An International
Betting Technology Business

Sportech® PLC

Annual Report and Accounts 2022

Sportech

STRATEGIC REPORT

HIGHLIGHTS

REVENUE[1]

£26.0m

2021: £22.9m

GROSS PROFIT[1]

£14.2m

2021: £11.5m

ADJUSTED[3] EBITDA[1]

£1.6m

2021: £(1.8)m

LOSS BEFORE TAX[1]

£(0.9)m

2021: £(0.2)m

ADJUSTED[2] CASH AT 31 DECEMBER

£7.4m

2021: £21.9m

1. *From continuing operations.*
2. *Excludes customer balances.*
3. *Adjusted EBITDA excludes expenditure that management believe should be added back (separately disclosed items and share option charges) and other income. See note 1 of the financial statements for a full reconciliation of adjusted EBITDA and other adjusted performance measures.*
4. *2021 comparisons are actual reported.*

FINANCIAL OVERVIEW

Continuing operations:

- Strong Operational Performance.
- Stable Revenue growth +2% to £26.0 million.
- Gross Profit +11% £14.2 million.
- Adjusted EBITDA returned to positive territory of £1.6 million (2021: (£1.8) million loss). driven by the introduction of the sports betting services in Connecticut and further easing of Covid regulations. (See note 1 of the financial statements for reconciliation of adjusted EBITDA).

Group:

- Year end 2022 £7.4 million.
- £7 million dividend paid (7p per share).
- Settled Californian legacy litigation claims.
- Exited royalty arrangement expense.
- Further reduced corporate costs .

Post Year End:

- Successful receipt of CN $ 2 million, (£1 million) earnout related to a 2021 disposal.
- Following the sale of certain lottery agreements to Inspired Entertainment in 2021, the remaining operating assets were sold to Inspired Entertainment in February 2023 for £0.5 million, (with a further £0.5m being an unrecognised, deferred performance earnout).
- Adjusted cash at 31 March 2023, was £8.5 million.
- 2023 Q1 Sports Betting Hold +39%, vs Q1 2022.

GROUP DEVELOPMENTS

- **Disposals:** 2022 marked a year of consolidation following significant business sales in 2021. Post the 2022 year end the Group sold certain non-core assets for £500,000, plus a potential performance earnout.
- **Corporate:** During 2022 the Company continued to return capital to investors, via a £7 million (7p per share) dividend. Post year end, the Group received £1 million, net of associated incentives from Canadian Bank Note, relating to a 2021 asset disposal.
- **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.

Sportech are an operator and technology supplier within the gaming market

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 licence to offer pari-mutuel wagering in the State, 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 licence to offer pari-mutuel betting online in Connecticut, while 123bet.com offers pari-mutuel betting online across the wider USA.

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Overview Sportech at a glance

Over the past decade, the global gaming industry has rapidly evolved, with competing product lines emerging alongside the Group's historic core reliance on Pool betting business lines.

These developments provided leading indicators of the Group's evolving strategy to drive profitability and reduce shareholder risk by exploring new options.

In the last six years, the Company has taken steps to successfully eliminate debt, sell non-core assets, and return significant amounts to shareholders.

As a result, the business has become smaller and more agile, with effective management and a Board focused on executing the optimal strategy for the benefit of all stakeholders.

Despite challenges within the gambling industry and new competition in our core retail location, Connecticut (CT), US, Group performance in 2022 exceeded initial expectations. Sportech demonstrated improved performance across all key performance metrics.

The Venues retail business, operating across nine retail locations in CT, processed a total of US$178.6 million in wagers during 2022, an average of $19.8 million per outlet. In addition, the Group's online and Telebetting units handled $27.3 million throughout the year.

The Group made progress with its new sports betting partnership with the Connecticut Lottery Corporation (CLC), generating an impressive sports betting handle of approximately $98.7 million from its retail outlets. (included in retail handle above).

The management team is continuously exploring opportunities for growth in the gaming sector that capitalise on their skills and drive returns.

In 2022, the Board underwent significant changes, with the Company expressing its gratitude to those who had previously served and welcoming the new skills and expertise of Clive Whiley and Paul Humphreys to the Plc Board.

The entire Sportech business is energised by the changes, operational focus, and growth prospects, and is working tirelessly to make Sportech a successful and valuable business. We extend our thanks and congratulations to the entire team.

Richard McGuire
Executive Chairman
18 April 2023

Sportech Venues

Sportech Venues offers online, mobile, call centre and retail betting from venues located across the State. During 2022, the Division progressed a distribution agreement with the Connecticut Lottery Corporation (CLC) to offer retail sports betting. Key locations within the network offer food and beverage services in premium sports bar/restaurant environments. With 9 venues in operation currently, the Division has a licensing capacity for 24 pari-mutuel locations and CLC has capacity for a total of to extend to 15 retail sports betting locations.

	2022	2021
Revenue (£m)	24.5	24.5
Adjusted[1] EBITDA (£m)	4.0	1.6

In the table above, prior year figures are at constant currency.
1 See note 1 of the financial statements for reconciliation of adjusted EBITDA and note 2 for the breakdown of adjusted EBITDA by segment.

Sportech Digital

Sportech Digital, included a development team who develop, service and operate the division's digital omni channel platform for gaming verticals. Certain assets were sold post the year end.

	2022	2021
Revenue (£m)	1.5	1.1
Adjusted[1] EBITDA (£m)	(0.3)	(0.6)
Capital Expenditure (£m)	0.2	0.2

In the table above, prior year figures are at constant currency.
1 See note 1 of the financial statements for reconciliation of adjusted EBITDA and note 2 for the breakdown of adjusted EBITDA by segment.

Discontinued Operations

During 2022 no business units were sold. Post year end the Group transferred/sold certain assets within its Digital division for £500,000, plus a potential contingent sum of £500,000, the recovery of which is deemed sufficiently uncertain that it has not been recognised in the Group's accounts. Management anticipated this will improve the Digital division net contribution to the Group in 2023.

In addition post year end the Group received, net of associated fees and incentives, £1.01 million being a contingent earnout relating to the 2021 sale of Bump 50:50.

We wish continued success to our ex-colleagues and to the acquirers involved in all business units sold in recent years.

	2022	2021
Revenue (£m)	–	16.4
Adjusted EBITDA (£m)	1.2	6.9
Capital Expenditure (£m)	–	1.4

Business Model and Strategy

THE GROUP'S STRATEGIC AIMS FOR 2023 INCLUDE:

1. Execute further corporate opportunities
2. Materially reduce corporate cost base
3. Maximise further growth opportunities and partnerships across gaming sector
4. Deliver further shareholder capital returns

Sportech is an international betting business that owns and operates restaurant/bars and retail gaming venues in the State of Connecticut, USA, and online globally.

The Group seeks to achieve long-term shareholder value by leveraging Sportech's gaming licences, technologies and expertise as well as its brand heritage and relationships.

Where appropriate, this includes investments and trading opportunities that deliver immediate value to the asset base and divestments that can generate both tangible investor returns and/or proceeds that can be used to deliver growth.

In 2021, the Group exited a number of legacy business lines, in doing so, the business as a whole and its shareholders' positions were de-risked leaving a streamlined and efficient base for growth.

During 2022, following the 2021 disposals, a renewed focus on the remaining businesses was vital whilst remaining alive to opportunities in line with stated strategy. Sportech navigated the global challenges of the COVID-19 pandemic and maintained strong capital reserves. The environment during 2022 was optimistic for a return to normality, or at least a 'new normal' where travel and entertainment is available without onerous restrictions, and Sportech is well positioned to take the business on into a reinvigorated world.

VENUES

Having progressed a Group restructuring, the Group now has a clear focus on its Connecticut interests which have benefitted during the year from the legalisation of sports betting in the State, which took effect from October 2021. This provides additional product to support those provided under its exclusive pari-mutuel licence and liquor / restaurant licences in the State.

The US has few examples of sports bars which incorporate betting and Sportech's unique position as a chain owner of what is, with the inclusion of sports betting, a novel business with a new demographic of customer, provides a demonstrable opportunity for growth.

Given this positioning, Sportech can become a beacon example of what will undoubtedly become ubiquitous business in the US as the race for online settles and the retail opportunity comes into focus, adding further opportunity for the future.

DIGITAL

ONLINE

Sportech Venues operates MyWinners.com[1] online across the State of Connecticut as a complementary business to the retail Venues locations, offering online pari-mutuel betting. The focus for the coming year is creating innovative new products and services to differentiate our product from competitors and meet the evolving needs of customers.

Additionally, Sportech operates 123Bet.com as a pan-USA pari-mutuel online retail platform (where State local laws allow). Following management improvements to the model, revenue has grown significantly from c$2.7m handle in 2019 to $11.2m handle in 2022. It will receive the same focus as MyWinners.com to deliver further net return growth.

LOTTERY

The disposal of a significant lottery provision contract in late 2021 marked the end of the last of its direct client lottery contracts. During 2022 the team, located in Chester, England, supplied under agreement a digital lottery platform to the buyer of the LEIDSA contract (ultimately for that former client).

Post the year end the Group sold and transferred certain assets to the same buyer for £0.5 million, (a further £0.5m being a contingent potential earnout which has not been recognised in the accounts at this time) which included the personnel. The team had delivered exceptional support to the Global Tote business (sold June 2021) in prior years and were an integral component in successfully securing core Tote contracts, domestically and overseas.

1. *MyWinners.com revenues are included in the divisional breakdowns for Sportech Venues.*

Chairman's Statement

Dear Shareholder,

2022 was year of consolidation and progress

I am pleased to address you as your Chairman after another year of progress for your company.

Following the disposal of major business lines in 2021 the Group stabilised operations and improved core metrics, specifically Revenue, EBITDA and operational cash generation.

Group Adjusted EBITDA[1] for 2022 improved markedly during the period to a positive £1.67 million (2021: loss of £1.8 million). This was driven by: the commencement of Sports Betting in Connecticut in late 2021, (where the Group has a commercial retail sports betting arrangement with the State via the Connecticut Lottery Corporation); stronger food and beverage revenues, digital business growth and lower corporate costs all supported the improvement.

Positive progress, enabled the Group to return a further £7 million to shareholders by means of a 7p per share dividend, announced on 27 April 2022, taking shareholder repayments to £117.5 million since 2017. Your company continues to operate with no material financial debt and a positive net cash position.

The 2021 business disposals had a major impact on the size of the Company's business activities and subsequently management has focused on reducing central costs in line with the reduced size of the businesses. This work will continue in 2023.

Post year end, the Group agreed the sale of certain assets within the Digital division for £0.5 million, (a further £0.5m in performance related earnouts has not been recognised). We also successfully agreed and received a performance earnout in relation to the 2021 sale of Bump 50:50, realising a further £1.01 million net of costs.

I wish to formally thank our business partners in these transactions, Inspired Entertainment and Canadian Bank Note, who executed with the highest degree of professional integrity throughout. On behalf of the Sportech Plc Group we wish them and our ex-colleagues continued success.

During the year the Board underwent significant change. Senior executives, Andrew Lindley, Chief Executive, and Non-Executive Directors Giles Vardey and Ben Warn, stepped down during H1. Nicola Rowlands, Chief Financial Officer, stepped down at the end of September. They take our good wishes with them for success in the future.

We were fortunate to have Clive Whiley join the Group as the Senior Independent Non-Executive Director in April and Mr. Paul Humphreys join as an Independent Non-Executive Director and chair of the Audit committee in September 2022. Both professionals bring a wealth of experience and expertise to the Group, and a clear focus to drive commercial performance and empower management to execute strategic goals, benefitting all shareholders.

As we enter 2023, the Company's focus remains on executing core strategies, creating further value from our Venues business in the US and to evaluate and execute further opportunities in the electronic wagering and US Sports Betting sphere.

We note early encouraging performance in Q1 2023 and remain optimistic regarding the outlook for 2023, with legacy issues mostly concluded, the company has a simpler business with a clear strategy aligned to stakeholders' interests.

I would like to thank all of our employees and Board colleagues for their continued hard work through a period of change within the Company, and to our shareholders and stakeholders who continue to support the Group's objectives.

Finally, I want to thank our customers, who are the lifeblood of any business, as we seek to improve our offerings and services to them in the coming months and years.

Richard McGuire
Executive Chairman
18 April 2023

1. *Excludes expenditure that management believe should be added back (separately disclosed items and share option charges) and other income.*

Operating Review

2022 was year of consolidation and progressing strategic objectives.

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. 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 now 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 comparison to the Q4 2021 introduction are not a useful measure, 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 $98.7million 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.

Operating Review

continued

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 SUMMARIES

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.

The 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
Contribution margin	**54.0%**	49.1%
Adjusted operating expenses	**(9,194)**	(10,453)
Adjusted EBITDA	**4,046**	1,595
Capex	**142**	27

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 (RSI) to provide their Play Sugarhouse sports book, which is delivered across most of the retail outlets. In March 2023, RSI announced they would cease being the sportsbook provider, likely in H2, 2023.

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

Sports betting was the major feature and focus of 2022, and the division 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 the Venues business also receive a modest share of online sports betting net hold.

Sports betting handle grew during the year and was $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 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 to further enhance and better capture the sports betting market.

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 by experienced management and with 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	2022	Constant currency 2021
Services revenue	**1,471**	1,094
Contribution	**531**	409
Contribution margin	**36.1%**	37.4%
Adjusted operating expenses	**(838)**	(1,021)
Adjusted[1] EBITDA	**(307)**	(612)
Capex	**201**	169

1. *See note 1 of the financial statements for reconciliation of adjusted EBITDA and note 2 for the breakdown of adjusted EBITDA by segment.*

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 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 during the 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 concluded 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.

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

£'000	2022	Reported 2021[1]	Constant Currency 2021
Service revenue	**20,587**	20,547	22,928
Sports betting commission	**1,974**	280	313
F&B revenue	**3,443**	2,115	2,366
Total revenues	**26,004**	22,942	25,608
Cost of sales	**(11,847)**	(11,489)	(12,835)
Gross profits	**14,157**	11,453	12,773
Marketing and distribution costs	**(386)**	(276)	(315)
Contribution	**13,771**	11,177	12,457
Contribution margin %	**53.0%**	48.7%	48.6%
Adjusted operating expenses[2]	**(12,172)**	(12,960)	(14,240)
Impact of FX on reported earnings	**—**	—	142
Adjusted EBITDA	**1,599**	(1,783)	(1,641)
Separately disclosed items	**(657)**	(1,101)	
Other income	**120**	4,101	
Non-cash items:			
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	2022	Reported 2021	Constant 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	2022	Reported 2021	Constant 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.

Financial Review

continued

SEPARATELY DISCLOSED ITEMS

Continuing operations	Note	2022 £'000	2021 £'000
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

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.

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.*

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.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and of its members as a whole in their decision making. The Directors continue to have regard to the interests of the Group's employees, customers and suppliers and other stakeholders, the impact of its activities on the community, the environment and the Group's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Group for its members and other stakeholders in the long term. We explain in this annual report, and below, how the Board engages with all stakeholders.

