An International Betting Technology Business

Sportech PLC

Annual Report and Accounts 2021

Sportech

STRATEGIC REPORT

HIGHLIGHTS

REVENUE[1]
£22.9m
2020: £17.4m

GROSS PROFIT[1]
£11.5m
2020: £8.7m

ADJUSTED[3] EBITDA[1]
£(1.8)m
2020: £(4.0)m

LOSS BEFORE TAX[1]
£(0.2)m
2020: £(11.9)m

PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS
£35.0m
2020: £(2.0)m

ADJUSTED[2] CASH AT 31 DECEMBER
£21.9m
2020: £16.8m

1. *From continuing operations.*
2. *Excluding customer balances and including cash held by discontinued operations.*
3. *Excludes expenditure that management believe should be added back (separately disclosed items and share option charges) and other income.*

FINANCIAL OVERVIEW

Continuing operations:

- Revenues recovered by 32% to £22.9 million following strict COVID-19 restrictions on trading in 2020.
- Adjusted EBITDA loss of £1.8 million (2020: £4.0 million), this excludes income from the LEIDSA[4] contract which was disposed of on 31 December 2021.
- Loss before tax reduced to £0.2 million (2020: £11.9 million).

4. *Loteria Electrónica Internacional Dominicana S.A.*

Discontinued operations:

- Revenues from the LEIDSA contract were £3.4 million (2020: £2.6 million).
- LEIDSA adjusted EBITDA grew to £2.5 million (2020: £1.7 million), representing a recovery to almost 2019 levels following 2020 COVID-19 impact.
- LEIDSA cash generated in the period from the contract was £0.6 million and net disposal proceeds amounted to £9.4 million (after disposal costs and including a working capital settlement of £0.4.m received in 2022).
- The Global Tote and Bump 50:50 business disposals agreed in late 2020 and early 2021 were completed in June 2021 following a licensing transfer, revenues from the discontinued businesses accrued to the Group during the periods to completion.

Group:

- Statutory profit for the year was £34.6 million (2020: loss of £12.8 million).
- Cash net of customer balances was £21.9 million (2020: £16.8 million also including cash held by assets held for sale).
- Capex related to continuing operations was £0.2 million (2020: £0.3 million) and to discontinued operations £1.4 million (2020: £2.1 million).

GROUP DEVELOPMENTS

- **Disposals:** The Group completed agreements entered into in late 2020 and early 2021, to sell (a) the Global Tote Business to BetMakers Technology Group Limited; (b) Bump 50:50 to Canadian Bank Note Company Limited, and (c) a freehold property in New Haven, Connecticut ("CT"). It also entered into and completed the sale of the terrestrial lottery contract with Lotteria Electronica Internacionale Dominica S.A ("LEIDSA") in the year. In aggregate providing a net cash of £47.4 million to the Group.
- **Corporate:** In August, the Group moved its listing from the Main Market to the Alternative Investment Market ("AIM"), which the Board believed was a more appropriate venue for the Group's reduced size. In October, the Group returned £35.5m of cash to investors through a tender offer reducing the shares in issue from 189m to 100m.
- **Venues:** COVID-19 continued to impact the business through the majority of 2021 resulting in a 28% decline in total retail betting handle versus 2019. The focus on cost management to de-risk the business through the period continued.
- **Sports Betting:** The Venues business in Connecticut was ultimately left out of the grant of sports betting licences by the State of Connecticut, which was a huge disappointment to the Group. The State issued 10-year licences to the two tribal casinos and the Connecticut Lottery Corporation ("CLC"). The latter being exclusive for retail sports betting on non-tribal lands. Sportech agreed a deal in August 2021 to become a distributor for CLC, offering sports wagering at each of its venues, and the first bets were taken at the end of October 2021.
- **Advanced Deposit Wagering:** The MyWinners.com site is an element of the Venues business serving CT residents with online pari-mutuel wagering. 123Bet.com operates under an Oregon licence and is able to provide the same offering to customers in multiple other States across the USA. Both businesses saw growth as the COVID-19 restrictions in 2020 limited betting at physical venues, and that level of trading has been maintained throughout 2021.
- **Lottery:** Work with LEIDSA to deliver their online retail proposition in the Dominican Republic, which will eventually be operated by Inspired under a royalty bearing licence, was started in the third quarter of 2021.

We are an operator and technology supplier in the gambling market

Sportech is an operator and technology supplier in the gambling market with two core businesses: In B2C, the Company operates Sports Bars and other venues in the State of Connecticut USA where it deploys its exclusive licence to offer pari-mutuel wagering in the State and a distribution agreement with the Connecticut Lottery Corporation to offer sports betting in the State. It also has the exclusive licence to operate pari-mutuel betting online in Connecticut, which it does under the MyWinners.com brand, and a general licence for pari-mutuel betting online across the wider USA under the 123Bet.com brand (the Connecticut business is known as Sportech Venues). In B2C it offers the supply of a digital omni channel platform for management of all gaming verticals. Its own in-house lottery module is the core tenant of that platform and the main basis for sales generation (this business is known as Sportech Digital).

CONTENTS

Overview Sportech at a glance

COVID-19 persisted in the USA throughout 2021 and affected the continuing operations of the business accordingly with challenging trading conditions for our Venues business. We completed further actions to safeguard the Group and progress our strategic agenda with the completion of the disposals agreed in the prior year and early 2021, as well as a further disposal of our Dominican Republic lottery contract, the move to AIM, and return of value to shareholders through a share buy-back. The operating base of the Group, whilst now small, has consolidated trading into profitable elements and, despite COVID-19, provides a platform for future growth and profitability.

Our performance in 2021 was in line with forecast, with Sportech delivering on its key performance metrics of cash management and further improving efficiency in the operational cost base of the Group. The result was a small cash inflow during the year as a result of operations and, with sports betting coming in at the end of the year, a healthy fillip to the prospects for the future.

We will continue to evaluate prospects for new forms of gaming in the Connecticut Venues business and support the evolution of sports betting. The extra footfall that sports betting is undoubtedly providing will help us capitalise on all of our product offerings and, post pandemic, the future of the business looks both secure and the Group is likely to move to EBITDA positivity in 2022 through to net cash generation in 2023.

The teams within the entire Sportech business are invigorated by the change and operational focus and are working incredibly hard to make Sportech a valuable and successful business, my thanks and congratulations go to each of them.

All of our thoughts remain with the families and friends of our colleagues we have lost over the pandemic, and we look forward to resetting our lives and business through 2022.

Andrew Lindley
Chief Executive Officer
31 March 2022

Sportech Venues

DIVISION INFORMATION

The operator of legal pari-mutuel betting in the State of Connecticut under an exclusive and in perpetuity licence, Sportech Venues offers online, mobile, call centre and retail betting from venues located across major population centres. During 2021, the Division commenced a distribution agreement with the Connecticut Lottery Corporation (CLC) to offer sports betting in-venue. Key locations within the network offer food and beverage services in premium sports bar/restaurant environments. With 10 venues in operation currently, the Division has the licences for 24 pari-mutuel locations and CLC has 15 licences for sports locations.

	2021	2020
Revenue (£m)	21.9	16.2
Adjusted EBITDA (£m)	1.4	(1.2)
Capital Expenditure (£m)	—	—

In the table above, prior year figures are at constant currency.

Sportech Digital

Newly named Sportech Digital, includes a development team who develop, service and operate the division's digital omni channel platform for gaming verticals including its own in-house lottery module as the Group's remaining B2B offering. The businesses were previously included in the Sportech Lotteries division which also included the LEIDSA contract.

	2021	2020
Revenue (£m)	1.0	0.3
Adjusted EBITDA (£m)	(0.6)	(0.8)
Capital Expenditure (£m)	0.2	0.2

In the table above, prior year figures are at constant currency.

Discontinued Operations

Discontinued operations consist of a prominent supplier of technology solutions to the global regulated betting industry (Global Tote) and an electronic raffles supplier to sports, entertainment and non-profit / charitable organisations (Bump 50:50) as well as a lottery operating contract to a customer in the Dominican Republic (LEIDSA). In 2021, the Divisions were continued to be run by the Group until the transfer to new ownership in each case was completed; with Bump 50:50 transferred on 2 June 2021, the Global Tote on 17 June 2021 and the sale of the lottery contract in the Dominican Republic on 31 December 2021.

