	Ordinary	50%
DraftDay Gaming Group, Inc	United States	7	Ordinary	30%

1. S&S Venues California, LLC. was dissolved on 28 February 2022.

Dormant companies	Country of incorporation	Registered address	Class of shares held	Shareholding
Thepools.com Limited ¹	England & Wales	1	Ordinary	100%
C&P Promotions Limited ²	England & Wales	1	Ordinary	100%
Pools Promotions Limited	England & Wales	1	Ordinary	100%
Sportech Pools Competitions Company Limited	England & Wales	1	Ordinary	100%
Bet 247 Limited	England & Wales	1	Ordinary	100%
Pools Company Limited	England & Wales	1	Ordinary	100%
Sportech Management Limited ²	Scotland	8	Ordinary	100%
Sportech Pools Trustee Company Limited ²	Scotland	8	Ordinary	100%

1. Thepools.com Limited, C&P Promotions Limited and Pools Company Limited were dissolved on 8 March 2022.

2. Sportech Management Limited and Sportech Pools Trustee Company Limited were dissolved on 1 March 2022.

Registered addresses (whilst under Sportech ownership for those entities disposed of during the year)

Number	Country	Address
1	England & Wales	Icarus House, Hawkfield Close, Hawkfield Business Park, Whitchurch, Bristol, BS14 0BN
2	Mauritius	Intercontinental Trust Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius
3	United States	600 Long Wharf Drive, New Haven, CT 06511
4	United States	1095 Windward Ridge Parkway, Suite 170, Alpharetta, GA 30005
5	Canada	CSC North America Inc., 45 O'Connor Street, Suite 1600, Ottawa, Ontario K1P 1A4
7	Panama	Arias, Fabrega & Fabrega, Plaza 2000 Building, 50th Street, Panama
7	British Virgin Islands	Trident Chambers, POB 146, Road Town, Tortola, British Virgin Islands
8	Ireland	Unit 3, IDA Technology Park, Garrycastle, Athlone, Co. Westmeath, Ireland
9	Germany	Nienhausenstrasse 42, 45883 Gelsenkirchen, Germany
10	Germany	Katernbergerstrasse 107, 45327 Essen, Germany
11	Turkey	AksuKosuyolu Cad. Kalaycioglu Sitesi No: 19/1 Bakirkoy Istanbul
12	France	8 Rue des Freres Caudron, 78140 Velizy, Villacoublay, France
13	India	Tower 2, 4th Floor, International Infotech Park, Vashi Railway Station, New Mumbai
14	United States	Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington, DE 19808
15	Scotland	Collins House, Rutland Square, Edinburgh, Midlothian, EH1 2AA
16	England & Wales	3a Cestrian Court, Lightfoot Street, Chester, Cheshire, CH2 3AD

Ends