- The Directors understand their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Group is operating in line with good corporate practice, the Directors consider all decisions in the light of section 172 and review its application within each of the reports in the Annual Report. The Board is encouraged to reflect on how the Group engages with its stakeholders and consider opportunities for enhancement in the future. As required, the Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to issues, factors and stakeholders the Directors consider relevant in complying with s172(1)(a)-(f) and how they have formed that opinion.
- The Board regularly reviews the Group's principal stakeholders and how it engages with them. This is achieved through information provided by management and by direct engagement by all of the Group's Directors with stakeholders themselves.
- The Board continuously enhances its methods of engagement with the workforce. In that regard, the Executive Chairman of the Board regularly meets with staff and actively encourages dialogue and feedback. The Chair and Senior Independent Non-Executive Director has and will continue to visit operations during 2023, meeting business partners, customers and employees in field operations, and human resources. This helps the Board open direct lines of communication.
- We aim to work responsibly with our stakeholders, including suppliers, and the anti-corruption and anti-bribery, equal opportunities and whistleblowing policies are reviewed annually and updated where required.
- Relations with key stakeholders such as employees, contractors, shareholders, regulators, customers, local communities and suppliers are considered in more detail in the Corporate Responsibility Report on page 19.

The key Board decisions made in the year are set out below:

Significant events/ decisions	Key s172 matter(s) affected	Actions and impact
Sports betting contract with CLC and deferring decision not to pursue litigation in relation to a full licence for Sportech	Employees, customers, regulators, state governor, shareholders	• The legislation proposed in March 2021 made it clear that Sportech would not be included in the grant of sports betting licences in Connecticut, but that the Connecticut Lottery Corporation would have the right to sub-licence retail sports betting to Sportech; a deal that was concluded in August 2021. Sportech concluded that this arrangement was acceptable to the Group as opposed to protracted litigation with the State. • Sportech Venues commenced operation of sports betting in its Venues in October/November 2021 which has provided efficiencies to its existing operations, supporting all stakeholders.
Disposal of Lot.to Systems Limited	Employees, customers and shareholders	• In determining a sale partner as well as the "good-standing" of the purchasers and therefore their likelihood of assuming licences. Continuity of service to customers was also a key consideration and shareholders in determining a sale partner as well as the "good-standing" of the purchasers and therefore their likelihood of assuming licences. • Key suppliers were notified of the prospective change in ownership following announcement of the disposal.

Significant events/ decisions	Key s172 matter(s) affected	Actions and impact
Expansion of the product suite	Customers, employees	• Customer consultation in relation to the Company's roadmap has increased to ensure that products developed match customer needs, with a focus on expanding sports betting product range to support existing pari-mutuel offerings. • The development teams have been consulted and trained to work with an expanded product management department.

Directors and Officers

RICHARD MCGUIRE

Executive Chairman

Nationality and residence: UK
Date appointed to the board: April 2022

Richard first joined the Board of Sportech as a Non- executive Director in November 2016 and was appointed Executive Chairman in May 2017 and then in July 2019 was appointed Chief Executive. Richard stepped down between September 2021 and April 2022.

Richard spent much of his career within capital markets being Managing Director of Citigroup from 1996 through 2009 and previously with HSBC. Since then he has held a number of non-executive directorships within the leisure and gaming industries. Prior to joining Sportech, Richard was Chairman at Timeweave PLC, the joint owner of TurfTV. He also held the position of Non-Executive Director at Mitchells and Butlers PLC, one of the largest operators of restaurants and bars in the UK. He is currently also Chairman of GYG Limited and Director of Grey Wolf Investments Ltd.

PAUL HUMPHREYS

Independent Non-executive Director

Nationality and residence: UK
Date appointed to the board: September 2022

Committees: Chairman of the Audit Committee, member of Remuneration and Nomination Committees.

Having qualified as a Chartered Accountant in 1980, Paul has had a broad and varied executive career spanning more than 30 years at Board level, almost all of which as either Group Finance Director or CFO. Paul was Group FD of McLeod Russel Holdings, a listed engineering group, for ten years and Group FD of Care UK, a large health and social care provider, for more than 12 years, eight of which whilst the company was listed. Latterly Paul spent more than five years as CFO of JLA, a private equity backed provider of critical asset services. Paul now holds a small number of advisory roles at unlisted companies, as well as having served as an Independent Non-executive Director and Audit Committee Chair at Dignity Plc.

CLIVE WHILEY

Non-Executive Director, Senior Independent Director

Nationality and residence: UK
Date appointed to the board: April 2022

Committees: Chairman of Remuneration Committee, member of Audit and Nomination Committees.

Clive has forty years' experience in regulated strategic management positions since becoming a Member of the London Stock Exchange. He has extensive main board director experience across a broad range of financial services, engineering, manufacturing, distribution, leisure, retail & mining businesses encompassing the UK, Europe, North America, Australasia, Middle East, and the People's Republic of China.

Mr. Whiley is Chairman of Mothercare plc, China Venture Capital Management Limited, First China Venture Capital Limited & Y-LEE Limited and Senior Independent Director of Griffin Mining Limited. Formerly Chairman of Dignity plc and a Non-Executive Director of Grand Harbour Marina plc. Clive is the Senior Independent Director.

Risk Management

IDENTIFYING RISK

The Group's risk management strategy is to consider risks arising from each area of the business through a top-down approach. This is considered the most appropriate approach given the Board is closely involved with the day-to-day activities of the trading entities and given the relatively small size and geographical spread of the Group.

MEASURING RISK

The Board has established and approved a risk appetite statement which is reviewed and updated annually and has been distributed to the management teams of the operating segments. This statement, which has been reviewed by the Board during the year, provides guidance on the Group's appetite for risk across business areas and supports the management teams in determining the appropriate balance of risk and return within their businesses.

The Board assesses risk and formally updates the Group risk register annually. Risks are measured in relation to their mitigated likelihood and their prospective impact were they to arise, in accordance with the following risks matrix:

Risks matrix

Impact	Mitigated likelihood: Low	Medium	High
High	4	8	12
Medium-High	3	6	9
Medium-Low	2	4	6
Low	1	2	3

Principal risks to the Group are considered to be those risks identified by the Board as having an overall rating of six or higher or an impact of four despite the low level of mitigated likelihood.

EMERGING RISK

The Board considers emerging risks at each Board meeting through open discussion. The Board seeks to proactively deal with emerging risks by anticipating emerging risks and opportunities and responding by assessing threats that may develop into risks to the Group. The Board annually focusses on strategy including emerging risks and opportunities. The Board also formally assesses emerging risks annually in the dedicated Risk Management Board meeting. In addition, local senior management regularly attend team meetings and are encouraged to openly discuss emerging risks to their operating divisions and feed back to the Board. The Board identified further risks within the Product category during the year given the introduction of Sports Betting in Connecticut as explained in the table below. The "Technology" risk has also been amended to "Third party technology" given the sale of the Group's Global Tote division during 2021.

In addition, the wider use and enhancement of digital technology across the Group increases the risks associated with information and cybersecurity, with an increasing risk from legacy system vulnerabilities, social engineering and phishing. We have implemented corporate cybersecurity systems, governance and processes which are supplemented by incident management, disaster recovery and business continuity plans, all of which are regularly reviewed to be able to respond to changes in the threat landscape and organisational requirements.

The Board has budgeted anticipated inflation increases in utilities, food and beverage supplies and are managing higher input costs accordingly.

The table below shows the principal risks identified by the Board, an assessment of those risks including the potential impact of such risks and the mitigating activities that the Group carries out to reduce the likelihood and impact of such risks.

Risk Management
continued

Risk area	Description	Mitigation	Mitigated rating
Regulatory	The Group holds licences in the USA (principally Connecticut) for pari-mutuel gambling and sale of liquor. It also retails sports bets under a licence held by The Connecticut Lottery Corporation. The loss or inadvertent breach of any such licence could have a significant impact on the Group's ability to continue to trade (within that and other jurisdictions) and could result in fines and imprisonment of Group personnel, the loss of the CLC contract and impact the Group's reputation. Data protection Sportech holds personal data of employees and customers. If the Group's security systems and controls were breached the Group would be subject to fines, adverse media and reputational damage.	The Executive Chairman oversees regulatory and legal compliance. The Group engages third-party specialist legal counsel as appropriate and specialist local advice is available as may be required. The Group continuously reviews its data protection policies and trains staff on data protection procedures, providing updated training where appropriate. There are robust firewalls, anti-spyware and virus-detection programs, strong encryption, authentication and two-factor access controls in place to reduce risk.	4
Product	Horserace wagering in the CT Venues has been in decline (at a revenue level) for some years, following a trend in the USA. Horseracing as a product has struggled to deliver growth and if interest in the product leads interest in the wagering, then the decline in revenues is likely to continue. Following the commencement of Sports Betting in Connecticut there is potentially a risk to existing customer spending on horseracing and greyhounds' products transferring to sports (both in venues and online). The quality of earnings from the CLC deal on sports is 4-5x lower on sports than the horseracing / dogs (pari-mutuel) products with the attendant risk to profitability of the CT business. However, the burden and cost of operating physical retail locations has increased in recent years. The addition of sports betting product to the mix has effectively shared the cost burden allocation to three distinct revenue lines, pari-mutuel, F&B and sports betting.	In terms of the ongoing effect of the reduction of the horseracing market, the strategies available to management are (a) horseracing – to capture greater percentage of market share versus competitors to mitigate the revenue reduction impact on our business. (b) diversify products. Strategy (a) is credible online but unlikely to be achieved in venues where each location is a de-facto local monopoly. Strategy (b) is credible both online and in venue, however there are licensing and political challenges to adding betting product in venues, so a focus on other lines of business to leverage the venues operations are being considered. Management is monitoring the impact of sports betting on pari-mutual revenues closely and have introduced cross selling opportunities. Consumer footfall has increased from the introduction of sports betting in venue could impact pari-mutual handle favorably as filler product to bet on between sporting events.	8

Risk area	Description	Mitigation	Mitigated rating
Third Party Technology	The Group is dependent upon third parties (i.e. Global Tote) for the effective delivery of its consumer services, both in Venues and Online. Group revenue is at risk if the technology products are not competitive or experience failures. Growth through innovation is entirely dependent upon third parties.	In venues, there has been little innovation in product or means of delivery for some years. The former being an industry led issue as the totes themselves are track owned and the latter being a supplier issue. Online is a constantly changing platform and we have seen slow rates of adoption of new product/product enhancement or additional verticals from our supplier and little enhancement of the platform as a result. Management are reviewing the means of enhancing the customer experience both online and in venue. This requires a focus on the supplier in terms of their service level agreements, road map for delivery of enhancements and a focus on collateral enhancements through customer service and/or additional technology solutions that are not linked to the existing technology. The Group is able to migrate its contract with third parties to other suppliers at the end of contract terms and has punitive clauses in service level agreements to compensate for any service failures. The Group seeks SOC1 reports from major third party technology providers to demonstrate third party suppliers are operating in line with best practice.	6
Foreign Exchange	The bulk of the business is generated in North America. The Group's results are reported in GBP.	The Group manages the non GBP cash and repatriates to £, when possible, in addition considers hedging instruments to mitigate significant fluctuations during corporate transactions. The Group shareholders are predominantly GBP based.	6
Economic Indicators	Global Inflation has increased and interest rates have increased recently.	The Group, has surplus cash in reserves and has no meaningful debt, higher interest rates therefore have marginal positive impact. Inflationary pressures have been included within Group 2023 Budget planning, with electricity supplies hedged through March 2024.	6

Risk Management
continued

Risk area	Description	Mitigation	Mitigated rating
Political marginalisation in Connecticut	We have noted through the sports betting process that our core competitors in CT (Tribal Casinos) have the political weight to secure exclusive rights to or the exclusion of Sportech from enhancements to the gambling market. The largest risk to the CT business is the potential for horseracing and greyhounds to be included in 'sports' for the purposes of sports betting. This will no doubt enter the political agenda at some point in this 10-year licence cycle for sports. In the event that this happens, the migration (cannibalisation) of our pari-mutuel handle to sports will be exponential / potentially fatal.	The aspirations of the business insofar as growth in CT have been concentrated in the gambling side of the business and the promise of new product. Whilst we can continue with an aspiration to secure new gambling product, management must also look to non-gambling product provisions opportunities given the political backdrop. The Group retains and has regular dialogue with external expertise via political lobbying resources in CT.	9

Corporate Social Responsibility Report

The Group endeavours to act responsibly for all its stakeholders, including not only its shareholders, employees, and its customers but the wider public, regulators and the environment.

The Sportech Venues division holds licences for business-to-consumer activity for pari-mutuel betting on horse and greyhound racing in Connecticut, USA.

The Board ensures the Group meets its policy of maintaining the highest standards of compliance and integrity. The Group also employs security and compliance support whose primary role is to ensure that our customers are treated fairly, that our advertising is compliant with advertising standards and codes, that the young and vulnerable are prevented from accessing our products, and that abuse and illegal behaviour are identified and stopped. All gaming products are subject to age restrictions and age verification software is used by the Group where appropriate.

Whilst the Company, and certain subsidiaries, are incorporated in the UK, the bulk of the operations are based in North America where standards and regulation are different.

Beginning in 2019 and continuing to date, the Company took comprehensive measures to ensure that its various business and operating units were in compliance with new data privacy rules, including but not limited to GDPR in the UK and the EU and CCPA in California, and has extending the best policies and practices to all divisions of the Group, regardless of geographic location.

In response to the COVID-19 pandemic, Sportech took a proactive approach to protect the health and safety of its employees and customers. More specifically, Sportech took actions both unilaterally and in collaboration with governmental orders and officials to either modify or temporarily suspend certain activities worldwide in response to the pandemic. Throughout 2022 and continuing today, the Group protected and maintained its various licensing and compliance functions.

ENVIRONMENT AND STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

The Group recognises its responsibility to achieve good environmental practice and continues to strive to improve its environmental impact. In compliance with the SECR we are disclosing all the Group's greenhouse gas ('GHG') emission sources.

The nature of our business results in the principal environmental impact arising from energy and paper consumption (scope 2), the Group has no direct emissions from owned assets (scope 1).

Wherever possible, waste consumable materials are recycled or disposed of in a manner most suitable to reduce any impact on the natural environment. The Group's business practices encourage the use of technology to facilitate information, data collection and dissemination, which has led to reduced demand for paper resources. All employees are encouraged to participate in the implementation of this policy and suppliers of consumable products are encouraged to be environmentally friendly, wherever practical. In 2019, the Group made online voting at Company meetings its default method. Shareholders may still vote by paper proxy if they desire, although this move towards online voting has saved printing and posting large number of proxy forms which are never used. The Group also continues to advocate to its shareholders the use of electronic communications via its website. Shareholders can request to receive communications electronically and be notified by email by contacting the Registrar at: shareholderenquiries@linkgroup.co.uk.