	2021	2020
Revenue (£m)	16.4	28.3
Adjusted EBITDA (£m)	6.9	6.4
Capital Expenditure (£m)	1.4	2.1

Business Model and Strategy

THE GROUP'S STRATEGIC AIMS FOR 2022 INCLUDE:

1. Remit further free capital to shareholders.
2. Capitalise on the current and future expansion of gaming in the USA and in particular the State of Connecticut.
3. Evaluate further corporate opportunities that deliver value and investor returns.
4. Reduce the corporate cost base in line with the reduced business structure and that of an AIM company.
5. Assess and take advantage of organic and complimentary growth opportunities that deliver high quality returns.

Sportech remains an international betting business that owns and operates gaming venues in the State of Connecticut, USA, and faces the worldwide market for the provision of technology solutions in betting, gaming and lottery.

The Group seeks to achieve long-term shareholder value by leveraging Sportech's gaming licences and technologies, as well as its brand heritage and client and regulatory 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 that were leverageable best with significant new investment, that a new owner could commit. In doing so, the business as a whole and its shareholders' positions were de-risked leaving a streamlined and efficient base for growth.

A large number of Sportech colleagues engaged in the businesses sold have transferred to the new owners and each of them showed the highest levels of professionalism and integrity throughout the process. Whilst Sportech was able to achieve excellent value for each disposal it also ensured that the intentions and robustness of each buyer was without prejudice to those colleagues who, in every case, have moved into safe hands. This was a key element of the success story for each transaction.

The future then, will see a concentration on trading the remaining business whilst remaining alive to opportunities in line with stated strategy. Sportech has navigated the global challenges of the COVID-19 pandemic and maintained strong capital reserves. The environment seems to be 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 completed a wide-ranging restructuring, the Group now has a strong 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, and with that an 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 on the main sporting events of the day 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 complimentary business to the Venues, offering online pari-mutuel betting. The product has seen steady growth over the period of the pandemic and continues to grow. The focus for the coming year will be upon strengthening the offer in terms of its user experience, including better payments and customer service.

Additionally, Sportech operates 123Bet.com as a pan-USA pari-mutuel online retail platform (where State local laws allow). This business was assumed from a previous client in 2019 and handle has grown from c$2.7m in 2019 to c$10.1m in 2021. It will receive the same focus as MyWinners to add to the success of the two prior years.

LOTTERY

Sportech has been providing lottery platforms and services for over 24 years. The disposal of the Dominican Republic (LEIDSA) contract marked the end of the last of its direct customer relationships in lottery, however the team, located in Chester, England, remains a supplier of a digital lottery platform to the buyer of the LEIDSA contract (ultimately for that former client) under a royalty bearing arrangement and the Group will continue to pursue opportunities with private and national lotteries, drawing on the Sportech brand and legacy to further leverage that technology and project the division.

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

Chairman's Statement

Dear Shareholder,

I am pleased again to address you as your Chairman after a year of both challenge but, more importantly, transformation for your company.

Last year, we outlined the main strategic priorities of realising value for our shareholders as well as pursuing opportunities to enhance the quality of our businesses in Connecticut as the State's government considered the introduction of licensed sports betting. We achieved most of our objectives in the year of 2021 except obtaining a full sports betting licence. Like every other business, we also continued to deal with the challenges and consequent restrictions of the COVID pandemic but an overall recovery from 2020 levels meant more wagering activity and higher footfall in our venues

As previously announced, the Company's management team successfully sold our Global Tote business to Betmakers Technology Group of Australia at the end of 2020 and supported by shareholders. The transaction required a number of regulatory approvals and was finally completed in the middle of the year, realising over £30 million.

We also successfully agreed the sale of our charity raffle business, Bump 50:50 to the Canadian Bank Note Company in January 2021, realising c£5 million, and finally our lottery contract in the Dominican Republic for £10 million to Inspired Entertainment Inc. at the end of the year.

Clearly, these sales had a big impact on the size of the Company's business and activities and the management team is now focused on reducing central costs in line with the reduced size of our businesses.

As part of that strategy to adjust to the reduced size of the business, the Company moved its London stock exchange listing from the Main Market in July 2021 to the Alternative Investment Market (AIM), which has a more flexible regime for smaller capitalised companies. This was approved by shareholders at the time.

These successful disposals enabled the Company to organise a tender offer to shareholders in October 2021 returning over £35 million. This also allowed the Company to reduce its capital base by 47% so that there are now 100 million shares in issue.

For several years, since the change in US federal legislation in 2018 to allow for sports betting, the Company had lobbied for the granting of such a licence in Connecticut to complement its sports bars and betting venues business in the State. The Company already has an exclusive licence to offer pari mutuel betting services in its venues and online. The State's government eventually granted three licences; one each to the two Connecticut tribal casino businesses and one to the State Lottery.

This was a very disappointing outcome but, by way of consolation, the Company was able to obtain a ten-year contract with the State Lottery to provide sports betting in our venues. These services were launched in the last quarter of 2021 and so far, the results have been promising and will add more value to our venues in 2022.

In the second half of the year, our Chief Executive Officer, Richard McGuire and our Chief Financial Officer, Tom Hearne both agreed to step down from their positions, as they had achieved their major objectives in realising significant value for shareholders. They both left the Company in September to pursue new opportunities. They take our good wishes with them for success in the future.

I want to thank both Richard and Tom for all their work in helping the Company achieve the transactions listed above and their contribution overall.

We were fortunate in promoting two internal executives to replace both of them. Andrew Lindley, who was our Chief Operating Officer, has become Chief Executive Officer and Nicola Rowlands has become Chief Financial Officer. Both Andrew and Nicola have ensured a smooth handover and I am grateful to them both for taking the leadership of the Company forward.

As we enter 2022, the Company's focus is now to create more value from its venues business in Connecticut and to evaluate any further opportunities in the digital sphere.

We are saddened by the events unfolding in Ukraine which have occurred after the end of the reporting period and our thoughts are with all those affected. Sportech has no connections through its operations with Russia or Ukraine; we have no employees located there nor any customers or suppliers in the region. We are however, monitoring closely the effects of any inflationary pressure which may impact the Group over the coming months.

I would like to thank all of our employees and Board colleagues for their continued hard work through a period of rapid and dramatic change for the Company, and to our shareholders and stakeholders who have supported all the changes we have made. Above all, 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.

Giles Vardey
Chairman

31 March 2022

Operating Review

2021 was another difficult year coloured by the long tail of the global pandemic and challenging trading for businesses operating leisure premises.

At the end of 2020 and in early 2021, the Group had entered into contracts for the sale of two significant divisions – Sportech Racing & Digital (Global Tote) and Bump 50:50. Those contracts were contingent upon licences being granted by the many gambling regulatory bodies that the businesses operated under and made for a protracted period between signing and closing the deals in June 2021. Over the period, the Group retained the people and infrastructure to service those businesses but with the finalisation of the disposals, was able to resize accordingly. The move from the Main Market to AIM was made in July and the corporate structure was resized with Richard McGuire and Tom Hearne both stepping down from their respective leadership roles. Sportech is very thankful for Richard and Tom's significant contributions in reshaping the business over their tenures and leaving Sportech lean and fit for the continuing journey to cash generation.

Following completion of the two deals, the transfers of the businesses were executed in an orderly fashion with transitional services being carried-on to support the remaining business through to the end of the year whilst the core teams in Sportech were reshaped. The Group is consequently now "right-sized" for the operations going into 2022.

Additionally, in October the Group completed a return of capital back to shareholders that delivered £35.5m of the tangible value, created by the disposals in the year.

A focus on maintenance of cash remains a core metric but the Venues business is, with sports included, in a period of change with busier operations and a new and additional crowd of patrons to service. 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 Country. Accordingly, there will be extra focus on operational efficiency and service to ensure that the value of this USP is maximised.

The Venues business traded below the results of 2019 through the pandemic hit years of 2020 and 2021 so the first challenge for 2022 will be to recover that ground as the world recovers. Albeit, five venues were permanently closed through 2020 and 2021, so the overall handle target will be lower than the full 2019 figure with the correct comparator being the like for like venues total. In 2019, for the remaining like for like venues, pari-mutual handle was $96.1m and in 2021 was $89.7m (2020: $56.1m). Food and beverage revenues were $5.6m in 2019 and $2.9m in 2021 (2020: $1.9m). Sports betting has no comparator but handle in December was $6.5m and growing on a trajectory that could see it mature to levels similar to those of pari-mutuel handle in the short to medium term. The pari-mutuel and food and beverage sales had begun to measure up to those of 2019 in the last two months of 2021 and although 2022 did not start well with the Omicron surge hitting America at that time, the business remains positive for a full recovery in 2022.