The Company has, for some time, had a large number of team members who telecommute. Due to the COVID-19 pandemic, this expanded; the vast majority of the Group's employees worked from home and all non-essential business travel was suspended during times of high infection rates. This vastly reduced the Group's carbon footprint from travel (scope 3 emissions) which the Group will endeavour to keep low.

UK GHG EMISSIONS DATA (continuing operations)	2022	2021
Scope 2 (tonnes CO_2e)[3]		
Electricity, heat, steam and cooling purchased for own use	**1,107**	2,402
Intensity metric (tonnes of CO_2e per £m of sales)	**42.6**	104.7

STRATEGIC REPORT | GOVERNANCE | FINANCIAL STATEMENTS

Corporate Social Responsibility Report

continued

The Company has obligations under the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("the 2013 Regulations") and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019 ("the 2019 Regulations") to report on greenhouse gas ("GHG") emissions. The Group has calculated an intensity ratio for 2022 of 42.6 which is 1,107 tonnes of CO2 divided by the Group's revenue from continuing operations of £26.0m, compared to a prior year ratio of 104.7, which is calculated as 2,402 CO2 tonnes divided by revenue at constant currency from continuing operations of £22.9m. The Group's intensity ratio has decreased by 59% due to closure of venues and increased revenue.

Of the emissions noted in the table, minimal were generated in the UK as the Group only had one small, efficient office in the UK. The emissions and energy data noted above has been collated, calculated and presented using the methodology set out in WRI/WBCSD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004, including separate guidance on Scope 2 and Scope 3 emissions.

SOCIAL AND COMMUNITIES

The Group supports good causes in the communities where our customers and employees live and our businesses operate, and remains committed to identifying further opportunities to continue this support.

EMPLOYEES

The Board is acutely aware of the vital contribution of employees to the future success of the business. It recognises the importance of providing employees with information on matters of concern to them, enabling employees to improve their performance and make an active contribution to the achievement of the Group's business objectives. This is accomplished through formal and informal briefings and meetings. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

The Group is committed to equality of opportunity and dignity at work for all, irrespective of race, colour, creed, ethnic or national origins, gender, marital status, sexuality, disability, class or age. It ensures that recruitment and promotion decisions are made solely on the basis of suitability for the job.

It is the policy of the Group to comply with the requirements of the UK Disability and Equality Act 2010 and the Americans with Disabilities Act in offering equality of opportunity to disabled persons applying for employment, selection being made on the basis of the most suitable person for the job in respect of experience and qualifications. Training, career development and promotion are offered to all employees on the basis of their merit and ability.

Every effort is made to continue to employ, in the same or alternative employment, and where necessary to retrain employees who become disabled during their employment with the Group.

The Group proactively addresses health and safety management, and it has a programme of risk identification, management and improvement in place.

Corporate Governance Report

Chairman's Introduction

I am pleased to present the Corporate Governance Report as Chairman of Sportech PLC being ultimately responsible for corporate governance in the Group. Sportech is committed to a high standard of corporate governance and, through the period to the de-listing from the Main Market of the London Stock Exchange to its Alternative Investment Market ("AIM") in 2021, had complied with the provisions of the 2018 UK Corporate Governance Code (the 'Code'), however the Company has now adopted the Quoted Companies Alliance Code (the "QCA Code"), which is considered more appropriate for a Company of Sportech's size. This report describes how the Company implements and addresses the ten principles of the QCA code. More information can be found on the Company's website (https://www.sportechplc.com/investors/corporate-governance). It is the policy of the Board to manage the affairs of the Company in accordance with the principles of the QCA Code so far as the Board is able and believes it is practicable.

Board Composition

Richard McGuire	Executive Chairman °(Not Independent)
Clive Whiley	Non-executive Director (Independent)
Paul Humphreys	Non-executive Director (Independent)

The Board believes that the size and complexity of the Group does not require additional independent non-executives and that the experience and knowledge of the current non-executives is sufficient to ensure good governance.

Role of the Board

The Board is collectively responsible for the long-term success of the Group. It provides entrepreneurial leadership, sets Group strategy, upholds the Group's culture and values, reviews management performance and ensures that the Group's obligations to shareholders are understood and met.

How the Board Operates

The Executive Director is responsible for business operations and for ensuring that the necessary financial and human resources are in place to carry out the Group's strategic aims. The Non-executive Directors' role is to provide an independent view of the Group's business and to constructively challenge management and help develop proposals on strategy. The Board as a whole reviews all strategic issues and key strategic decisions on a regular basis. Control over the performance of the Group is maintained through evaluation of financial information; the monitoring of performance against key budgetary targets; and by monitoring the return on strategic investments.

The Chairman takes responsibility for ensuring that the Directors receive accurate, timely and clear information. Directors are aware of their right to have any concerns recorded in the Board minutes.

Board Meetings

The Board meets regularly, remotely or in person. Certain matters are considered at all Board meetings, including a business update, a financial update, a legal update, a technology update, business development opportunities and operational issues. Papers for each scheduled board meeting are usually provided within the week before the meeting and Directors unable to attend Board meetings have an opportunity to raise and discuss any issue with the Chairman. The Company Secretary provides minutes of each meeting.

Corporate Governance Report continued

The following table shows Directors' attendance at scheduled Board and Committee meetings in the period under review:

		Main Board	Remuneration Committee	Audit Committee	Nomination Committee
Number of meetings during 2022		9	2	3	2
Executive Directors					
Richard McGuire	Appointed 01 April 2022	7/7	1/1	1/1	1/1
Andrew Lindley	Stepped down 31 May 2022	3/3	–	–	–
Nicola Rowlands	Stepped down 30 September 2022	6/6	–	–	–
Non-executive Directors					
Clive Whiley	Appointed 01 April 2022	7/7	1/1	2/2	1/1
Paul Humphreys	Appointed 01 September 2022	2/3	–	1/1	1/1
Giles Vardey	Stepped down 14 April 2022	3/3	1/1	1/1	1/1
Ben Warn	Stepped down 31 May 2022	3/3	1/1	1/1	1/1

Note: The table represents the maximum number of meetings that could have been attended due to appointment or resignation dates.

Matters Reserved for the Board

Matters reserved for the decision of the Board include:

i) Strategy and management: overall management and oversight of operations, approval of long-term objectives, commercial strategy, annual budgets, major changes in nature and scope of the business of the Group, entry into significant new business areas and the approval of any actions which would require shareholder approval;

ii) Structure and capital: approval of major changes to the Group's capital structure, corporate structure, management structure, control structure and changes to the Company's listing or status as a PLC;

iii) Financial reporting and controls: approval of preliminary announcements of interim and annual results, annual report and accounts, dividend policy, declaration of dividends, and significant changes to accounting policies and changes in accounting reference date for any material member of the Group;

iv) Approval to enter into significant contracts;

v) All communications with shareholders; and

vi) Board memberships, appointments and the remuneration of Directors and senior management.

The responsibilities outlined above are agreed by the Board. The Company maintains Directors and Officers insurance cover.

Division of Responsibilities

The Company is a small entrepreneurial entity and the role of Executive Chairman, leads the Board and is responsible for its effectiveness and governance. They set the Board agenda and ensures that sufficient time is allocated to important matters, in particular strategic issues. In addition they are responsible for the day-to-day management of operations and the recommendation of strategy to the Board. They are also responsible for implementing that strategy supported by the wider management team.

The Non-executive Directors have responsibility for determining the remuneration of Executive Directors and have the primary role in appointing and, where necessary, removing Executive Directors, and in succession planning. The non-executive Directors provide significant experience and expertise of public and private companies and have additional communications with leading shareholders directly. Clive Whiley is Senior Independent Director.

Conflicts of Interest

The Board has a procedure in place to deal with situations where a Director has a conflict of interest, as required by the Companies Act 2006. As part of this process, the members of the Board prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict situations, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations requiring authorisation by the Board. Such authorisations are reviewed annually.

Director Concerns

Where Directors have concerns about the operation of the Board or the management of the Company that cannot be resolved, their concerns are recorded in the Board minutes.

These are escalated as appropriate to the Chairman or Senior Independent Director so that they can be addressed respectfully and fairly. It is ensured that the issues raised are understood fully to facilitate meaningful dialogue so that relevant action, if needed, is taken. On resignation, a Non-executive Director provides a written statement to the Chairman, for circulation to the Board, if they have any such concerns.

Board Diversity

The Board does not have a formal Board diversity policy but reviews the need for such a policy annually, taking into account the size of the Company, the size of the Board and skills available and required.

Induction of New Directors

On joining the Board, new Directors undergo an induction programme which is tailored to the existing knowledge and experience of the Director concerned, including site visits; meetings with key employees; and presentations from management on topics such as strategy, finance and risk. The Executive Chairman is responsible for this process.

Time Commitments, Skills and Expertise

The Board is satisfied that each Director continues to show the necessary commitment and allocates sufficient time to discharge their duties and continues to be an effective member of the Board in respect to their skills, expertise and business acumen.

Development

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Group's advisers where appropriate. Executive Directors are subject to the Group's performance development review process through which their performance against objectives is reviewed and their personal and professional development needs considered.

External Appointments

In the appropriate circumstances, the Board may authorise Executive Directors to take non-executive positions in other companies and organisations provided the time commitment does not conflict with the Director's duties to the Company. The appointment to such positions is subject to Board approval.

Board Performance Evaluation

A Board Evaluation process was supported by the Company Secretary, and concluded in April 2021. The performance of Non-executive Directors and the functioning of the Committees was also appraised as part of this evaluation process. The process involves all Directors completing an anonymous online questionnaire set by the Company Secretary and returned direct to them, who summarises the results and feeds back to the Board. The aim of the process is to ensure the roles are being carried out properly (and as expected), procedures are adhered to and to have an open discussion on the overall functioning of the Board. The Board composition was entirely restructured in 2022 and the next Board Performance Evaluation is anticipated during 2023.

Shareholders and Other Stakeholders

There is regular dialogue with shareholders through a planned programme of investor relations which includes formal presentations of the Group's results by members of the Board. Meetings also take place with institutional investors and analysts as required and there is regular communication with shareholders through the Annual and Interim Reports and Sportech's corporate website. The Non-executive Directors have taken steps to develop an understanding of major shareholders' views of the Company (in particular, in relation to any areas where the Non-executive Director has responsibility through their role as Chair or a member of a committee).

All stakeholders can and are welcome to question the Board at the AGM both formally and informally. Management meet with and have regular dialogue with stakeholders including gaming regulators, suppliers and significant customers. Management have an "open door" policy to any other stakeholders wishing to communicate with the Group.

The Board ensures that workplace policies and practices are consistent with the Company's values and support its long-term sustainable success. Group HR undertake regular reviews of policies and report to the Board accordingly. The Company has a confidential whistleblowing process which all employees have access to. In addition, Board members and senior management encourage open conversations on all matters of concern.

Board Committees

The Board has delegated specific responsibilities to the Nomination, Audit and Remuneration Committees. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities, with copies available on the Company's website or upon request from the Company Secretary. The terms of reference of each Committee are kept under review to ensure they remain appropriate. Each Committee comprises the Non-executive Directors of the Company. The Company Secretary is the secretary of the Committees.

Corporate Governance Report continued

NOMINATION COMMITTEE

Members of the Nomination Committee

The Nomination Committee consists of Clive Whiley (Chair), Paul Humphreys and Richard McGuire.

Duties

In carrying out its duties, the Nomination Committee is primarily responsible for:

- identifying and nominating candidates to fill Board vacancies;
- evaluating the structure and composition of the Board with regard to the balance of skills, diversity, knowledge and experience and making recommendations accordingly;
- drafting the job descriptions of all Board members;
- reviewing the time requirements of Non-executive Directors;
- giving full consideration to succession planning; and
- reviewing the leadership of the Group.

The Committee is scheduled to meet once a year, but it will meet more frequently if required. The Committee reports to the Board on how it has discharged its responsibilities.

Activity During the Year

The primary activity of the Committee during the year centered around the recruitment of successors to Andrew Lindley as Chief Executive Officer and Nicola Rowlands as Chief Financial Officer.

The outcome of the review conducted was that, given the reduced scale of the Company, Richard McGuire would adopt the role of Executive Chairman and an external consultant be appointed under contract to provide support as Group Financial Controller, until such times as the long term strategy of the Group is decided.

AUDIT COMMITTEE

Members of the Audit Committee

The Audit Committee consists of the Paul Humphreys (Chair), and Clive Whiley. Executive Directors and senior management attend by invitation.

The Board is satisfied that Paul Humphreys as Chairman of the Committee, has recent and relevant financial experience. The Chairman of the Committee reports formally to the Board, as appropriate, on issues discussed by the Audit Committee and presents the Committees recommendations.

Duties

The Committee is scheduled to meet at least three times a year. The Committees main responsibilities include reviewing the Annual Report and Accounts and the Interim Report. This includes considering significant financial reporting issues and judgements as contained within. The Committee reviews, and challenges where necessary, the consistency and changes to accounting policies, methods used to account for significant and unusual transactions, whether the Company has followed appropriate accounting standards and the clarity of disclosure in the Company's financial statements. Further to this, the Committee has delegated authority from the Board to review the effectiveness of internal controls, the Company's whistleblowing procedures and the need for an internal audit function, as well as the scope, extent and effectiveness of such systems and procedures.

The main focus areas and items of business considered by the Audit Committee are:

- review of the key areas of judgement and estimation which have been used by management in preparing the financial statements, in conjunction with input from the external auditor;
- consideration of the external audit reports and the external auditor's management letter which includes observations on the Group's financial control environment;
- review of the risk management and internal control systems, and of the Company's risk register;
- review of the need for an internal audit function;
- review of taxation matters of the Group;
- review any whistleblowing reports;
- review of the implications of forthcoming updates or changes to accounting standards; and
- review the Consolidated Financial Statements and the Annual Report and assess whether, taken as a whole, the Report and Accounts are fair, balanced and understandable and provide the information necessary for stakeholders to assess the Company's position and performance, business model and strategy.

In relation to the integrity of the financial statements for the year ended 31 December 2022, the Committee also reviewed and considered the following specific areas:

- risk of misstatement on revenue recognition;
- disposal accounting and discontinued operations;
- the assumptions underlying impairment testing of the Company's investment in subsidiaries;

- the evaluation of impairment on tangible and intangible fixed assets; and
- the Company's investment in subsidiaries.

Risk Management and Internal Controls

The Group has a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. The Committee has reviewed the framework and is satisfied that risk management is appropriate for the size of business.

Role of the External Auditor

The Audit Committee monitors the Company's relationship with the external auditor, BDO LLP, to ensure that external auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in Note 7 of the Group's Consolidated Financial Statements.

Audit Process

The external auditor prepares an audit plan that sets out the scope of the audit, key areas of audit focus, audit materiality and the timetable for audit work. This plan is reviewed and agreed in advance by the Audit Committee. Following the completion of its work, the external auditor presents its findings to the Audit Committee for discussion.