Early in the year Venues also completed the sale of its 'Sports Haven' property in Connecticut; a 40,000 sq. ft. concrete building of 1960s build that requires redevelopment. This delivered £4.2m of cash and was another element of the October return of cash to shareholders. With the leaseback of the property ending in Q4 2022, it is expected that the business will move out of the property to a new venue in the vicinity and in doing so will create the blueprint for a future model for the Venues business.

The online elements of the business traded above the 2019 numbers in 2020 and continuing in 2021; this being aided by the pandemic as the locked-down population went online to resume their leisure. The Group continued to invest in the digital opportunities to drive acquisition and stickiness and in the coming year will look to improve its platform offer to further capitalise on the gains made; this part of the overall strategy assisted the profitability of the Group again during 2021, delivering $22.8m handle, translating to $2.0m contribution.

The UK based digital technology team worked for the first half of 2021 on the delivery of a digital pari-mutuel solution for an Asian customer of the now sold Racing & Digital division and moved on post-sale to create a digital lottery platform for the Dominican Republic customer. The Dominican Republic business was sold on the very last day of 2021 to Inspired Entertainment Inc. ("Inspired") and the team will continue to work with Inspired, as a third-party supplier, to deliver a digital solution to the customer; this will bring a royalty revenue stream and a strengthened platform offer to the business once launched.

The disposal of the business in the Dominican Republic also secured £9.4m of free cash that increased the total cash in hand at the end of the year to £21.9m (with an additional £0.4m of working capital adjustment to be received in Q1 2022). Some of that cash is earmarked to clear down legacy liabilities of the Group including a potential tax liability relating to the Football Pools business and an onerous lease in California. Free cash then, will be circa £11m and itis expected that some of the value created by the disposal will be returned to shareholders in the 2022.

During 2021, capital and net cash position were considered more crucial metrics than EBITDA due to the uncertain trading position. Capex was kept low at £1.6m for both the continuing and discontinued business (including capitalised software costs of internal staff of £1.3m) and one of the costlier venues located in Bridgeport was closed, improving efficiency in CT. The return of cash reduced the liquid reserves of the Group,

Operating Review

continued

but to a comfortable level within the context of uncertain trading, with the future of the pandemic far from clear. Any further return will be made with a sufficient buffer in mind to counter a resurgence of COVID-19 and continue to optimise both divisions.

As the Group transitions through 2022, revenues and profitability will return to the fore as key metrics. The tail of legacy issues that affect the difference between cash held and 'free cash' on the balance sheet will be addressed and the liabilities settled to provide a clean company and reduce needless distraction. Whilst being mindful of events unfolding in Ukraine and our thoughts are with those affected, Sportech itself is not directly affected by economic and legal actions being taken in response to the crisis. However, the Group will monitor the ripple effects on prices and supply chains which will likely impact the businesses to some degree.

It is difficult to provide accurate guidance on the future outlook given the uncertainty of speed of recovery and the short history of sports betting in Connecticut so far. However, management are confident that trade is recovering and that a good rate of handle and growth is being experienced in the new sports product and that the business will meet market expectations.

DIVISIONAL SUMMARIES

SPORTECH VENUES

Sportech Venues offers legal betting across the State of Connecticut; (a) pari-mutuel betting on horseracing, greyhound racing and jai alai through both online and venue-based operations under an exclusive and perpetual licence and, (b) sports betting under a distributorship type arrangement with the Connecticut Lottery Corporation. The venues operations are of two distinct types; (a) Sports Bar/Restaurants which offer a main-steam leisure-based experience where betting is an exciting additional customer attraction, and (b) Off-Track Betting (OTB) shops, which are dedicated primarily to retail gambling operations albeit with some light refreshments and other products.

£'000	2021	Constant currency 2020
Wagering revenue	**19,515**	14,796
Commission from sports betting	**280**	—
Food and beverage revenue	**2,115**	1,401
Total revenue	**21,910**	16,197
Contribution	**10,769**	7,734
Contribution margin	**49.2%**	47.7%
Adjusted operating expenses	**(9,149)**	(8,682)
Adjusted EBITDA	**1,620**	(948)
Capex	**27**	27

Developments during the year

COVID-19 continued to affect the business for the entire year with closures of venues abundant across the year and facemasks being removed in all Connecticut counties only during December 2021 (immediately prior to the Omicron surge) impacting footfall generally for the full year.

Staffing and food and beverage stocks were carefully managed to reduce the impact of wasted cost, but central costs and rents were more difficult to keep in line with trading, and therefore, the impact of COVID-19 on the overall profitability of the Venues operation was high.

Internet traffic was increased as a result of COVID-19, albeit not sufficiently to negate the entire impact on the terrestrial business, however handle has remained trading at 35.3% above 2019 levels through additional marketing and closer management of individual customers.

During March 2021, the State of Connecticut approved new laws on gaming for the state with the inclusion of grants of sports betting licences; something Sportech had been campaigning to be a part of for a number of years. Unfortunately, Sportech was not included in the grants, which were secured only by the two tribal nations in Connecticut (for online betting across the state and terrestrial betting limited to their tribal lands) and the Connecticut Lottery Corporation ("CLC"), itself an emanation of the state (for online betting and terrestrial betting across the state). This was obviously a massive blow for the business and Sportech was considering its response to its legitimate expectation to be considered for a licence when the opportunity to participate in sports betting was offered by CLC. The deal struck delivered Sportech Venues the right to participate in the new sports betting product that it had been waiting for as a commission-based distributor for CLC, as well as a small share of CLC's online revenues to recognise the link between terrestrial and online participation. Crucially, any need for lengthy, costly and potentially risky litigation relating to the administrative decision of the state was averted.

The team readied the venues for launch within a month of the CLC deal, which was signed in August, and CLC's licences were granted at the end of October when Sportech took its first sports bets in the Stamford venue. Roll out to all venues continued into November and by the third week of the month all venues (except Norwalk, which will not take sports bets due to local restrictions) were trading sports.

$4.2m of sports betting handle was taken through November 2021, following which total sports handle increased by over $2m per month through to the end of January 2022, which marked the end of NFL season. Trading thereafter has levelled off in line with expectations (as January was the anticipated high watermark for the initial surge in sports betting). Venues' footfall has increased considerably, particularly in the bar / restaurants which are notably busier with a demographic shift toward younger sports betting patrons.

The handle to profit ratio from sports is poorer than those obtained from pari-mutuel as Sportech are only entitled to a share of CLC's profits as the distributor, however, it provides another strong vertical and attracts new patronage to the venues that is not limited to the sports products and therefore leverages both the existing products with new sales and existing cost base with new revenues, and thus synergises the entire operation.

Looking forward

Sport and capturing the revenues of its followers is clearly the key mantra for the future of the Venues business and we expect the shape of the business to change as this product beds in.

The immediate signs of improvement in the venues are strongest in the bar / restaurant formats where the sports patron demographic is the primary target audience. The management team will therefore be assessing the development of this trend throughout the year and planning for optimisation of the mix of formats and locations of venues to better capture the sports market without detraction from the mainstay earnings of pari-mutuel betting.

The freehold property in New Haven Connecticut (known as "Sports Haven") was sold during the year and a lease through to the last quarter of 2022 has kept operations there. It is expected that Sports Haven will close in the year and a new bar/restaurant will be opened locally to replace it (along with offices to house management and support staff). The result will be the most up to date iteration of the bar / restaurant in the estate and will capitalise on the learnings of the others and potentially provide a blueprint for any future investment in the business.

SPORTECH DIGITAL

Sportech Digital now encompasses the two digitally focused, small, non-CT based businesses of (a) a US facing B2C trading operation in the form of 123Bet.com, which was previously a white-label customer of the discontinued Racing and Digital business and was brought in-house in 2019, and (b) a B2B operation based in Chester, UK, that faces markets worldwide with an ultra-modern and proprietary platform for lottery management that can also integrate and manage any other gambling vertical.

123Bet.com continues to grow, operating with thin management and marketing budgets derived from its own profits. It has had success relative to its size and is ready for the offer to be refreshed and the business taken to the next stage of growth.

The Chester team is pursuing opportunities primarily in the lottery space with private and national lotteries to develop the business, drawing on the Sportech brand and legacy along with our new range of products and digital expertise to offer enhanced lottery capabilities.

£'000	2021	Constant currency 2020
Services revenue	**1,032**	295
Contribution	**408**	211
Contribution margin	**39.5%**	71.5%
Adjusted operating expenses	**(987)**	(984)
Adjusted EBITDA	**(579)**	(773)
Capex	**169**	230

Developments during the year:

The Dominican Republic (LEIDSA) lottery supply contract was sold during the year. The Chester team has worked in the year to develop an online sales platform for the LEIDSA client with local capabilities. It continues to do so, with Inspired Entertainment (the buyer), and will licence the delivered product to Inspired who will manage it post-delivery and pay a royalty for doing so.

123Bet.com has maintained significant traction that it enjoyed during the beginnings of the pandemic when it saw an influx of players from Puerto Rico whilst the local cash betting venues were closed.

Looking forward

The Board will continue to evaluate both businesses and seek opportunities to build on their foundations and enhance the products through innovation, collaboration and/or investment.

GROUP OUTLOOK

Tentatively, the pandemic that so tested our organisation (and the world) may peter out in 2022 and provide everyone in Sportech with new purpose in a reinvigorated business.

The Board's core strategies are clear in taking the current opportunities in Connecticut, looking at corporate and trading opportunities to create value, reducing costs and returning cash to shareholders.

The way forward is clear and simple, and the Board and management remain fully engaged and focused on delivering these objectives through 2022.

Andrew Lindley
Chief Executive Officer

31 March 2022

Financial Review

INCOME STATEMENT – DETAILED VIEW

£'000	2021	Restated Reported 2020[2]	Constant Currency 2020
Service revenue	**20,547**	15,900	15,091
Sports betting commission	**280**	—	—
F&B revenue	**2,115**	1,472	1,401
Total revenues	**22,942**	17,372	16,492
Cost of sales	**(11,489)**	(8,717)	(8,276)
Gross profits	**11,453**	8,655	8,216
Marketing and distribution costs	**(276)**	(311)	(281)
Contribution	**11,177**	8,344	7,935
Contribution margin %	**48.7%**	48.0%	48.1%
Adjusted operating expenses[3]	**(12,960)**	(12,379)	(11,791)
Impact of FX on reported earnings	**—**	—	(179)
Adjusted EBITDA	**(1,783)**	(4,035)	(4,035)
Separately disclosed items	**(1,101)**	(229)	
Other income	**4,101**	—	
Non-cash items:			
Share option charges	**(334)**	(347)	
Depreciation	**(982)**	(1,621)	
Impairment of property, plant and equipment	**—**	(4,349)	
Reversal of impairment of property, plant and equipment	**335**	—	
Amortisation	**(129)**	(276)	
Amortisation of acquired intangibles	**(509)**	(509)	
Total – non-cash items	**(1,619)**	(7,102)	
LBIT	**(402)**	(11,366)	
Net finance income/(charges)	**156**	(557)	
LBT	**(246)**	(11,923)	
Taxation – continuing operations	**(192)**	1,055	
Result after taxation – continuing operations	**(438)**	(10,868)	
Result after taxation – discontinued operations	**35,001**	(1,964)	
Profit/(loss) for the year	**34,563**	(12,832)	
Adjusted loss before tax for the year from continuing operations[1]	**(3,358)**	(6,533)	

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

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

REVENUE – CONTINUING OPERATIONS

£'000	2021	Restated Reported 2020	Constant Currency 2020
Wagering revenue	**19,515**	15,596	14,796
Sports betting commission	**280**	—	—
F&B revenue	**2,115**	1,472	1,401
Total Sportech Venues	**21,910**	17,068	16,197
Total Sportech Digital	**1,032**	304	295
Total revenues	**22,942**	17,372	16,492

Revenue from continuing operations increased by 39% on a constant currency basis. In Venues, the land-based operation was shuttered for over three months in the prior year and had venue capacity restrictions imposed from July 2020 through most of 2021, as well as mask mandates and work from home orders in place in the State of Connecticut. However, despite the restrictions, revenue recovered to near 2019 levels. The online revenue in Connecticut fell by 5% in 2021 from 2020 but was up 35% on 2019, having maintained customers who migrated from in person to online wagering during 2020.

ADJUSTED EBITDA – CONTINUING OPERATIONS

£'000	2021	Restated Reported 2020	Constant currency[1] 2020
Sportech Venues	**1,620**	(1,085)	(948)
Sportech Digital	**(579)**	(762)	(773)
Central costs	**(2,564)**	(1,927)	(1,890)
Adjusted EBITDA before sports betting investment	**(1,523)**	(3,774)	(3,611)
Sports betting investment	**(260)**	(261)	(245)
Adjusted EBITDA	**(1,783)**	(4,035)	(3,856)

Sportech Venues largely recovered in 2021 from the strict restrictions which were in place in 2020. Cost reductions implemented in 2020 were maintained wherever possible which also contributed to the EBITDA recovery. Costs were reduced in the Digital division as well as revenue growing from 123Bet.com, contributing to the reduced EBITDA loss. Central costs increased due to a significant increase in Directors and Officers insurance which was experienced market wide.

Sports Betting investment represents the lobbying costs the Group has incurred seeking to secure a Sports Betting licence in the State of Connecticut and also in seeking partnerships across the rest of the US in Sports Betting.

Financial Review

continued

DISCONTINUED OPERATIONS

In addition to the Global Tote and Bump 50:50 businesses, whose disposals were agreed on 24 December 2020 and 31 January 2021, respectively and were held for sale as at 31 December 2020, the Group also agreed and completed the disposal of its contract with LEIDSA (Dominican lottery) on 31 December 2021.

All three disposals were completed by 31 December 2021 and all consideration was received apart from the net working capital settlement for LEIDSA (£0.4m, received in Q1 2022). The disposals signal a departure from major business lines in which the Group previously operated. Accordingly, they have been treated as discontinued operations, in accordance with IFRS 5, in these financial statements.

The table below shows the results of the discontinued operations.

£'000	Global Group 2021	Bump 50:50 2021	LEIDSA 2021	Total 2021	Global Tote 2020	Bump 50:50 2020	LEIDSA 2020	Total 2020
Revenue	**12,245**	**810**	**3,364**	**16,419**	25,052	703	2,594	28,349
Costs	**(8,140)**	**(487)**	**(913)**	**(9,540)**	(19,525)	(1,598)	(857)	(21,980)
Adjusted EBITDA	**4,105**	**323**	**2,451**	**6,879**	5,527	(895)	1,737	6,369
Depreciation and amortisation	**—**	**—**	**(372)**	**(372)**	(5,083)	(291)	(381)	(5,755)
Profit on sale of assets	**68**	**—**	**47**	**115**	—	—	—	—
Other income	**1,057**	**—**	**—**	**1,057**	—	—	—	—
Separately disclosed items	**(371)**	**—**	**—**	**(371)**	(1,159)	(65)	—	(1,224)
Finance (costs)/income	**(24)**	**78**	**—**	**54**	(113)	45	—	(68)
Profit/(loss) before tax	**4,835**	**401**	**2,126**	**7,362**	(828)	(1,206)	1,356	(678)
Taxation	**(195)**	**–**	**(791)**	**(986)**	(528)	—	(758)	(1,286)
Profit/(loss) after tax	**4,640**	**401**	**1,335**	**6,376**	(1,356)	(1,206)	598	(1,964)

The trading from the discontinued operations through to disposal date accrued to the Group which benefited the Group's cash position. The above disclosures for Global Tote and Bump 50:50 differ from those disclosed in the half year accounts following additional information becoming available after the approval of the Interim Report, a reconciliation will be provided in the 2022 Interim Report.

In addition to the discontinued operations above, the disposal of our New Haven freehold property in Connecticut, USA for consideration of circa £4.3m (US$6.0m) was completed on 28 April 2021. The sale and purchase agreement included a leaseback clause, whereby Sportech shall lease back the property for a period not to exceed 18 months from the date of closing. The lease has a monthly rental of circa £36k (US$50k) per month. The profit on disposal of £2,575k has been recorded within other income in the income statement.