Internal Audit

The Group does not have an internal audit function. The Audit Committee has considered the use of an internal audit function during the year but considers that due to the size and nature of the Group there was no such requirement.

The Finance function continues to undertake certain work of an internal audit nature and reports its findings to the Audit Committee. The Committee will keep the need for an internal audit function under review.

The Group's external Auditor considers and assesses the suitability of the overall control environment of the Group, including documenting and commenting to the Board on the design and implementation of general IT controls and other controls in place related to significant risks of material misstatement.

REMUNERATION COMMITTEE

A detailed report by the Remuneration Committee can be found on pages 26 to 36.

Whistleblowing

The Group has a whistleblowing policy in place which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The whistleblowing facility is provided by an independent external company. During the year ended 31 December 2022, there was one incident of a non-financial reporting nature raised for consideration to the Senior Independent Director and resolved.

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.

Investors

The Board endeavours to ensure the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and welcomes feedback from shareholders on its content.

On behalf of the Board

Richard McGuire
Executive Chairman

18 April 2023

Remuneration Committee Report

STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

As Chair of Sportech's Remuneration Committee, I am pleased to present the Remuneration Committee Report for the financial year ended 31 December 2022.

There were numerous changes to the Board as noted on page 4

Notably regarding the Remuneration Committee, Ben Warn and Giles Vardey stepped down from the Board and the Remuneration Committee and I stepped in to Chair the Remuneration Committee, being joined by Paul Humphreys upon his Board appointment in September 2022.

As noted in last year's report, the Company has now adopted the Quoted Companies Alliance Code (the "QCA Code"), which is considered more appropriate for a Company of Sportech's size. As such this year's report is in compliance with the QCA Code.

The Remuneration Committee Report has therefore been simplified in some areas but still has regard to the key parts of the Regulations. The Company still adopts a Remuneration Policy, which is disclosed on pages 26 to 36, the policy does not require shareholder approval, however the Company maintains regular communication with key shareholders.

This year's Remuneration Committee Report comprises three sections: the Remuneration Committee Chair's Statement; the Remuneration Policy Report, which sets out the remuneration policy adopted by the Board, and the Annual Report on Remuneration which describes how the Directors' remuneration policy was implemented for the year ended 31 December 2022.

At the 2023 Annual General Meeting ("AGM"), the Company will be asking shareholders to vote on an advisory resolution to approve the Annual Report on Directors' Remuneration including this statement, which provides details of the remuneration earned by Directors for performance in the year ended 31 December 2022 and proposals for the operation of the Policy in 2023.

Proposed Directors' Remuneration Policy for 2023

The Committee has reviewed current arrangements in light of the Company's de-listing from the London Stock Exchange's Main Market and re-listing on AIM, alongside the wholesale replacement of all previous Directors.

The key difference from previously approved policies is that no long- term incentive scheme will be operated, simplifying the remuneration structure, the Board will continue to monitor this to ensure shareholders' interests are aligned with strategic objectives. In the interim, in the absence of a long term incentive plan the Committee may provide cash bonus awards to Executives for event based achievements.

Remuneration for 2022

Executive Salary

The base salaries of Executive directors who left in 2022, were Andrew Lindley, CEO, £225,000 pa. and Nicola Rowlands CFO, £156,250. These and further benefits are noted in the table on page 34. Richard McGuire rejoined the Board in April 2022 and given his previous tenure with the Company in an executive capacity was not deemed to be independent. Following Andrew Lindley stepping down in May 2022, Richard McGuire stepped into the role of Executive Chairman on 1 April 2022. The Committee subsequently decided to compensate him £62,500 for the 12 months to 31 May 2023 and will review the position ahead of that time.

Annual bonus

2022 Bonuses noted are related were provided in relation to the successful receipt of CN$ 2m earnout in relation to from the 2021 sale of Bump 50:50, which was recognised in the 2022 financial results. The receipt, and associated bonuses, were received and paid respectively in 2023.

Within the 2021 report, Andrew Lindley and Nicola Rowlands received bonuses for noted execution of specific tasks. In that report the amounts were detailed within the commentary, yet allocated pro-rata for the four months of the calendar year they were directors. Following shareholder consultation, the committee elected to provide the 2021 table in this report illustrating the FY 2021 compensation, which includes the period they were senior executives of the Company, before appointment to Directors, to better reflect the annual total compensation to senior executives and consistent with other senior management.

Implementation of remuneration policy for 2023

The remuneration of our Executive Directors is under review and historically comprised of base salary, plus pension contributions and benefits and an annual bonus paid in cash which is subject to stretching performance conditions and additional event- based bonuses for extraordinary achievements. The Board does not anticipate granting long-term incentives to Executive Directors during 2023.

The Executive Chairman's, being the only current executive director, compensation was reviewed at the beginning of the year and, as noted the Committee elected to provide compensation for the 12 months to the end of May 2023, totalling £62,500. This amount includes Company health cover benefit and a £10,000 pension contribution. There is a potential discretionary bonus award based on performance (nil in 2022). The position will be reviewed by the Committee in May 2023.

The Remuneration policies in 2022 were simplified entirely where incentives meet contribution and effort and results are wholly aligned with shareholder interests.

The Committee is satisfied that the policy recognises the Company size and current structure and provides a good balance between potential rewards to Executive Directors on the one hand, and, on the other, measures and targets which are appropriately stretching and that are aligned with the delivery of the overall success of the Company.

On behalf of the Committee, I consulted with key shareholders who voted against last year's report prior to my appointment and I am satisfied that this report addresses their concerns accordingly. Finally, I thank shareholders for their support during 2022 and hope you will be able to support the resolution on our Directors' Remuneration Report at the 2023 AGM.

Clive Whiley
Non-executive Director and Chair of the Remuneration Committee

18 April 2023

Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS' REMUNERATION POLICY

This Remuneration Report has been prepared in accordance with the Quoted Companies Alliance Code (the "QCA") and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant guidelines of shareholder representative bodies.

This Directors' Remuneration Policy provides an overview of the Company's policy on Directors' pay that may be applied in 2023.

The primary objective of the remuneration policy is to promote the long-term success of the Company. In working towards the fulfilment of this objective the Committee aims to: (i) establish a competitive remuneration policy for the Executive Directors; and (ii) align Senior Executives' remuneration with the interests of shareholders and other stakeholders, including customers and employees. It is considered that structuring the policy with base salaries and benefits enhanced by short-term incentives will bring the largest benefits to the Group and its stakeholders in the coming year.

Remuneration for Executive Directors

The main component parts of the potential remuneration packages for Executive Directors are detailed in the table on pages 29 to 34, which should be read in conjunction with the recruitment/promotion policy on page 20, and the "Detailed remuneration policy for 2023" section of the Annual Report on Remuneration, which starts on page 26.

Executive Directors' Remuneration Policy adopted by the Board

The following table summarises each element of our Remuneration Policy for the Executive Directors, explaining how each element operates. It should be noted that this did apply to executive directors who subsequently stepped down during 2022.

Remuneration element and purpose	Operation	Opportunity	Performance metrics
Base salary To attract and retain key individuals. Reflects the relevant skills and experience in role.	– Salary increases are normally reviewed annually with any changes effective from 1 January. – Salaries are set by the Committee taking account of performance, experience, responsibilities, relevant market information, internal reference points and the level of workforce pay increases.	– The current salaries are set out in the Annual Report on Remuneration on page 34. – Salary increases will typically be commensurate with those of the wider workforce as well as reflective of the overall financial performance of the Group. – Increases above this level may be awarded if, for example, there are significant changes in responsibility or a change in scope or where pay for new joiners is initially set below market levels.	A broad-based assessment of individual and Company performance is considered as part of any salary review.
Pension To provide cost-effective, yet market competitive, retirement benefits.	– Contribution to a personal pension arrangement or cash in lieu of pension by way of a salary supplement.	– In line with general workforce, up to 5% of salary, or such other amount from time to time. – Only basic annual salary is pensionable.	Not applicable.
Benefits To provide cost-effective, yet market competitive, benefits.	Benefits may extend to include a combination of the following: – Car or car allowance. – Family cover private health insurance. – Life insurance cover. Additional benefits may also be introduced in future including: – Relocation benefits or allowances. – Participation in any all-employee share schemes operated by the Company. – Other benefits tailored to the executive's location if they are recruited overseas.	– There is no maximum limit, but the Committee reviews the cost of the benefits provision on a regular basis to ensure that it remains appropriate.	Not applicable.

Remuneration report continued

Remuneration element and purpose	Operation	Opportunity	Performance metrics
Annual bonus plan To motivate Executive Directors and incentivise the achievement of key financial and strategic goals and targets over the financial year.	– Bonus is typically paid in cash, but may be paid in shares at the discretion of the Remuneration Committee. – Performance conditions are set by the Committee based on current conditions and strategic goals and based on the achievement of targets set on a sliding scale where possible. – Bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year. – Malus and clawback provisions may be applied in the event of circumstances such as material misconduct and/or an error in the calculation of the bonus payable.	– The annual bonus is typically capped at 100% of salary for the Chief Executive and 75% of salary for other Directors. – The Committee can disapply these caps in the event of an exit or significant disposal transaction, any such bonuses would be determined by the Committee based on valuations achieved.	The majority of the bonus will normally be based on financial and/or shareholder value measures. A minority of the bonus will normally be based on Group strategic objectives and/or personal objectives tailored to the achievement of the Group strategic goals. The Committee has discretion to adjust targets and/or set different measures and alter weightings for the annual bonus if certain events occur which causes it to determine they are no longer appropriate, and a change is required to ensure they achieve their original purpose and are not materially less difficult to satisfy.
Non-executive Director fees To attract and retain high-calibre Non-executive Directors. To set remuneration by reference to the responsibilities and time commitment undertaken by each Non-executive Director. The Group is a highly regulated and licenced entity and Non-executive Directors are subject to personal licensing assessments and if appropriate consents by certain US authorities.	– Fee levels are reviewed on a regular basis and are set based on expected time commitments, responsibilities and in the context of the fee levels in companies of a comparable size and complexity and reflecting the onerous obligations of international racing regimes. – Any increase in fees will also take account of increases in salaries across the workforce. – Fees are normally paid monthly in cash. Any reasonable business-related expenses can be reimbursed, and hospitality/travel or other benefits linked to performance of the role may also be met by the Company including any tax thereon.	There is no prescribed maximum fee or fee increase. Any increase will be guided by changes in market rates, time commitments and responsibility levels. Any increase in fees may be above those of the wider workforce (in percentage terms) in any particular year, reflecting the periodic nature of any review and changes to time commitments and/or responsibilities.	Not applicable.

Choice of performance measures

The choice of the performance metrics applicable to the annual bonus scheme reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of targets relating to key financial and shareholder value measures that support the Company's strategic objectives as well as individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used to ensure that they are fully aligned with the strategic imperatives prevailing at the time they are set.

Discretions retained by the Committee in operating variable pay schemes

The Committee operates the Group's incentive plans per their respective rules and consistent with normal market practice and HMRC rules where relevant, including flexibility in a number of regards relating to the operation and administration. The extent of such discretion is set out in the relevant plan rules.

Legacy arrangements

For the avoidance of doubt, any commitments entered into by the Group prior to the approval and implementation of the Policy outlined above may be honoured, even if they are not consistent with the Policy prevailing at the time the commitment is fulfilled.

As noted the Board have elected to review the strategic position of the Company in May 2023. The executive Director will receive compensation to the end of May 2023 and potentially a 2023 discretionary bonus, based on performance of core identified objectives.

Policy on contracts of service

Details of the service contracts and letters of appointment in place as at 31 December 2022 for Directors are as follows.

Executive Director	Date of Service Contract	Notice Period*
Richard McGuire	01.04.22	0 months

** It is the Committee's policy for the notice periods of Executive Directors to be twelve months or less.*

Copies of the Executive Directors' service contracts are available for inspection at the office of the Company Secretary.

The Non-executive Directors have letters of appointment which provide for notice by either party giving to the other not less than three months' notice in writing. The Company may also terminate by making a payment in lieu of notice.

Non-Executive Director	Date of Letter of Appointment	Notice Period
Clive Whiley	01.04.22	3 months
Paul Humphreys	01.09.22	3 months

Policy on Termination

In the event of termination, the Committee's policy is that payments on cessation should reflect the specific circumstances prevailing. In general, it would be the Committee's policy to make a payment in lieu of notice where necessary, limited to base salary and benefits. This may be phased and subject to mitigation. To the extent that an individual might otherwise seek to bring a claim against the Company in relation to the termination of their employment (e.g. for breach of contract or unfair dismissal), the Committee retains the right to make an appropriate payment in settlement of such potential or actual claims.

Payments in connection with any statutory entitlements (for example, in relation to redundancy), assistance with reasonable legal fees and outplacement services or other reasonable costs connected with the termination may be made as required. Executive Directors may be awarded a bonus in respect of the period of the year worked prior to notice being served and, in certain exceptional circumstances, in respect of any period worked following receipt of notice of resignation that the individual remained in employment, subject to the appropriate performance measures being achieved.

The vesting of any share incentives would be subject to the rules of the relevant plan, but in general where an individual is a good leaver awards would vest on the original vesting date, unless the Committee decides the award should end on the cessation date, and remain subject to assessment of performance and time pro rating (unless the Committee decides it is inappropriate to apply time pro rating).

Policy on external appointments

Executive Directors may be permitted, under certain circumstances, to accept Non-executive appointments and retain any fees earned, with the Board's prior permission, provided that these do not interfere with their ability to perform their duties at Sportech and are not likely to lead to conflicts of interest.

Policy on Executive Director recruitments/promotions

New Executive Director remuneration arrangements will be based on the limits of the prevailing approved Directors' Remuneration Policy.

Remuneration report continued

The fee structure and quantum for Non-executive Director appointments will be based on the prevailing Non-executive Director fee policy.

Statement of consideration of shareholder views

The Committee is mindful of the concerns of shareholders and stakeholders and considers an open and constructive dialogue with investors to be vitally important to establishing a successful remuneration policy which is considered fair by both Executives and shareholders.

The Committee will consult with major investors whenever material changes to the policy are proposed. The Committee also welcomes investor feedback and will consider views raised at the AGM and during regular meetings throughout the year and this, plus any additional feedback received from time to time, when reviewing the policy.

ANNUAL REPORT ON REMUNERATION

Application of the Remuneration Policy for 2023

Basic annual salary

The Committee has reviewed base salaries for 2023 taking into account market conditions and performance in role since appointment. For reference, some staff received increased salary in line with performance or inflation, however full-time salaries across the Group were not increased for 2023.

The base salaries for 2023 are as follows:

Director	2023	2022	% Change
Executive Chairman	£62,500	£62,500[1]	–

1 The amount noted relates to an agreement for the twelve month period to end May 2023, includes a pension contribution and is annualised for illustration.

Performance related bonus

The 2022 bonus awards relate to the successful receipt of CN $ 2 million earnout related to the sale of Bump 50:50 in 2021.

Pension arrangements

During 2022, for Andrew Lindley the Company pension contribution level was 5% of base salary; paid in cash into a SIPP. The Company matched the first 5% of Nicola Rowlands' contributions and if personal contributions of 6% are made the Company makes contributions of 8%. Company pension contributions for the UK workforce are currently between 3% and 8% of salary. Richard McGuire did not benefit from any pension contribution in 2022.

Other benefits

Andrew Lindley and Nicola Rowlands were entitled to the following other main benefits; private health insurance for themselves, their spouse and children and life insurance for themselves. Nicola Rowlands received a car allowance of £6,000 per annum paid in cash. Richard McGuire received personal, private health coverage during the year.

Long Term Incentive

No long-term incentive awards were granted in 2022 and none are anticipated in 2023.

Non-executive Directors' fees

The Non-executive Director fee for 2023 is £45,000, the result of a reduction of 25% in 2022.

During 2022, the Chairman fee applied to Giles Vardey was 1 month at £120,000 pa, then February 2022 to his departure at £90,000 pa., matching the 25% reduction.

Remuneration report continued

Single total remuneration figure for the Directors

Details of the remuneration for each Director in office during the financial year ended 31 December 2022 are given in the table below.

Directors' remuneration for 2022

	Notes	Fees £000	Taxable Benefits £000	Pension £000	Pay in lieu of notice £000	Total £000	Bonus £000	2022 Total £000
Executive Directors								
Andrew Lindley	Note 1	94	–	6	232	332	–	332
Nicola Rowlands	Note 2	114	5	15	–	134	–	134
Richard McGuire	Note 3	36	–	–	–	36	11	47
Non-executive Directors								
Giles Vardey	Note 4	33	–	–	23	55	–	55
Ben Warn	Note 5	20	–	–	11	31	–	31
Clive Whiley	Note 6	18	–	–	–	18	–	18
Paul Humphreys	Note 7	15	–	–	–	15	–	15

Directors' remuneration for 2021

	Notes	Fees £000	Taxable Benefits £000	Pension £000	Pay in lieu of notice £000	Total £000	Bonus £000	2021 Total £000
Executive Directors								
Andrew Lindley	Note 8	175	–	12	–	187	339	526
Nicola Rowlands	Note 8	108	6	7	–	121	242	363
Richard McGuire	Note 9	209	1	10	150	370	148	518
Tom Hearne	Note 9	143	2	–	205	350	94	444
Non-executive Directors								
Giles Vardey		120	–	–	–	120	–	120
Ben Warn		60	–	–	–	60	–	60
Chris Rigg	Note 10	25	–	–	13	38	–	38

(1) Andrew Lindley stepped down from the Board 31 May 2022, his contract dictated 12 months' notice period.

(2) Nicola Rowlands stepped down from the Board 30 September 2022.

(3) 2022 Bonus relates to existing contractual agreement, relating to the successful receipt of CN $2m contingent earnout related to the 2021 disposal of Bump 50:50. This amount was paid in 2023 as part of his 2021 exit arrangement and paid in 2023. He also notes an interest as Director of Company engaged to recover the CN$2m. The gross fee to that Company was £50,000. Post year end the Remco elected to compensate and provide remuneration of £58,500 for 12 months to end May 2023.

(4) Giles Vardey stepped down from Board 14 April 2022.

(5) Ben Warn stepped down from Board 31 May 2022.

(6) Clive Whiley was appointed to the Board 01 April 2022 and the Company has also engaged with a business Mr Whiley is a director of to provide strategic support services. The gross annual fee to that separate entity would not exceed £36,000 in any given year.

(7) Paul Humphreys was appointed to the Board on 01 September 2022.

(8) Andrew Lindley and Nicola Rowlands 2021 amounts include payments made in FY 21, prior to being appointed Directors on 27 Aug 2021. The Bonus amounts reflect the bonuses paid when they were Directors and reflects more accurately FY 2021 compensation.

(9) Richard McGuire & Tom Hearne 2021 payment includes, notice and bonuses related to Tote sale, stepped down from the Board 10 September 2021.

(10) Chris Rigg stepped down from Board 31 May 2021 –Tom Hearne was paid a basic salary of CAD$357,000 during the year, an average exchange rate of 1.731 has been used to translate to Sterling in table above.

Performance related bonus

The only performance related bonus payout related to the FY 2022 period was, as set out in the Chair's statement, related to the successful receipt of CN $2 million, related to a previous disposal.

Long Term Incentive Plans ("LTIPs")

No awards were granted to Executive Directors during 2022 under the existing LTIP.

Director interests

Details of the Directors' interests in shares are disclosed in the Directors' report at page 37.

Exit payments

Payments in lieu of notice was paid to Andrew Lindley (£225,000), Giles Vardey (£22,500) and Ben Warn (£11,250), in line with contractual arrangements reflecting payment of salary in lieu of notice.

Payments to third parties

No payments were made to third parties for making available the services of any of the Directors during 2021.

Executives External directorships

Richard McGuire, is a director of GYG Limited and Grey Wolf Investments Ltd.

The following table sets out the Chief Executive Officer's total remuneration (single figure of remuneration), together with annual bonus and LTIP awards as a percentage of the maximum available, for the current financial year and the preceding nine years:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Remuneration before LTIPS (£000)	575	515	517	1,233[1]	609[3]	268[4]	522[5]	506[5]	560[6]	130[8]
LTIPS (£000)	836	158	–	–	223	–	–	–	–	–
Total remuneration (£000)	1,411	673	517	1,233	832	268	522	506	560[6]	130[8]
Annual bonus	40.0%	21.25%	20.5%	39.2%[2]	40.0%	–	20.0%	55.4%	44.5%[7]	–
LTIP vesting	82.7%	29.7%	–	–	50.0%	–	–	–	–	–

1 Including exceptional bonus of £637,000.

2 Excluding exceptional bonus.

3 Excluding loss of office and pay in lieu of notice payments of £520,000.

4 Relates to Andrew Gaughan, all prior years related to Ian Penrose.

5 Relates to Richard McGuire.

6 Relates to Richard McGuire to 31 August 2021 and Andrew Lindley thereafter.

7 Relates to Richard McGuire having held the position for eight months versus Andrew Lindley being in post for four months.

8 Andrew Lindley, 2022 prior to stepping down May 2022 being £94,000 plus Richard McGuire as Executive Chairman, £36,000 thereafter.

Remuneration report continued

Shareholders' vote on remuneration

At the last Annual General Meeting on 29 June 2021, votes on the Directors' remuneration report were cast as follows:

	In favour	Against	Withheld
To approve the Directors' Remuneration Report for the year ended 31 December 2021	21,181,343 (31.02%)	47,105,734 (68.98%)	0

As Chair of Remuneration Committee, Clive Whiley subsequently met with leading shareholders to understand the significant votes against and subsequently set in place improved communication between the Company and major Shareholders.

The Board and Remuneration Committee continue to welcome and value shareholder engagement and appreciate the opportunity to debate, with shareholders, any points within this Annual Report.

Committee terms of reference

The Committee's Terms of Reference are available from the Company Secretary and can be found on the Company's website at www.sportechplc.com/investors/corporate-governance.

See the Corporate Governance Report for number of Committee meetings held and attended.

The Committee's recommendations in 2021 and early 2022 were all accepted and implemented by the Board.

Remuneration Committee advisors

The Committee reviews its relationships with external advisers on a regular basis and believes that no conflicts of interest exist and that the advice they are provided with remains independent and objective.

Clive Whiley
Chairman of the Remuneration Committee
18 April 2023

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022. General information of the Company can be found in the Accounting Policies on page 6.

The Strategic report and Corporate Governance report are set out on pages 2 to 25. This Directors' report does not include information on trading in the year or principal risks. As set out under section 414C(11) of the Companies Act 2006, this information is included on pages 15 to 18 of the Strategic report.

DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The Directors who held office at 31 December 2022 and up to the date of signing these financial statements (unless otherwise stated), had beneficial interests in the share capital of the Company as shown below.

	At 31 March 2023 Number	At 31 December 2022 Number
Richard McGuire (appointed 01 April 2022)	1,250,000	1,250,000
Clive Whiley (appointed 01 April 2022)	150,000	150,000
Paul Humphreys (appointed 01 September 2022)	–	–

The Directors do not hold any options to acquire shares.

DIRECTORS' THIRD-PARTY INDEMNITY PROVISIONS

During the year, qualifying indemnity insurance was provided to the Directors. Such insurance remained in force throughout the year and up to the date of signing the financial statements. No claim was made under these provisions.

EMPLOYEES

Details of the Company's policy on equal opportunities for disabled employees and employee involvement are set out in the 'Employees' section of the Corporate social responsibility report on page 20.

Directors' Report continued

SUBSTANTIAL SHAREHOLDINGS

On 31 March 2023, interests representing 3% or more of the issued share capital of the Company had been notified to the Company as shown below.

	31 March 2023		31 December 2022	
	Ordinary shares of 1p	% of issued share capital	Ordinary shares of 1p	% of issued share capital
Mr. Richard Griffiths and entities	28,597,856	28.60	28,597,856	28.60
Lombard Odier Asset Management (Europe) Ltd	22,064,961	22.06	21,940,000	21.94
North Atlantic Smaller Companies Investment Trust PLC	17,120,316	17.12	17,120,316	17.12
Sand Grove Capital Management LLP	11,315,749	11.32	11,315,749	11.32
Cantor Fitzgerald Europe	5,903,562	5.90	5,903,562	5.90
Total of substantial shareholdings	85,002,444	85.00	84,402,483	84.40
All other shareholdings	14,997,556	15.00	15,597,517	15.60
Total shares in issue	100,000,000	100.00	100,000,000	100.00

DIVIDEND

The Company is reviewing dividend policy and will update the market ahead of the 2023 AGM, 2022 was £7 million, being 7p per share.

ENVIRONMENTAL MATTERS

The Corporate Social Responsibility report provides information with respect to the Group's impact on the environment and can be found on page 19. We continue to comply with the SECR required reporting and as such disclosure of the Group's UK energy use and carbon emissions can be found in the Strategic report on page 19.

CORPORATE GOVERNANCE

The Group's statement on corporate governance is set out on pages 21 to 25 and forms part of this Directors' report.

RESPECT FOR HUMAN RIGHTS

Sportech is committed to respecting human rights as embodied in the Universal Declaration of Human Rights and its two corresponding covenants, The International Covenant on Civil and Political Rights and The International Covenant on Economic, Social, and Cultural Rights. It endeavours to ensure that there is no infringement on human rights, complicity in the human rights abuses of others, and compliance with the laws of the countries in which we do business.

ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Sportech is committed to conducting business in an ethical and honest manner and is committed to implementing and enforcing systems that ensure bribery is prevented. Sportech has zero-tolerance for bribery and corrupt activities. It is committed to acting professionally, fairly, and with integrity in all business dealings and relationships.

Sportech will constantly uphold all laws relating to anti-bribery and corruption in all the jurisdictions in which it operates. It is bound by the laws of the UK, including the Bribery Act 2010 with respect to its conduct both at home and abroad.

Sportech recognises that bribery and corruption are punishable by up to ten years of imprisonment and a fine. If the company is discovered to have taken part in corrupt activities, it may be subjected to an unlimited fine, be excluded from tendering for public contracts, and face serious damage to it's reputation. It is with this in mind that it commits to preventing bribery and corruption and takes its legal responsibilities seriously.

SIGNIFICANT AGREEMENTS

There are a number of agreements that take effect, alter or potentially terminate upon a change of control of the Company following a takeover bid, such as commercial contracts. None of these are deemed to be individually significant in terms of their potential impact on the day-to-day running of the business of the Group as a whole, however, the Group operates under licences awarded to it by regulatory bodies. In the event of a change of control, certain regulatory bodies and contracts retain the right to preapprove the acquirer in order for a change of control to be permitted without any change of terms.

There are no clauses in any of the Directors' contracts that are triggered by a change of control of the Company.

SHARE CAPITAL AND AUTHORITY TO ISSUE SHARES

The Company has one class of ordinary shares. The nature of the holdings of the Company's individual Directors and individually significant shareholders are disclosed on pages 37 and 38. There are no restrictions on the transfer of shares.

As part of the resolutions approved at the 2022 AGM, shareholders' authority was given to the Directors to:

(i) allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal value of £333,333. This represents approximately one-third of the share capital of the Company in issue at the date of the Notice of AGM.

And in line with the Share Capital Management Guidelines issued by the Investment Association:

(ii) allot shares in the Company and grant Rights up to a further aggregate nominal value of £50,000 in connection with a rights issue. This amount represents approximately one-third of the share capital of the Company in issue at the date of 2022 Notice of Meeting.

GOING CONCERN

The Group's forecasts and projections, which have been prepared as described on page 56 were reviewed and approved by the Board. On the basis of this review, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2024. Accordingly, it is deemed appropriate to prepare the financial statements on a going concern basis for the financial year ended 31 December 2022.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks:

- liquidity risk;
- credit risk; and
- foreign exchange risk.

Where appropriate the Group uses derivative financial instruments to hedge certain risk exposures. Details of the policy for each of the above risks can be found in note 26 of the consolidated financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each Director is aware, at the date of the approval of the financial statements there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditor is aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group and company financial statements in accordance with UK adopted international accounting standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards

Directors' Report continued

subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

ANNUAL GENERAL MEETING ("AGM")

The Notice convening the AGM of the Company on 30 May 2023 will be sent to shareholders by 5 May 2023. In accordance with good corporate governance practice, each Director will voluntarily stand for re-election. The profiles of the Directors appear on page 14. Resolutions will also be proposed at the AGM to receive the Accounts and the Directors' and Independent Auditor's Reports, to approve the Remuneration Report set out on pages 28 to 36, to reappoint the Auditor and to authorise the Directors to determine their remuneration.

On behalf of the Board,

Ben Harber
Company Secretary
SGH Company Secretaries Limited

18 April 2023

Independent auditor's report to the members of Sportech Plc

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sportech Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Directors' assessment of going concern: we obtained an understanding of the process undertaken by the Directors to prepare the going concern assessment, including confirming the assessment and underlying projections were prepared by appropriate individuals with sufficient knowledge of the detailed figures as well as an understanding of the Group's markets, strategies and risks.
- Assessment of assumptions within the cashflow forecasts: Understanding, challenging and corroborating the key assumptions used in cash flow forecasts against prior year, our knowledge of business and industry and other areas of audit, taking into consideration the funds available.
- We tested the numerical accuracy of the model used to prepare the forecasts, including accuracy of historical forecasting by agreeing to actual results.
- Sensitivity analysis: evaluation of the Directors' sensitivities over the Group's cashflows to changes in the significant inputs and assumptions used. Assessing stress test scenarios for any key future events that may have impact on cash flow forecasts of continuing operations.
- Disclosures: evaluation of the adequacy of the disclosures in relation to the specific risks posed and scenarios the Group has considered in their going concern assessment against the requirements of the accounting standards and consistency of the disclosures against the forecasts and going concern assessment.