SEPARATELY DISCLOSED ITEMS

£'000	2021	Reported 2020
Included in operating costs – continuing operations		
Onerous contract provisions and other losses resulting from exit from Californian operations	**91**	–
Restructuring and redundancy costs	**625**	–
Corporate activity costs	**21**	118
Costs in relation to Spot the Ball VAT refund	**10**	44
Costs in relation to exiting the Group's interests in India	**13**	65
Costs in relation to the Group's move to AIM	**341**	–
UK defined pension scheme buy-out	**–**	2
	1,101	229
Discontinued operations		
Included in operating costs	**371**	1,224
Included in finance costs – continuing operations		
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2016	**150**	150
Interest paid on VAT settlement reached in 2020	**–**	83
	150	233
	1,622	1,686

The Group continues to focus on resolving legacy issues and reducing ongoing separately disclosed items. The Group's lease issues in California have been resolved in the year and in early 2022. The Group has been resized to reflect the reduced operations following the disposals in the year and in response has moved its listing from the Main Market to AIM during the year.

OTHER INCOME

Other income includes the profit on disposal of Sports Haven (£2,575k), credits received against the US payroll through the CARES Act as amended on 27 December 2020 (£1,426k in continuing operations and £1,057k in discontinued operations) and a contract settlement (£100k). All have been excluded from Adjusted EBITDA due to the one-off nature of the credits and the fact the amounts would distort comparability of the results of 2021 when analysing underlying performance.

TAXATION

The current tax expense for the year in continuing activities was £239k being mainly state taxes payable in the US. The deferred tax credit for the year was £47k within continuing activities; relating to the recognition of timing differences in the US on the Group's former joint venture in California net of deferred tax liability release on acquired intangibles. The Group continues to not recognise deferred tax assets on gross timing differences of £14,225k (2020: £35,745k), £12,016k being in the US and £2,209k being in the UK. A significant amount of the timing differences were utilised in the year against profits on disposal in the US meaning no tax was payable of those disposals.

Tax paid in the year of £105k in continuing operations is mainly taxes in the US both federal and state, a further £924k was paid by discontinued operations, being mainly withholding taxes in the Dominican Republic. A tax refund of £1,442k was received in February 2021 in relation of overpaid prior year UK taxes in relation to the disposal of the Football Pools.

The Group's current tax liability includes a provision for uncertain tax liabilities of £4.6 million in relation to corporation tax on the 2016 VAT refund. The Group is working with HMRC to resolve the issue. The balance is US taxes payable for 2021.

Financial Review

continued

CASH FLOW

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

£'000		2021	2020
Adjusted EBITDA – continuing operations		**(1,783)**	(4,035)
Adjusted EBITDA – discontinued operations		**6,879**	6,369
Total Adjusted EBITDA		**5,096**	2,334
Payment of lease liabilities including interest		**(1,512)**	(1,655)
EBITDA after lease payments		**3,584**	679
Add:	Net proceeds from disposal of Sports Haven	**4,193**	—
	Net proceeds from disposal of Global Tote	**22,786**	6,180
	Net proceeds from disposal of Bump 50:50	**4,644**	—
	Net proceeds from disposal of LEIDSA contract	**9,417**	—
Less:	Other Acquisition, disposal, and JV items	**—**	(500)
	Capitalised software	**(1,012)**	(1,650)
	Property plant and equipment (net of proceeds from sales)	**(582)**	(753)
	Separately disclosed items and other income (net)	**76**	(484)
	Working capital and other	**(2,418)**	1,552
	Tax received net of tax paid and net interest received	**438**	(1,100)
	Share buy-back including expenses	**(35,880)**	—
	FX impact	**(171)**	(72)
Net cash flows in year		**5,075**	3,852
Opening cash, excluding customer balances		**16,837**	12,985
Closing cash, excluding customer balances		**21,912**	16,837

Net cash inflow (excluding movement in customer balances) in the year was £5,075k. Total proceeds from disposals in the year net of cash disposed of and disposal costs was £41,040k with £6,180k having been received late in 2020 on account, bringing the total net cash in of £47,220k. Capex in the year was reduced following the disposal of Global Tote and Bump 50:50. Other income includes inflows for CARES Act credits of £2,483k after the US Federal Government amended the legislation from mid-2020 to make it more wide ranging and enabling the Group to claim credits for 2021 US payroll. Net tax received of £413k was a tax refund of £1,442k net of tax paid of £1,029k, and net interest received was £25k.

Finally, a significant amount of the disposal proceeds received in the year were distributed to shareholders in a tender offer which completed in October 2021, following a Court Approved reduction of capital process to create distributable reserves in the Sportech PLC company, by cancelling its capital redemption reserve of £10.3m and reducing the nominal value of each share from 20p to 1p.

Nicola Rowlands
Chief Financial Officer

31 March 2022

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 Chairman of the Board regularly faces staff and management via Board updates and actively encourages dialogue and feedback. The Chair and Independent NED will both visit operations again in 2022, meeting customers as well as employees in field operations, and human resources. This helps the Board open direct lines of communication. Such visits were curtailed in 2020 and 2021 as a response to COVID-19.
- 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 20.

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

Significant events/ decisions	Key s172 matter(s) affected	Actions and impact
De-listing from LSE's Main Market and listing on AIM	Shareholders, employees, regulators, suppliers	• Shareholder consultation took place in accordance with regulatory requirements. • Employees were kept informed of the process once announced and briefed on advantages. • Key suppliers and regulators were updated informally in response to questions raised. • A lower cost base and more appropriate market for share trading.
Sports betting contract with CLC and 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 added valuable additional revenues and efficiencies to its existing operations, supporting all stakeholders.

SECTION 172 STATEMENT
continued

Significant events/ decisions	Key s172 matter(s) affected	Actions and impact
Reduction of capital	Shareholders	• The Company applied for a reduction in capital during the year to create distributable reserves to support the return of capital. • The reduction was approved by shareholders and subsequently by the Scottish Court. • Facilitation of the buy-back and appropriate capital maintenance.
Return of capital to shareholders	Shareholders	• The Board approved a £35.5m return of capital to shareholders through a share buy-back and subsequent cancellation of the repurchased shares. • The Board ensured that the Company retained sufficient funds for ongoing operations, investment plans and liabilities of the Group. • Tangible value delivered to all shareholders and de-risked their investments in the Group.
Disposal of Sportech's "LEIDSA lottery contract"	Shareholders, employees, customers, suppliers	• Shareholder updates were announced in accordance with regulatory requirements. • Employees were briefed on strategy and impact and kept updated on progress of the transaction and what was required for the transition of ownership. • The customer was engaged in the transaction process and gave its permission to execute the business sale. • Key suppliers were also engaged in the process to ensure the continuity of the business during and following the disposal. • Monetised the full contract duration and de-risked delivery which was entirely reliant upon a third party.

Directors and Officers

ANDREW LINDLEY

Chief Executive Officer

Nationality and residence: UK
Date appointed to the board: August 2021

Andrew Lindley was named CEO in September 2021. He began his career in gambling in 2005 as General Counsel for the UK Tote, steering it through to eventual privatisation in 2011 and having also moved into a business role as the Group Commercial Director during his tenure. Andrew co-founded successful lottery betting and technology businesses including Lottoland.com and Lot.to, has served as non-executive director on a number of film, media and PLC boards (including Turf TV and SiS in the gambling sector) and remains a UK registered solicitor.

NICOLA ROWLANDS

Chief Financial Officer

Nationality and residence: UK
Date appointed to the board: August 2021

Nicola Rowlands was named CFO in September 2021. She joined Sportech in November 2010 to head up Group Finance and support the Executive team for the enlarged international business following the acquisition of Sportech Racing. Nicola qualified as a Chartered Accountant with PwC and after four years of auditing businesses varying in size from small owner managed businesses to complex international groups, she made the move into industry to Parkwood Holdings plc, where she held various roles including Finance Director of the landscaping and arboriculture subsidiary and latterly Group Financial Controller. Nicola is also a qualified tax advisor.