Independent auditor's report to the members of Sportech Plc

continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Coverage	96% (2021: 96%) of Group profit before tax 100% (2021: 99%) of Group revenue 99% (2021: 95%) of Group total assets		
Key audit matters		2022	2021
	Revenue recognition: Group	✓	✓
	Impairment of investments:	✓	✓
	Parent Company Only		
	Impairment of intangibles: Group	✓	✓
	Disposal accounting and discontinued operations: Group		✓
	Disposal accounting and discontinued operations is not considered to be a key audit matter in the current year because there has been no significant disposal during the year and therefore, we considered this to be a low focus for our audit.		
Materiality	***Group financial statements as a whole*** £195,000 based on 0.75% of total Group revenue (2021: £195,000 based on 0.5% of total Group revenue)		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements.

We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We identified 12 separate components making up the Group, of which two were deemed significant components that required a full scope audit given their contribution to the Group's revenue and net assets (Sportech Venues CT and Sportech Plc). Our work on the remaining components comprised analytical procedures and certain specified audit procedures. All audit work was performed by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition The details of the accounting policies applied during the year are set out in the Basis of accounting section of the financial statements. (Summary of significant accounting policies, (b)).	The Group recognises revenue from the following revenue streams: a. Revenue from rendering of services (includes betting revenue in venues, 123Bet online services and racebook commissions). b. Revenue from sale of food and beverage. c. Revenue from betting services commissions. Betting revenue in venues was considered a KAM due to the complexity of the IT systems and the level of audit focus required. Betting revenue in venues is derived from handle (betting stakes) net of return to bettors for wagering and customer incentives and is recognised when the event takes place. There is a risk that amounts recorded are calculated incorrectly due to manipulation of the underlying source data, an error in the IT system or the incorrect contractual rate being applied. Also, there is a risk that management has the opportunity to manipulate and overstate revenue by overriding controls and posting manual journals. Therefore, manual journals to revenue has been considered as a key focus area for audit.	We completed the following audit procedures: • We developed an understanding of the key revenue processes from inception to disclosure in the financial statements and assessed the design and implementation of the controls over the revenue cycle on betting revenue in Venues. • For the betting revenues, using data analytic techniques we recalculated the expected income earned from betting data captured in the Group's IT systems for venues and reconciled this to the amounts recorded in the nominal ledger. • For the betting revenue stream, we tested revenue to cash reconciliations for bets placed during the year. • For the betting revenue stream, we reviewed the Systems and Organisation Controls (SOC) report of the underlying IT system operated by a third party since June 2021 and ensured that controls within underlying IT systems were noted therein as operating effectively. We also enquired with management regarding the modification rights available with personnel within the Group to ensure that data agrees to underlying IT systems was not manipulated. • For the betting revenue stream we verified a sample of underlying agreements with racetracks to ensure that rates used in the underlying IT systems in calculating revenue were correct. • Reviewed manual journal entries to revenue nominal ledger codes related to betting revenue in Venues which met a defined risk criteria, to identify any unusual journal entries which may indicate fraud or error in revenue recognition. ***Key observations*** Based on above procedures performed, nothing has come to our attention that causes us to believe that revenue recognition on betting revenue in Venues is inappropriate.

Independent auditor's report to the members of Sportech Plc

continued

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment of investments: Parent Company only The details of the accounting policies applied during the year are set out in Basis of accounting section of the financial statements. (Summary of significant accounting policies, (l) and (m)).	In accordance with the requirements of relevant accounting standards, the Directors have performed an impairment review on investments in the current year. This has resulted in an impairment charge of £8.2 million during the year. The impairment review is based on the expected future performance of the trading entities in the US and UK and requires Directors to exercise significant judgement in determining the underlying assumptions used in the impairment review which have material impact on the resultant calculations. Therefore, we considered this to be a key audit matter.	We completed the following audit procedures: Challenged the key assumptions and cash flows used in the impairment model which included the following: • Checked that the cash flows used to assess the recoverability of the parent company investments were consistent with those used in the Impairment models at the group level. • Assessment of the discount rate used to calculate the present value of future cash flows by involving our internal valuation experts to determine the appropriateness of the discount rates used across the Cash Generating Units (CGU's). • Assessed the historical accuracy of the Directors' forecasts previously used in the impairment model against actual outturn. • Challenged management on the growth rates used in the model for specific revenue streams, reviewed underlying documents and sought detailed explanations from Directors to support revenue projections taking into account historical performance, post year end trading against budget and post balance sheet events. • Performed sensitivity analysis over the assumptions used in the model such as flexing the discount rate and growth rates used in the model in order to evaluate the levels of headroom available over the CGU's in reasonable and worst case scenarios. • Considered publicly available information and other information obtained during our audit work to determine whether there were any other potential indicators of impairment that were not identified by the directors. ***Key observations*** Based on the procedures performed, the judgements made by management in determining the impairment of investments are considered to be appropriate.

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment of intangible fixed assets The details of the accounting policies applied during the year are set out in Basis of accounting section of the financial statements. (Summary of significant accounting policies, (j) and (m)).	The Group's total intangible fixed assets as at 31 December 2022 were £6.9m which are material to the Group's balance sheet. This mainly relates to the Group's Connecticut license. During the year, the Group recognised an impairment loss on intangible fixed assets amounting to £517k. IAS 36 "Impairment of Assets" requires management to review the carrying value of intangibles and test it annually for indicators of impairment. Management exercise significant judgement in determining the underlying assumptions used in the impairment review. The assumptions are not limited to, but can include the discount rate used, the allocation of assets to cash generating units (CGUs), growth rates and the future cash flows attributed to each.	We completed the following audit procedures: Challenged the key assumptions and cash flows used in the impairment model which included the following: • Assessment of the discount rate used to calculate the present value of future cash flows by involving our internal valuation experts to determine the appropriateness of the discount rates used across the Cash Generating Units (CGU's). • Challenged Management on the growth rates used in the model for specific revenue streams and sought detailed explanations from them to support revenue projections taking into account historical performance, post year end trading against budget and post balance sheet events. • Performed sensitivity analysis over the assumptions used in the model such as flexing the discount rate and growth rates used in the model in order to evaluate the levels of headroom available over the CGU's in reasonable and worst case scenarios. • We considered publicly available information and other information obtained during our work in order to assess whether there were any other potential indicators of impairment not identified by Management. ***Key observations*** Based on the procedures performed the judgements made by management in determining the impairment of intangible fixed assets are considered to be appropriate.

Independent auditor's report to the members of Sportech Plc

continued

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022	2021	2022	2021
Materiality	£195,000	£195,000	£40,000	£40,000
Basis for determining materiality	0.75% of Total Group Revenue	0.5% of Total Group Revenue	20% of Group materiality	20% of Group materiality
Rationale for the benchmark applied	Revenue was considered to be most appropriate benchmark due to volatility of profit measures.	Revenue was used as a measure to reflect the volatility in EBITDA results arising from the impact of COVID-19 with a negative EBITDA arising in 2020 and significant disposals during 2021.	20% of Group materiality	20% of Group materiality
Performance materiality	£136,500	£136,500	£28,000	£28,000
Basis for determining performance materiality	70% (2021: 70%) of materiality, based on our overall risk assessment, including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group based on a percentage of between 30% and 75% (2021: 20% and 65%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £40,000 to £146,250 (2021: £40,000 to £126,750). In the audit of each component, we further applied performance materiality levels of 70% (2021: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £9,750 (2021: £9,750). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts 2022 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of Sportech Plc

continued

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and Parent Company and the industry in which it operates;
- Discussion with management and those charged with governance, including Audit Committee; and
- Obtaining and understanding of the Group's and Parent Company's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the applicable accounting framework, Companies Act 2006, AIM Listing Rules, Gaming Regulations and Licences and tax legislation.

Our procedures in respect of the above included:

- Enquiries of management and those responsible for legal and compliance procedures to understand how the Group is complying with those legal and regulatory frameworks. We corroborated our enquiries through our review of minutes of meeting of those charged with governance, reviewing summary of claims, litigations and regulatory inquiries that we have obtained from those charged with governance;
- Review of minutes of meeting of those charged with governance and correspondence with local tax and regulatory authorities, including review of legal expenses, to identify potential litigation and claims and non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of internal taxation specialists to review the adequacy and appropriateness of tax provisioning; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance, including Audit Committee, regarding any known or suspected instances of fraud, potential litigation and claims, and non-compliance with laws and regulations;
- Obtaining an understanding of the Group's and Parent Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Discussion amongst all the engagement team members as to how and where fraud might occur in the financial statements; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we identified fraud risks in relation to management override of controls and overstatement of revenue during the year specifically through manual journal entries where incentive might exist to accelerate earnings.

Our procedures in respect of the above included:

- Testing manual and automated journal entries throughout the year, particularly on revenue and consolidation journals, which met a defined risk criteria, by agreeing to supporting documentation where we considered there to be a higher risk of potential fraud and other adjustment;
- Assessing whether the judgements made in making accounting estimates, individually and in aggregate, are indicative of a potential bias, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. This included those set out in the key audit matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieran Storan (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

14 April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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:			
Items that will not be reclassified to profit and loss			
Actuarial gain/(loss) on retirement benefit liability – discontinued operations		**–**	186
		170	186
Items that may be subsequently reclassified to profit and loss			
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		**16,782**	16,037
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		**11,392**	24,241
TOTAL ASSETS		**28,174**	40,278
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		**(7,935)**	(14,322)
Net current assets		**3,457**	9,919
Non-current liabilities			
Lease liabilities	24	**(6,200)**	(6,091)
Deferred tax liabilities	19	**–**	(43)
Total non-current liabilities		**(6,200)**	(6,134)
TOTAL LIABILITIES		**(14,135)**	(20,456)
NET ASSETS		**14,039**	19,822
EQUITY			
Ordinary shares	28	**1,000**	1,000
Other reserves		**4,574**	3,527
Retained earnings		**8,465**	15,295
TOTAL EQUITY		**14,039**	19,822

The financial statements on pages 50 to 97 were approved and authorised for issue by the Board of Directors on 18 April 2023 and were signed on its behalf by:

Richard McGuire
Director
Company Registration Number: SC069140

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	Ordinary shares £000	Other reserves: Capital redemption reserve £000	Other reserves: Other reserve £000	Other reserves: Foreign exchange reserve £000	Retained earnings £000	Total £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**

Consolidated Statement of Changes in Equity continued

FOR THE YEAR ENDED 31 DECEMBER 2022

		Other reserves				
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total £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

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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 continues 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

These financial statements have been prepared in accordance with UK adopted international accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities.

The Group's accounting policies have been set by management and approved by the Audit Committee.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Amounts presented in the financial statements have been rounded to the nearest £1,000.

CRITICAL JUDGEMENTS AND ESTIMATES

Critical judgements and estimates have been made in the following areas:

Assets held for sale and discontinued operations

The Board is required to consider the requirements of IFRS 5 Non-current Assets Held for sale and Discontinued Operations as to whether the assets of any disposal group or asset which is potentially going to be disposed of, should be classified as Held for Sale. In general, the following conditions must be met for an asset (or 'disposal group') to be classified as held for sale:

- management is committed to a plan to sell;
- the asset is available for immediate sale;

- an active programme to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

In addition, a discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

Recognition of contingent consideration for Bump 50:50
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.

Carrying value of Sportech Venues tangible and intangible assets
To determine whether an impairment of the tangible or intangible assets held by the Sportech Venues division has occurred, the Group considered in isolation the assets and leasehold improvements at its sports bar venue in Stamford, Connecticut and then the assets (tangible and intangible) of the cash generating unit ("CGU") as a whole. The key assumptions used in estimating future cash flows for value-in-use measures, for both the stand-alone venue and the CGU as a whole were:

Stamford alone:

- handle and food and beverage ("F&B") earnings achieved since the venue's opening in June 2017 and the likely growth achievable in the next four years;
- costs of sale percentages and overhead cost levels achievable;
- sports betting commission likely to be earned at the venue; and
- the length of the lease during which the venue would be operated.

CGU as a whole:

- rates of industry handle growth/decline impacting the retail and online product;
- the enforcement by the State of Connecticut of the Company's exclusive rights to operate online wagering and the CGU's ability to drive value from its exclusivity in the State; and
- discount rate, which appropriately reflect the risks associated with the CGU.

These assumptions, and the judgements of management that are based on them, are subject to change as new information becomes available. Economic conditions and government policy changes can also impact on the assumptions and discount rates applied, which are reviewed annually. Further details are disclosed within notes 14 and 15 of the Annual Report.

Notes to the financial statements continued

Tax

The Group's activities in recent periods have resulted in material tax liabilities crystallising. The ultimate tax liability due, in all instances, is subject to a degree of judgement. The judgements which are made are done so in good faith, with the aim of paying the correct amount of tax at the appropriate time. Management work diligently with the Group's external financial advisors in quantifying the anticipated accurate and fair tax liability which arises from material one-off events such as the Spot the Ball legal case (see notes 9 and 27).

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 not payable and await the HMRC final determination of assessments whereupon they will consider if any further actions are appropriate.

The Group has modelled its tax projections to assess the recoverability of its deferred tax assets in the US. Those projections require judgement and if the forecasts are not achieved, the recoverability of the deferred tax assets may be in doubt.

A summary of more important Group accounting policies follows. These policies have been applied consistently to all the years presented.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. Control of an entity is deemed to exist when the Group is exposed to, or has rights to, variable returns through its power over that entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent consideration is recognised at fair value at the acquisition date and remeasured at each balance sheet date until settlement. The revaluation amount is debited/credited to the income statement in the period in which the estimated fair value is increased/decreased. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Transactions between subsidiaries are performed on an arm's-length basis. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Revenue

The Group generally recognises revenue at a point in time when it transfers control over a product or delivers a service to a customer. The following is a description of principal activities (separated by reportable segment), from which the Group generates its revenues.