GILES VARDEY

Non-executive Chairman of the Board, Chairman of the Nomination Committee and Chairman of the Audit Committee

Nationality and residence: UK
Date appointed to the board: December 2017
Date appointed Chairman: July 2019

Giles brings more than 35 years of business and boardroom experience, latterly in non-executive roles at public and private companies, including President and CEO of Fidelity Brokerage Services. He also held senior investment banking positions at firms including Salomon Brothers, County NatWest and Swiss Bank Corporation. His gaming industry experience includes the role of Non-Executive Chairman of Trident Gaming Limited from 2005 to 2008.

Committees: Audit Committee (C), Nomination Committee (C), Remuneration Committee

C – Chair

BEN WARN

Independent Non-Executive Director and Chairman of the Remuneration Committee

Nationality and residence: UK
Date appointed to the board: June 2020

Ben is a digital specialist bringing over 20 years' experience in senior commercial, business development and marketing roles within the betting and gaming industry. His passion is combining sports content with technology to create new products, drive revenue and increase user engagement. Ben has held Senior Executive positions with Ukbetting PLC, Rank Interactive, and Sky Betting and Gaming, the most recent being at the Perform Group, where he was CEO of their Gaming Division.

Committees: Audit Committee, Nomination Committee, Remuneration Committee (C)

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

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 considers emerging risks at each Board meeting through open discussion and 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 regular team meetings 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, and it's now a third-party relationship with Global Tote as its technology provider.

In addition, the wider use and enhancement of digital technology across the Group increases the risks associated with information and cyber security, with an increasing risk from legacy system vulnerabilities, social engineering and phishing. We have implemented corporate cyber security 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.

"Customer Concentration" risk has also been removed as a principal risk following the sale of the Group's largest contract on 31 December 2021, to which this risk referred. Finally, the risk *Failure to implement Sports Betting Strategy following the repeal of the Professional and Amateur Sports Protection Act ("PASPA")* has been updated to "Political Marginalisation in Connecticut", given the changes in the legislative and political environment seen during 2021.

Although the Board does expect the Group to be impacted by rising pricing and potentially some supply chain disruption in food and beverage, it does not consider that the potential impacts from the events unfolding in Ukraine to be an emerging significant principal risk to the Group.

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 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 Chief Executive Officer 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 as a whole. 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.	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 will be considered. Management is monitoring the impact of sports betting on pari-mutual revenues closely and will introduce techniques to upsell the pari- mutuel products where cannibalisation is occurring. There is potential that the footfall increase from the introduction of sports betting in venue could impact pari-mutual handle favourably as filler product to bet on between sporting events.	9

Risk Management
continued

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. In terms of mitigating steps, management will look at 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.	6
Foreign Exchange	The bulk of the business is generated in North America. The Group's results are reported in GBP.	The Group seeks to create natural hedges wherever possible, and considers hedging instruments to mitigate significant fluctuations. In the longer term the Group will regularly keep under review whether it should change its reporting currency to USD.	6
Political marginalisation in Connecticut	We have seen through the sports betting process that our core competitors in CT (casinos) have the political weight to secure exclusive right 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 opportunities given the political backdrop. In terms of horseracing for sports, we retain the political lobbying resource in CT for the time being, both as our 'eyes' on the political scene for early warnings of this arising, but also to start pre-emptive lobbying as soon as it does.	12

Risk area	Description	Mitigation	Mitigated rating
Global Pandemics	For our revenue, we rely on racetracks and sports events to be operating and our Venues locations to be open. Most horse racing was suspended for some period of time during the COVID-19 pandemic in 2020, with a few notable exceptions. All North American sporting leagues also suspended operations and games from mid-March 2020 through the middle of Q3 2020. All of our venues in Connecticut were closed (our online offering and telephone betting continued to trade). We began opening Venues locations in late July and early August 2020, and sporting events started to take place again (but generally without audiences). We saw the return of the impact of the Pandemic through winter 2020/2021 and although we did not have to close Venues again, restrictions (such as required mask wearing) did continue to impact operations.	The Board took action to manage the Group's cost base, cutting costs and effectively managing cash where possible. This included the furloughing of approximately 550 staff in Q2 2020, mostly in field operations for Global Tote and at our Venues locations. We suspended all travel and closed all our offices. We also renegotiated rent payments on our office and Venues locations. Where available, the Group availed themselves of government programs to supplement employee wages and salaries. The Group remained in constant dialogue with customers and maintained digital operations. The remaining staff worked from home. A pandemic response team was put in place, comprising executive and senior management, who met regularly via online tools available to coordinate the Group response to the pandemic. Our online, mobile and phone betting platforms remained available throughout the crisis and saw significant growth. The Group delivered a significant reduction in costs in 2020 to partially offset severe revenue declines, and we sought support from governments globally where available. The risk of further waves which results in local or more widespread "lockdowns", or a new pandemic remains, and management have the tools in place to react proportionately if required.	8

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 Chief Executive Officer ensures the Group meets its policy of maintaining the highest standards of compliance and integrity. The Group also employs security and compliance staff 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 a number of its 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 2021 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)	2021	2020
Scope 2 (tonnes CO_2e)[3]		
Electricity, heat, steam and cooling purchased for own use	**2,402**	2,839
Intensity metric (tonnes of CO_2e per £m of sales)	**104.7**	172.1

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 2021 of 104.7 which is 2,402 tonnes of CO2 divided by the Group's revenue from continuing operations of £22.9m, compared to a prior year ratio of 172.1, which is calculated as 2,839 CO2 tonnes divided by revenue at constant currency from continuing operations of £16.9m. The Group's intensity ratio has decreased by 39.2% due to closure of venues in 2020 which still needed heating despite no revenue generation, as well as the closure in 2021 of an inefficient old venue, although revenue was transferred to nearby venues.

Of the emissions noted in the table, minimal were generated in the UK as the Group only has 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.

With the outbreak of the pandemic from March 2020, Sportech provided necessary accommodations to protect workers including remote work where feasible, enhanced cleaning regimens, provision of hygiene products for frequent cleaning and sanitising hands, and provision of personal protective equipment. Documents outlining standards for personal protection and safe COVID-19 prevention practices were shared extensively via company email, the employee website, in team meetings and with posters mounted in common spaces to ensure that all employees were informed of and in compliance with local guidelines for the prevention of the spread of COVID-19.

During the pandemic shut-downs, the Group continued to provide all furloughed workers in the US with health benefits and our Human Resources personnel provided extensive support to furloughed workers across multiple states and countries as they sought to access government resources available to them.

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"), 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. 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

Giles Vardey	Non-executive Chairman (Considered to be Independent)
Ben Warn	Non-executive Director (Considered to be Independent)
Andrew Lindley	Chief Executive Officer (Not independent)
Nicola Rowlands	Chief Financial Officer (Not 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 Directors are 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 or any Executive Director. The Company Secretary provides minutes of each meeting.

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 2021:		13	1	3	1
Executive Directors					
Andrew Lindley	Appointed 27 August 2021	4 (4)	n/a	n/a	n/a
Nicola Rowlands	Appointed 27 August 2021	4 (4)	n/a	n/a	n/a
Richard McGuire	Stepped down on 13 September 2021	9 (10)	n/a	n/a	n/a
Thomas Hearne	Stepped down on 13 September 2021	10 (10)	n/a	n/a	n/a
Non-executive Directors					
Giles Vardey	Appointed to the Audit Committee on 31 May 2021	13	1	2 (2)	1
Chris Rigg	Stepped down on 31 May 2021	4 (4)	1	1 (1)	n/a
Ben Warn		12 (13)	1	3	1

Note: number in brackets represents 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

There is a clear division of responsibilities between the Chairman and CEO. The Chairman leads the Board and is responsible for its effectiveness and governance. He sets the Board agenda and ensures that sufficient time is allocated to important matters, in particular strategic issues. The CEO is responsible for the day-to-day management of operations and the recommendation of strategy to the Board. The CEO is then 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.

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 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

Corporate Governance Report continued

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 plans to continue to review the need for such a policy annually, taking into account the size of the Board and skills 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 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

The annual 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 evaluation covered all key board duties. The results were analysed and following the discussions, a number of proposed recommendations were made, including; a clear succession plan is to be developed; the additional NED appointment should chair the Remuneration Committee; and a plan for stakeholder engagement is to be developed. The Board agreed to take the recommendations forward for implementation.

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.

NOMINATION COMMITTEE

Members of the Nomination Committee

The Nomination Committee consists of Giles Vardey (Chair), and Ben Warn. Executive Directors attend by invitation. Chris Rigg was a member of the committee through to stepping down from the Board on 31 May 2021.

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 Richard McGuire as Chief Executive Officer and Tom Hearne as Chief Financial Officer. The outcome of the review conducted was that internal candidates should be appointed into the roles; being Andrew Lindley and Nicola Rowlands.

AUDIT COMMITTEE

Members of the Audit Committee

The Audit Committee consists of the Giles Vardey (Chair), and Ben Warn. Executive Directors attend by invitation. Chris Rigg chaired the committee through to stepping down from the Board on 31 May 2021.

The Board is satisfied that Giles Vardey 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 Committee's recommendations.

Duties

The Committee is scheduled to meet at least three times a year. The Committee's 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 auditors;
- consideration of the external audit report 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 2021, the Committee also reviewed and considered the following specific areas:

- risk of misstatement on revenue recognition;
- disposal accounting and discontinued operations; and

Corporate Governance Report continued

- the assumptions underlying impairment testing of 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. The non-audit fees related to Reporting Accountants work on the Company's admission to AIM.

The Committee also assesses the external auditor's performance. Having reviewed the external auditor's independence and performance, the Audit Committee recommends that BDO LLP be re-appointed as the Company's external auditor at the next AGM.

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.

FRC review of 2020 Annual Report and Accounts

In October 2020, the Company received a letter from the Financial Reporting Council (FRC) which made enquiries about the presentation of interest payable on lease liabilities as a financing cash flow in the consolidated statement of cash flows whereas bank interest had been presented as an operating cash flow. The Company acknowledged that this was inconsistent and undertook to align the treatment of bank interest payments with interest paid on lease liabilities in the consolidated statement of cash flows in future periods. The Company did not adjust the comparative amount for bank interest in the 2021 annual report and accounts as it was immaterial.

The Company responded fully to the matter raised and the enquiry has been closed without any change to reported profit or net assets.

Scope and Limitations of the FRC's Review

The Company recognises that the FRC's review was based on a review of its annual report and accounts for the year ended 31 December 2020 and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. The FRC's review provides no assurance that the Company's annual report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

The FRC's letters are written on the basis that it (and its officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

Financial Reporting Council: Audit Quality Inspections

During the year, the 31 December 2020 audit of Sportech PLC by BDO was reviewed by the AQR team. The FRC routinely monitors the quality of the audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms. The Committee received a copy of the findings in January 2022. The Audit Committee and BDO have discussed the review findings and the agreed actions and are satisfied with changes made by BDO in the 31 December 2021 audit.

REMUNERATION COMMITTEE

A detailed report by the Remuneration Committee can be found on pages 28 to 40.

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 2021, there were no incidents for consideration.

Going Concern

The Directors have prepared detailed financial forecasts with a supporting business plan covering the medium-term future. These forecasts capture both a base plan and downside scenarios which although Sportech has no connections with Russia or Ukraine through its operations (no employees located there nor any customers or suppliers in the region), include assumptions taking into account macro-economic potential indirect impacts of the events unfolding.

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

Giles Vardey
Chairman

31 March 2022

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 2021. During 2021, Chris Rigg stepped down from the Board and the Remuneration Committee and Giles Vardey re-joined the Committee.

This year's report will be my second as Chair of the Remuneration Committee, during the year the Company de-listed from the Main Market of the London Stock Exchange in July and re-listed on the Alternative Investment Market ("AIM"). In light of this change of listing, the Company did not propose a binding vote on the Directors Remuneration Policy at the 2021 AGM, as AIM listed companies are not required to put their Policy to a vote. The Company had committed to complying with the UK Corporate Governance Code when it listed on AIM in July 2021, 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. As such this year's report is in compliance with the QCA Code.

Following its de-listing from the Main Market, the Company is also no longer required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) regulations 2013 (the "regulations"). 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 30 to 34, but the policy does not require shareholder approval.

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 2021.

At the 2022 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 2021 and proposals for the operation of the Policy in 2022.

Proposed Directors' Remuneration Policy for 2022

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. One 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 closely.

Remuneration for 2021

Salary

Richard McGuire had voluntarily reduced his salary to £300,000 during 2020 and no rise was given in 2021 through to his retirement from the Board. There was also no pay rise for any other Director in 2021. The base salary of Andrew Lindley on his appointment to the Board was £225,000 per annum and Nicola Rowlands' base salary was £125,000.

Annual bonus

Bonuses in 2021 were based on two incentive pools and subject to each participant's maximum bonus opportunity, where required by the policy, and performance against other goals.

Firstly, in order to incentivise the maximisation of the cash generated from disposals and therefore the preservation of value for shareholders, part of each senior manager's bonus was based on a share of a notional pool of 3.5% of proceeds from any sale of any division or business commenced during 2021. The successful disposal of Bump 50:50 to Canadian Bank Note on 2 June 2021 for c£4.9m during the year resulted in awards to Richard McGuire and Tom Hearne of £14,332 and c£40,580 (CAD$70,000) which were paid during the year. Andrew Lindley received £8,173 and Nicola Rowlands received £3,150 for the same transaction. A further bonus will be payable dependent on the receipt of contingent consideration in early 2023.

Andrew Lindley and Nicola Rowlands received bonuses for the disposal of the LEIDSA lottery contract of £197,889 and £131,926 respectively being 3.5% of the disposal proceeds of c£9.4m (excluding working capital settlement). The transaction was managed solely by Andrew and Nicola.

Secondly, a shareholder value pool of 5% of total shareholder returns from a base of 33p per share would be shared amongst Executive Directors and senior management. This resulted in bonuses of £133,407 being paid to Richard McGuire, £53,363 being paid to Tom Hearne, £133,407 being paid to Andrew Lindley and £106,726 being paid to Nicola Rowlands.

The Committee considers that this level of outturn is appropriate given the value realised for shareholders during the year which the Executives were targeted to achieve. No discretion was applied in determining the level of payout.

Bonuses were paid also to Tom Hearne and Richard McGuire in relation to the disposal of Global Tote which were disclosed in last year's Remuneration Report, these amounts were charged to the income statement in 2021.

VCP
The VCP scheme introduced in 2017 expired on 31 December 2021 with no vesting. No further awards are proposed under a VCP for 2022. In the absence of a long-term incentive plan the Committee plans to make cash awards to Executives for event based extraordinary achievements.

Implementation of remuneration policy for 2022

The remuneration of our Executive Directors will continue to be made up 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 will not grant awards of long-term incentives to Executive Directors in the year.

The Chief Executive Officer and Chief Financial Officer's salaries were reviewed at the beginning of the year and, Andrew Lindley's basic annual salary will remain at £225,000. Nicola Rowlands' basic annual salary will be increased to £156,250 for 2022, reflecting her increased contracted working hours to full time from 1 January 2022. Details of the other elements of their remuneration are disclosed in detail later in the Annual Report on Remuneration.

The Board is satisfied that the policy 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 thank shareholders for their support last year and hope you will be able to continue to support the resolution on our Directors' Remuneration Report at the 2022 AGM.

Ben Warn
Non-executive Director and Chair of the Remuneration Committee

31 March 2022

Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2021

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 is intended will be applied in 2022.

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 remuneration packages for Executive Directors are detailed in the table on pages 31 to 32, which should be read in conjunction with the recruitment/promotion policy on page 34, and the "Detailed remuneration policy for 2022" section of the Annual Report on Remuneration, which starts on page 35.

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.