Sportech Venues:

This division operates betting venues in the state of Connecticut, USA and a website for online wagering from Connecticut residents under an exclusive and perpetual licence. Its revenues are derived from handle (betting stakes) net of return to bettors for wagering on horse and greyhound racing and jai alai and customer incentives and is recognised on the day the event takes place. Betting stakes for future events that have not taken place at the balance sheet date are deferred. It also generates revenue from:

Other revenue type	Recognition policy
Providing a full turn-key service for the operation of racebooks at casinos	Revenue is a percentage of handle processed through the racebooks and services included are settlement, negotiating fee structure with tracks and audio visual and other equipment provision in some cases. Revenue is recognised when the performance obligation is met which is on the day the event occurs. Customer bonuses are netted off revenue as earned. Costs of obtaining a new contract are expensed to the income statement. Income is invoiced monthly and due within a month, therefore there is no significant financing element. Contracts are generally three to five years in length and have several month notice periods.
Food and beverage sales in venue	Revenue is recorded at the price charged for the goods on the date the food/beverage is provided.
Programme sales	Revenue is recorded as the goods are transferred to the customer.
Rental of space in venues for parties/events	Revenue is recorded on the date of the event.
Sale of lottery tickets on behalf of the state lottery	Sportech retains a percentage of the ticket sales, revenue is recorded at the time the ticket is sold.
ATM transaction fees	Fee are recognised on each transaction, recorded as the transaction occurs.
Source market fees	Fees are a percentage of handle taken by out-of-state (outside of Connecticut, USA) online operators who take bets on horse and dog racing from Connecticut residents. Fees are only taken from those operators granted permission from the State's Department of Consumer Protection ("DCP") to take bets. Revenue is recorded monthly based on handle disclosed by those operators.
Parking lot rental for events e.g. carnival, rodeo	Revenue recorded as each event occurs.
Sports Betting revenue share	Sports Betting revenue share Revenue is net commission receivable calculated as a share of Net Gaming Revenue ("NGR") derived in retail venues net of cost allowances to the CLC sports book operator (Rush Street International, during 2022) and net of a cost allowance for "allowable costs" of Sportech Venues and Connecticut Lottery Corporation. Sportech Venues' share of the "allowable costs" is subject to a maximum of 20% of NGR is also recognised as revenue. Revenue is calculated monthly and payable within 30 days and therefore no significant financing element exists. A percentage of Net GGR of CLC's online gaming is also recognised as Sportech Venues' revenue monthly and is payable on the same terms as retail revenue.

Notes to the financial statements continued

Sports Betting – Principal versus Agent:

The Group evaluates the principal versus agent considerations, in determining whether it is appropriate to record the gross amount of revenues and related costs, or the net amount earned as commissions. If the Group were the principal in a transaction and controlled the specific good or service before it is transferred to the customer, revenue would be recorded gross; however, in the arrangement with CLC, revenue is recorded on a net basis as this is not the case. For retail sports services, the Group does not control the promised goods or services and, therefore, records the net amount of revenue earned as a commission. Evidence for the agent conclusion comprises amongst other indicators;

i. The terminals used in the retail venues for sports betting are not the property or responsibility of Sportech and were not purchased or rented by Sportech;

ii. The risk on transactions is not Sportech's and Sportech does not manage the sportsbook;

iii. Sportech does not set the sportsbook prices;

iv. Sportech is not responsible for credit risk (chargebacks);

v. The Connecticut Lottery Corporation is the licence holder and the customer contracts with CLC not Sportech; and

vi. If a loss is made on the sportsbook, Sportech does not participate in that loss and instead receives zero commissions.

Sportech Digital:

123Bet.com Revenue

The Group owns the brand 123Bet.com and operates a pari-mutuel betting site taking bets on horse and dog racing from customers through its affiliate provider eBet Technologies Inc. Wagers net of customer winnings and loyalty awards is recognised as revenue with associated costs included in cost of sales.

Lottery software supply

The Group's subsidiary Lot.to Systems Limited provides online lottery software to customers globally. The service fees are either fixed monthly fees, percentages of handle through the software or a combination of both and most contracts can have fixed monthly "minimums". Revenue is recognised as the obligations under the contract are met.

Discontinued operations:

Global Tote LEIDSA

This division provides pari-mutuel wagering services and systems worldwide, principally to the horseracing industry. It derives its revenues from various contractual models as follows:

North America

Contracts with tote customers were structured based on the supply of a turn-key service where both hardware and services are provided throughout the period of the contract. Revenue was generated over the contract term from; the provision of our tote software, operation of the tote for the customer and maintenance of the hardware and software in use. If there was a sale of hardware or software upfront, which was rare and generally not material to the contract as a whole, then this was recognised when control of the goods is transferred to the customer, generally following the receipt of an acceptance form or confirmation of delivery. The service fees were either fixed monthly fees, percentages of handle through the tote software or a combination of both and most contracts have fixed monthly "minimums". Revenue was recognised as the obligations under the contract were met.

Europe and rest of world

In Europe and the rest of the world the sales model is different in that most sales were for an upfront system and hardware and revenue was recognised when performance obligations were satisfied. Sales which involved significant customisation were recognised on a percentage of completion basis. Where contracts were long-term development projects for bespoke software delivery to a customer, revenue was recognised over time using the inputs method (labour hours expended) for progress towards complete satisfaction calculations.

Following initial delivery of hardware and software, the business then generated revenue from maintenance services (of the hardware and software) and in some cases operation of the tote. The value of revenue delivered under service contracts was generally based on either a percentage of amounts wagered or on a predetermined fixed amount depending on contract terms. Revenue was recognised as the obligations under the contract are met.

Under multiple performance condition arrangements, revenue was allocated to the various elements based on the standalone selling prices determined by the price charged when the same element was sold separately, and revenue recognised on the separate components of the contract in accordance with the revenue recognition policy above for that item or service.

Bump 50:50

Bump 50:50 contracts are principally service contracts where revenue was recognised over the contract term in line with the supply of services, revenue was generally a percentage of the total raffle takings and recognised on completion of the raffle.

(c) Deferred income

Deferred income includes the value of stakes placed prior to the end of the financial period in respect of competitions and sporting events held subsequent to the end of the financial period and income received in advance of a service or product being delivered.

(d) Segmental reporting

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

The Group has identified its business segments as follows:

Continuing operations

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

Discontinued operations

- Global Tote, Bump 50:50 and LEIDSA: provision of pari-mutuel wagering and lottery platform services and systems worldwide principally to the horseracing industry and provision of 50:50 lottery software and services.

(e) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the financial statements continued

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

The Group applies IFRIC 23 Uncertainty over Income tax treatments. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires; the group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; the group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

(f) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling (£), which is the Company's functional currency and the Group's presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except where deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement within operating profit.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

(g) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any impairment. Cost includes the original purchase price of the asset and the costs attributable in bringing the asset to its working condition for its intended use and any associated borrowing costs. Assets in the course of construction are not depreciated until the asset is completed. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

Assets in the course of construction are capitalised when first brought into use and depreciated from this date.

(h) Depreciation

Depreciation is provided on a straight-line basis to write off the cost of property, plant and equipment down to residual value over their anticipated useful lives as following period:

Owned land and buildings	Not depreciated
Leasehold Improvements	Over the period of the lease or 25 years whichever is shorter
Plant and machinery	Between 3 and 12 years
Fixtures and fittings	Between 3 and 12 years

Assets in the course of construction are not depreciated until they are ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(i) Right-of-use assets and lease liabilities

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate (taking into account the lease term being considered) in the jurisdiction in which the asset resides as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options and break clauses. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(j) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration given over the fair value of the separately identifiable net assets acquired. Goodwill arising on acquisitions before the date of transition to IFRSs (4 January 2005) has been frozen at the previous UK GAAP net book value at the date of transition, subject to being tested for impairment annually at the year-end date. There is potential contingent consideration receivable of up to a further £500k, the receipts are contingent on certain activities being transacted through digital channels within a time period. The Directors have currently fair valued these receipts at £nil, given uncertainty surrounding receipts deliverability and performance conditions beyond the Group control. This is in line with a more conservative policy adopted in recent years.

Goodwill is allocated to specific CGUs for the purpose of impairment testing. The allocation is made to the CGU that is expected to benefit from the business combination in which the goodwill arose.

Goodwill is carried at cost less accumulated impairment losses.

An impairment loss of £517k was recorded at the year-end following the transaction to sell the trade and assets of Lot.to Systems Limited which completed on 4 February 2023. The impairment of goodwill ensures that the combination of the remaining goodwill and the carrying value of the intangible asset in Lot.to Systems Limited's own books totals £500k, which represents the value of the initial purchase consideration settled in cash on 4 February 2023.

Notes to the financial statements continued

(k) Intangible fixed assets

Intangible fixed assets are held at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life of the intangible fixed asset.

Software

Externally acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives or contractual period if shorter (five to ten years).

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate proportion of relevant overhead. Other development expenditure that does not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software development costs are amortised over their estimated useful lives, which do not exceed 12 years.

Licences

Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate cost of licences over their estimated useful lives of 15 to 20 years. Licences with an infinite life (licences granted in perpetuity) are held at cost or fair value at acquisition date and tested annually for impairment.

(l) Investments in subsidiaries

Investments in subsidiaries are carried at historic cost less any impairment. Annual impairment reviews are performed.

(m) Impairment reviews

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and intangible assets with indefinite lives are subject to an annual review for impairment in accordance with IAS 36 'Impairment of Assets'. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairments, assets are grouped at the lowest levels at which there are separately identifiable cash flows. Any impairment losses are recognised in the income statement in the year in which they occur. Any impairment loss recognised on goodwill is not reversed.

All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

(n) Pension obligation

The Group operates various pension schemes, the Group has no defined benefit (DB) scheme liabilities.

The Group now only has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(o) Financial instruments

(i) Recognition

Trade receivable and debt securities issued are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets

(ii) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are classified on the first day of the first reporting period following the change in business model.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Changes in the fair value of financial assets at FVTPL are recognised in the statement of comprehensive income.

Financial assets measured at amortised cost arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 365 days and are therefore all classified as current, those due after a longer period are classified in non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other receivables consist of amounts generally arising from transactions outside the usual operating activities of the Group such as the proceeds from disposal of investment. Due to the short-term nature of the other current receivables, their carrying

Notes to the financial statements continued

amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(v) Impairment

The Group assesses all types of financial assets that are subject to the expected credit loss model:

- trade receivables
- debt investments carried at amortised cost
- cash and cash equivalents

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are grouped based on their days past due.

The historical credit losses assessed are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

<u>Financial liabilities</u>

(vi) Classification and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL (fair value through profit or loss). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(vii) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(viii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(p) Share-based payments

There were no share-based payments in 2022.

Previously, the fair value of employee options awarded under the Value Creation Plan were calculated using the standard Black-Scholes model. The fair value of employee PSP (performance share plan) awards were valued using a stochastic (Monte Carlo) valuation model. In accordance with IFRS 2 ‘Share-based Payment’, the resulting cost is charged to the income statement over the vesting period of the options/awards. The total amount to be expensed is determined by reference to the fair value of the options/awards granted including any market performance conditions, which are those that are based on Sportech PLC’s share price, and excluding the impact of any service and non-market performance vesting conditions, being profitability and the individual remaining an employee over a specified time period. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The charge in relation to employees who provide services to subsidiary companies is recharged to those subsidiaries. Where the charge is not required to be settled in cash, the Company's investment in that subsidiary is increased by the value of the charge and a corresponding increase in equity is recognised in the subsidiary.

(q) Cash and cash equivalents

Cash and cash equivalents shown on the balance sheet represent cash in hand, cash held in bank accounts, both owned by the Group and held on behalf of customers. Any bank overdrafts used by the Group are shown within trade and other payables. Positive cash balances and overdrafts are only offset within cash and cash equivalents to the extent that they form part of a cash-pooling arrangement implemented by the Group where the balances will be settled on a net basis.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(s) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, being the difference between the assets' carrying amounts and the present value of the estimated future cash flows, discounted at the original effective interest rate. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific customer will default or delinquency in payment will arise. Any subsequent recovery of amounts written off is credited to the income statement.

(t) Trade payables

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

(u) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business.

(v) Provisions

Provisions for onerous contracts, legal claims and dilapidations are recognised when the Group has: a present legal or constructive obligation as a result of past events; probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses where the Group has no contractual obligation to deliver the service or product. Provisions payable over a period greater than 12 months are discounted using an appropriate market risk-free discount rate.

(w) Leases exempt from IFRS 16

The Group excludes leases with low-value assets (<£4,000 asset values) and leases with terms of less than 12 months from IFRS 16 requirements to capitalise the lease and hold a corresponding liability on the balance sheet. Instead, payments made under these leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(x) Separately disclosed items

The Group defines separately disclosed items as those items which, by their nature or size, if not separately identified, would distort the comparability of the Group's results from year to year.

Notes to the financial statements continued

(y) Government grants

Grants for revenue expenditure are shown gross in the income statement in other income. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the income statement.

(z) Share capital and reserves

Ordinary shares are classed as equity. Incremental costs directly attributable to the value of new shares or options are shown in equity as a deduction from the proceeds in the share premium account where the shares were issued at a premium or, where issued at par or where the issue costs exceed the premium on the issue, to retained earnings.

The capital redemption reserve represents the nominal value of shares cancelled. Other reserve includes the cumulative actuarial gains and losses charged/credited to this reserve in relation to defined benefit pension schemes and also merger relief. Foreign exchange includes gains/losses arising on retranslating the net assets of overseas operations Retained earnings includes cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

(aa) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(ab) New standards, amendments and interpretations adopted by the Group

A number of amendments to Standards have become effective for financial periods beginning on (or after) 1 January 2022 and are therefore applicable for the 31 December 2022 financial statements. The amendments listed below have been included in these consolidated financial statements (where applicable) as if they had been applied for the first time as at 1 January 2022. New standards and amendments effective for periods beginning on or after 1 January 2022 and therefore relevant to these financial statements:

Standard or interpretation	Applicable for financial year beginning on or after
Annual Improvements to IFRS: 2018-2020 Cycle	1 January 2022
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	1 January 2022
IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)	1 January 2022

(ac) New standards, amendments and interpretations not yet effective and not adopted by the Group

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group.

Standard or interpretation	Applicable
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates)	1 January 2023
IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023

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:

Notes to the financial statements continued

	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 £000	2021 £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 £000	2021 £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 £000	Sportech Venues £000	Corporate costs £000	Group £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**

Notes to the financial statements continued

	Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Group £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 £000	Sportech Venues £000	Corporate costs £000	Group £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	**(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

Notes to the financial statements continued

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		**11,847**	11,489
Marketing and distribution costs			
Marketing		**368**	253
Vehicle costs		**18**	23
Total marketing and distribution costs		**386**	276
Operating costs			
Staff costs – gross, excluding share option charges		**6,323**	6,661
Less amounts capitalised		**(171)**	(165)
Staff costs – net		**6,152**	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		**12,172**	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		**14,803**	15,680

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
Total included in operating costs		**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 £000	2021 £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)

Notes to the financial statements continued

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 £000	2021 £000	2022 £000	2021 £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 £000	2021 £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

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 26 to 36. This information forms part of the financial statements.

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

8. NET FINANCE INCOME/(COSTS)

	2022 £000	2021 £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 (note 11)	**–**	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.

	2022 £000	2021 £000
Continuing operations:		
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

Notes to the financial statements continued

9. TAXATION

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

	2022 £000	2021 £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

	Note	2022 £000	2021 £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 £000	2021 £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 liabilities is as follows:

	2022 £000	2021 £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:

	Note	2022 £000	2021 £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.

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.

Notes to the financial statements continued

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

Bump (Worldwide) Inc.:	Note	2022 £000	Period ended 2 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:

Global Tote Group:	Note	2022 £000	Period ended 17 June 2021 £000
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:

Sportech Lotteries, LLC:	Note	2022 £000	2021 £000
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

Notes to the financial statements continued

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		**170**	**1,013**	**–**	**1,183**
Taxation					
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:

	Note	Global Tote Group £000	Bump (Worldwide) Inc. £000	Sportech Lotteries LLC £000	Total £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	Dis-continued 2022 £000	Total 2022 £000	Continuing 2021 £000	Dis-continued 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	Dis-continued 2022 £000	Total 2022 £000	Continuing 2021 £000	Dis-continued 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		
Continuing operations	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
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 £000	2021 £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.

Notes to the financial statements continued

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 2023, 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%; and
- 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
Disposals	(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

Notes to the financial statements continued

15. PROPERTY, PLANT AND EQUIPMENT

2022	Leasehold improvements and owned land and buildings £000	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 £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £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.

Notes to the financial statements continued

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

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 £000	2021 £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	**–**	–

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

	2022 £000	2021 £000
Sterling	**104**	233
US Dollar	**1,835**	1,675
Total	**1,939**	1,908

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.

Notes to the financial statements continued

19. DEFERRED TAX

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

	Note	Asset 2022 £000	Liability 2022 £000	Net 2022 £000	Net 2021 £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		**–**	**15**	**15**	(43)
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
		6,564	7,945

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	736
Utilised during the year	(677)
Released to the income statement	(69)
Currency differences	10
At 31 December 2022	**–**
Of which:	
Current provisions	–

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

Maturity analysis – contractual undiscounted cash flows	2022 £000	2021 £000
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	**9,173**	8,650

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%.

Lease liabilities included in the balance sheet	2022 £000	2021 £000
Current	1,155	923
Non-current	6,200	6,091
Total	**7,355**	7,014

Notes to the financial statements continued

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 has no Defined Benefit Plans in place and provides defined contribution schemes only. 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 regular basis in the operating entities and is aggregated by Group finance. This 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 within 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 and business partners 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 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 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 £12,67 million 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 £000	2021 £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.

Notes to the financial statements continued

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 £000	2021 £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 calendar 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

	2022		2021	
Authorised, issued and fully paid ordinary shares of 1p	**'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	11(e)	**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)
Loss/(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

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.

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%

Notes to the financial statements continued

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.

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

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	England & Wales	1	Ordinary	100%
C&P Promotions Limited	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	Scotland	8	Ordinary	100%
Sportech Pools Trustee Company Limited	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. KalaycioGluSitesi 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

32. POST BALANCE SHEET EVENTS

On 4 February 2023, the Company disposed of the trade and certain assets of its subsidiary, Lot.to Systems Limited ("Lot.to"), to an unrelated third party. The disposal was completed after the balance sheet date and therefore represents a post-balance sheet event.

The disposal was in accordance with the Company's strategic plan to divest non-core assets and focus on its core business operations. As a result of the disposal, the Company recognised an impairment in the carrying value of goodwill to reduce the combined value of goodwill and intangible assets in relation to Lot.to to £500k which mirrors the consideration received post year-end. The net cash inflow from the disposal will be used for general corporate purposes.

The disposal did not have a material impact on the Company's financial position, cash flows or operations. However, the Company will continue to monitor the impact of the disposal on its business and financial results going forward.

Company Balance Sheet

AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
ASSETS			
Non-current assets			
Intangible fixed assets	C5	**189**	276
Investment in subsidiaries	C7	**17,999**	26,257
Trade and other receivables	C8	**–**	2,679
		18,188	29,212
Current assets			
Trade and other receivables	C8	**161**	197
Cash and cash equivalents		**4,307**	6,769
		4,468	6,966
TOTAL ASSETS		**22,656**	36,178
LIABILITIES			
Current liabilities			
Trade and other payables	C9	**(1,406)**	(8,770)
Current tax payable		–	**(110)**
		(1,406)	(8,880)
Net current assets/(liabilities)		**3,062**	(1,914)
NET ASSETS		**21,250**	27,298
EQUITY			
Ordinary shares	28	**1,000**	1,000
Other reserves		**1,202**	1,202
Retained earnings carried forward		**19,048**	25,096
TOTAL EQUITY		**21,250**	27,298

The profit after tax for the Company for the year was £941k (2021: £11,338k).

The Company financial statements on pages 50 to 97 were approved and authorised for issue by the Board of Directors on 18 April 2023 and were signed on its behalf by:

Richard McGuire
Director
Sportech Plc
Company Registration Number: SC069140

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Ordinary shares £000	Other reserves: Capital redemption reserve £000	Other reserves: Other reserve £000	Other reserves: Retained earnings £000	Total £000
At 31 December 2020	37,750	10,312	314	3,130	51,506
Comprehensive expense					
Profit for the year	–	–	–	11,338	11,338
Transaction 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 the capital reduction	–	–	–	(66)	(66)
Fees in relation to the buy-back	–	–	–	(314)	(314)
Share buy-back	(888)	888	–	(35,500)	(35,500)
At 31 December 2021	1,000	888	314	25,096	27,298
Comprehensive expense					
Profit for the year	–	–	–	952	952
Transaction with owners					
Dividend	–	–	–	(7,000)	(7,000)
At 31 December 2022	**1,000**	**888**	**314**	**19,048**	**21,250**

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Cash generated from operations, before separately disclosed items	C11	**5,056**	32,987
Interest paid		**22**	–
Interest received		**–**	–
Tax payments/(refunds received)		**(99)**	162
Net cash generated from operating activities before separately disclosed items		**4,979**	33,149
Cash outflows from separately disclosed items		**(441)**	(1,170)
Net cash generated from operating activities		**4,538**	31,979
Cash flows from investing activities			
Proceeds from disposal of intangible fixed assets	C5	**–**	150
Net cash from investing activities		**–**	150
Cash flows from financing activities			
Shareholder distribution		**(7,000)**	(35,500)
Fees in relation to the buy-back		**–**	(314)
Interest paid		**–**	(79)
Interest received		**–**	2
Fees in relation to cancellation of capital		**–**	(66)
Net cash used in financing activities		**(7,000)**	(35,957)
Net (decrease) in cash and cash equivalents		**(2,462)**	(3,828)
Net cash and cash equivalents at the beginning of the year		**6,769**	10,597
Net cash and cash equivalents at the end of the year		**4,307**	6,769

Notes to the Company Financial Statements

C1. ACCOUNTING POLICIES

The accounting policies applied by the Company are consistent to those disclosed on pages 56 to 97 where applicable.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100, and as such, these financial statements were prepared in accordance with FRS 101 "Reduced Disclosures Framework" as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, business combinations, standards not yet effective and related party transactions. Where require equivalent disclosures are given in the consolidated financial statements.

C2. RESULT OF COMPANY

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement and statement of comprehensive income for the Company alone.

The individual income statement of Sportech PLC was approved by the Board on 18 April 2023.

C3. AUDITOR REMUNERATION

Fees payable to the Company auditors for the audit of these financial statements are £121k (2021: £64k). Other amounts payable to the Company auditors during the year are disclosed in note 7 of the Group Consolidated Financial Statements.

C4. DIRECTORS AND KEY MANAGEMENT REMUNERATION

	Directors		Key management	
	2022 £000	**2021 £000**	**2022 £000**	**2021 £000**
Short-term employee benefits	**291**	1,115	**332**	1,236
Share-based payments	**–**	45	**–**	45
Pay in lieu of notice	**248**	369	**284**	391
Post-employment benefits	**13**	18	**13**	18
Total remuneration	**552**	1,547	**629**	1,690

The Company had four employees at 31 December 2022 (2021: four).

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 33 to 34. This information forms part of the financial statements. There are no retirement benefits accruing under defined benefit pension schemes for any Director (2021: nil). No Directors exercised share options in the year (2021: nil).

Key management is considered to be the Directors of the Company.

Notes to the Company Financial Statements continued

C5. INTANGIBLE FIXED ASSETS

2022	Software £000	Total £000
Cost		
At 1 January 2021	717	717
Disposals		
At 31 December 2022	**717**	**717**
Accumulated amortisation		
At 1 January 2021	441	441
Charged during the year	87	87
Disposals		
At 31 December 2022	**528**	**528**
Net book amount at 31 December 2022	**189**	**189**

2021	Software £000	Total £000
Cost		
At 1 January 2021	18,103	18,103
Disposals	(17,386)	(17,386)
At 31 December 2021	717	717
Accumulated amortisation		
At 1 January 2021	17,600	17,600
Charged during the year	145	145
Disposals	(17,304)	(17,304)
At 31 December 2021	441	441
Net book amount at 31 December 2021	276	276

Software owned by the Company relating to in-house developed proprietary pari-mutuel software serving racing customers worldwide was sold during the year to BetMakers Technology Group for proceeds of £150k resulting in a profit on disposal of £68k. The remaining software is in relation to the implementation and customisation of the Group ERP system.

C6. PROPERTY, PLANT AND EQUIPMENT

2022	Plant and machinery £000	Total £000
Cost		
At 1 January	–	–
Disposal	–	–
At 31 December 2022	**–**	**–**
Accumulated depreciation		
At 1 January	–	–
Disposal	–	–
At 31 December 2022	**–**	**–**
Net book amount at 1 January and 31 December 2022	**–**	**–**

2021	Plant and machinery £000	Total £000
Cost		
At 1 January	183	183
Disposal	(183)	(183)
At 31 December 2022	–	–
Accumulated depreciation		
At 1 January	183	183
Disposal	(183)	(183)
At 31 December 2022	–	–
Net book amount at 1 January and 31 December 2022	–	–

C7. INVESTMENTS IN SUBSIDIARIES

A full list of the Company's subsidiaries and other related undertakings is included in note 31 of the Group Consolidated Financial Statements.

At 31 December 2022, the Company held direct investments in the following entities:

Company	Nature of business
Sportech Group Holdings Limited ("SGHL")	Holds investments in Group companies
Sportech Management Limited	Dormant*
Lot.to Systems Limited	Lottery software supplier

Sportech Management Limited was dissolved on 1 March 2022.

Notes to the Company Financial Statements continued

Movement in the book value of the Company's investments is shown below:

	2022 £000	2021 £000
At 1 January	**26,257**	64,071
Impairment	**(8,258)**	(37,814)
At 31 December	**17,999**	26,257

The Directors considered the carrying value of the investments for impairment during the year following the disposal of two divisions. It was concluded that as at 31 December 2022 the enterprise value of the subsidiaries of SGHL amounted to £17,374k and the enterprise value of the Company's Lot.to Systems Limited subsidiary was £625k. As a result, an impairment of £8,258k was charged to operating costs in the income statement. Following the impairment, the Directors consider the carrying value of £17,999k to be supported by the underlying net assets and cashflows of the Group including those forecasts outlined in note 14 of the consolidated financial statements. Significant judgement is involved in forecasting the cashflows of the Group and if these forecasts are not achieved impairment to the investment in SGHL would result. Principal risks of the Group are identified in the Risk Management section of the Consolidated Financial Statements.

C8. TRADE AND OTHER RECEIVABLES

	2022 £000	2021 £000
Non-current		
Amounts owed by Group companies	**–**	2,679
Current		
Amounts owed by Group companies	**–**	6
Other receivables	**70**	73
Prepayments	**91**	118
Current trade and other receivables	**161**	197
Total	**161**	2,876

Amounts due in more than one year are from:

	2022 £000	2021 £000
Datatote (England) Limited	**–**	–
Sportech Inc.	**–**	259
Lot.to Systems Limited	**–**	2,375
Bump (Worldwide) Inc.	**–**	–
Ontario Inc.	**–**	45
Sportech Racing GmbH	**–**	–
	–	2,679

Amounts owed by group companies due in more than one year have no fixed repayment date and carry interest charges of Bank of England base rate plus 3%. Interest is charged quarterly in arrears and added to the loans. The Directors consider the intercompany loans to be recoverable in full.

C9. TRADE AND OTHER PAYABLES

	2022 £000	2021 £000
Trade payables	**60**	82
Amounts owed to Group companies	**387**	7,643
Social security and other taxes	**29**	29
Accruals	**930**	1,016
Total	**1,406**	8,770

Amounts due to Group companies are repayable on demand and carry interest charges of Bank of England base rate plus 3%, other than loans with the Football Pools companies. Interest is charged quarterly in arrears and added to the loans. The remaining loans with the Football Pools companies which are all now dormant, were settled during 2022. Given the expected settlement no interest has been charged on these payables during the year. The payables to the Football Pools companies amount to £nil (2021: £4,600k).

C10. CONTINGENCIES AND COMMITMENTS

Contingent items

The Company is exposed to certain contingent items for corporation tax, M&A activity and legal claims. Further details of those are disclosed in note 28 of the Group Consolidated Financial Statements.

C11. CASH GENERATED FROM OPERATIONS

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

	Note	2022 £000	2021 £000
Profit before taxation		**947**	11,444
Adjustments for:			
Investment income			(14,168)
Separately disclosed items		**449**	944
Amortisation of intangible assets	C5	**90**	145
Profit on disposal of intangible assets	C5	**–**	(68)
Impairment of investments	C7	**8,258**	37,814
Finance costs		**(22)**	229
Finance income		**–**	(2)
Other finance income		**(209)**	(148)
Share option charge		**–**	334
Changes in working capital:			
Movement in trade and other receivables		**3,059**	3,936
Movement in trade and other payables		**(7,516)**	(7,473)
Cash generated from operating activities, before separately disclosed items		**5,056**	32,987

Advisors and Corporate Information

Stockbroker and NOMAD
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Principal bankers
Barclays
Leicester, UK
LE87 2BB

Wells Fargo
420 Montgomery Street
San Francisco, California 94104

Solicitors as to UK law
Dickson Minto W.S.
16 Charlotte Square
Edinburgh
EH2 4DF

US Lawyers
Tobin, Carberry, O'Malley, Riley & Selinger, P.C.
43 Broad Street
P.O. Box 58
New London, CT 06320-0058

Statutory auditors
BDO LLP
55 Baker Street
Marylebone
London W1U 7EU

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Any enquiries concerning your shareholding should be addressed to the Company's Registrar. The Registrar should be notified promptly of any change in a shareholder's address or other details.

Tel: 0371 664 0300
E-mail: shareholderenquiries@linkgroup.co.uk

Company Secretary
SGH Company Secretaries Ltd
6th Floor
60 Gracechurch Street
London EC3V 0HR

Registered office
Sportech PLC
Collins House
Rutland Square
Midlothian
Edinburgh EH1 2AA

North American head office
Sportech, Inc.
600 Long Wharf Drive
New Haven, CT 06511

Company registration number
SC069140

Group Website
The Group website can be found at www.sportechplc.com. This site is regularly updated providing information about the Group. All press releases and announcements are on the site.

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