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 35. – There is no maximum, but 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 8% 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 typically include a combination of the following: – Car or car allowance. – Family cover private health insurance. – Life insurance cover. – Reimbursement of reasonable business expenses (including tax thereon). 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 introduced for the majority of the workforce. – 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. – Participation in the all-employee share plans is subject to the limits set out by HRMC.	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 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 licensed 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

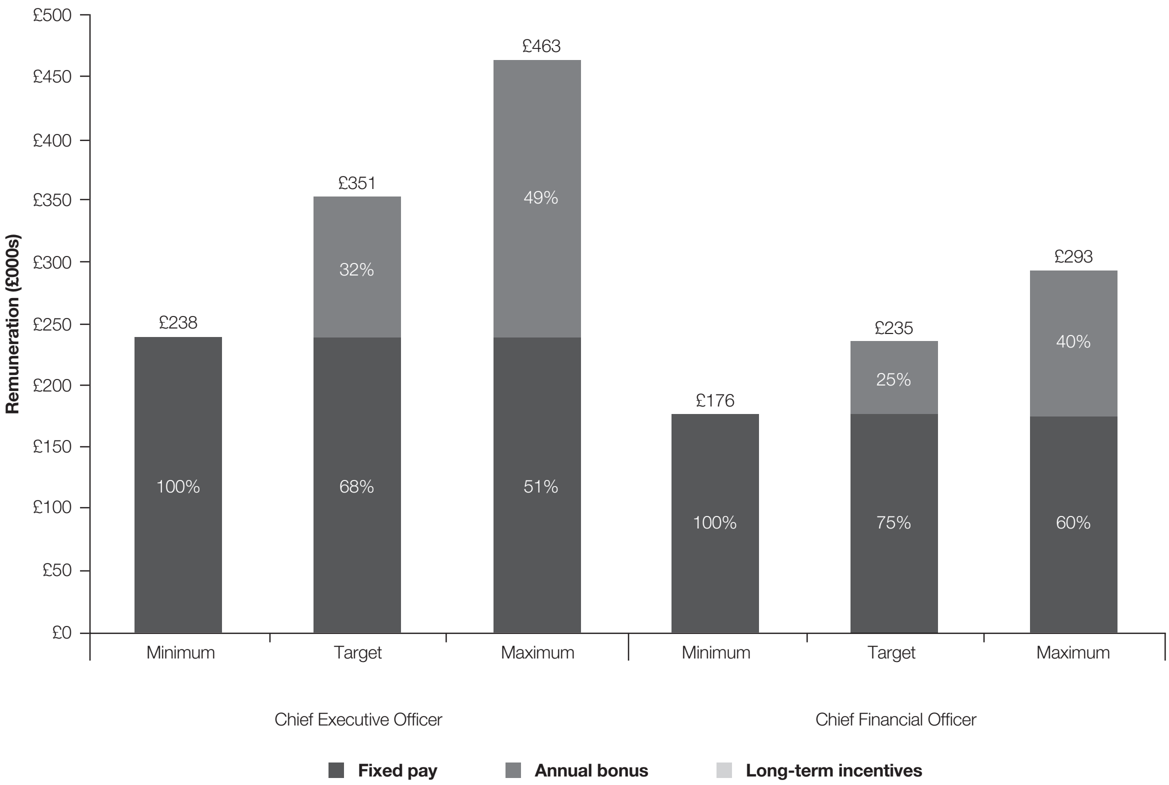
The Committee operates the Group's incentive plans per their respective rules and consistent with normal market practice and HMRC rules where relevant, including flexibility in a number of regards relating to the operation and administration. The extent of such discretion is set out in the relevant plan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

Executive Director reward scenarios for 2022

The remuneration package comprises both fixed elements (base salary, pension and benefits) and performance-based variable pay (annual bonus). Total remuneration for each Executive Director for a minimum, target and maximum presented in the chart below.



Remuneration report continued

The following assumptions have been made:

- Minimum – fixed pay (salary (as at 1 January 2022), benefits (as paid in 2021) and pension).
- Target – fixed pay plus annual bonus paying out at 50% of the maximum.
- Maximum – fixed pay plus annual bonus paying out in full.

Policy on contracts of service

Details of the service contracts and letters of appointment in place as at 31 December 2021 for Directors are as follows.

Executive Director	Date of Service Contract	Notice Period*
Andrew Lindley	01.02.19	12 months
Nicola Rowlands	16.11.10	6 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
Giles Vardey	04.12.17	3 months
Ben Warn	01.06.20	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 are allowed 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 arrangement will be based on the limits of the prevailing approved Directors' Remuneration Policy.

The fee structure and quantum for Non-executive Director ppointments 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 normally 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 2022

Basic annual salary

The Committee has reviewed base salaries for 2022 taking into account market conditions and performance in role since appointment. For reference, full-time salaries across the Group were increased by an average of 5.0%.

The base salaries for 2022 are as follows:

Director	2022	2021	% Change
Chief Executive Officer	**£225,000**	£225,000[1]	–
Chief Financial Officer	**£156,750**	£125,000[2]	25%[3]

1 Andrew Lindley was appointed Chief Executive Officer on 10 September 2021 and was paid £225,000 per annum from this date. Richard McGuire was Chief Executive Officer to this date and was paid £300,000 per annum.

2 Nicola Rowlands was appointed Chief Financial Officer on 10 September 2021 and was paid £125,000 per annum from this date. Tom Hearne was Chief Financial Officer to this date and was paid c£210,000 (CAD$357,000) per annum.

3 The increase for 2022 was planned on appointment and reflects an increase in working days per week from four to five.

Performance related bonus

Andrew Lindley's and Nicola Rowlands' performance related bonuses will be based on Group financial performance and delivering on Group strategic objectives, specifically relating to the Company assets, which would include any significant disposals during 2022. Details of the structure, metrics and weightings of measures will be disclosed in full in the 2022 Annual Report. Any bonus achieved is typically payable in cash.

Pension arrangements

For Andrew Lindley the Company pension contribution level is 5% of base salary; paid in cash into a SIPP. The Company matches 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.

Other benefits

Andrew Lindley and Nicola Rowlands are entitled to the following other main benefits; private health insurance for themselves, their spouse and children and life insurance for themselves. Nicola Rowlands receives a car allowance of £6,000 per annum paid in cash.

Long Term Incentive

No long-term incentive awards will be granted.

Non-executive Directors' fees

The Non-executive Director fee for 2022 is £45,000 which had been unchanged since May 2017 and reflects a 25% reduction from the prior annual fee of £60,000. Reduction is effective from 1 February 2022. The Chairman's fee is also to reduce by 25% to £90,000 per annum from 1 February 2022.

Remuneration report continued

Single total remuneration figure for the Directors (audited)

Details of the remuneration for each Director in office during the financial year ended 31 December 2021 are given in the table below.

Directors' remuneration for 2021

	Year of appointment	Fees/ salary £000	Taxable benefits £000	Pension £000	Pay in lieu of notice £000	Total fixed remune-ration £000	Bonuses £000	Total variable remune-ration £000	2021 Total £000
Executive Directors									
Andrew Lindley (appointed to the Board 27 August 2021)	2021	75	–	4	–	79	113	113	192
Nicola Rowlands (appointed to the Board 27 August 2021)	2021	42	2	3	–	47	81	81	128
Richard McGuire (Stepped down from the Board on 10 September 2021)	2017	209	1	10	150	370	148	148	518
Tom Hearne (Stepped down from the Board on 10 September 2021)	2018	143	2	–	205	350	94	94	444
Non-executive Directors									
Giles Vardey	2017	120	–	–	–	120	–	–	120
Chris Rigg (Stepped down from the Board on 31 May 2021)	2019	25	–	–	13	38	–	–	38
Ben Warn	2020	60	–	–	–	60	–	–	60
Aggregate emoluments		674	5	17	368	1,064	436	436	1,500

–Tom Hearne was paid a basic annual salary of CAD$357,000 during the year to 10 September 2021, an average exchange rate of 1.7311 has been used to translate to Sterling in the above table.

–Remuneration for Andrew Lindley and Nicola Rowlands is pro-rated from annual totals for the period which they were Directors being 27 August 2021 through to 31 December 2021.

–Bonuses were paid to Tom Hearne and Richard McGuire in relation to the disposal of Global Tote which were disclosed in last year's Remuneration Report, these amounts were charged to the income statement in 2021 and included in the Directors' Remuneration for 2020 table.

Directors' remuneration for 2020

	Year of appointment	Fees/ salary £000	Taxable benefits £000	Pension £000	Total fixed remune-ration £000	Bonuses £000	Total variable remune-ration £000	2020 Total £000
Executive Directors								
Richard McGuire	2017	275	3	20	298	208	208	506
Tom Hearne	2018	206	3	–	209	131	131	340
Non-executive Directors								
Giles Vardey	2017	95	–	–	95	–	–	95
Chris Rigg	2019	60	–	–	60	–	–	60
Ben Warn (appointed to the Board 1 June 2020)	2020	35	–	–	35	–	–	35
Aggregate emoluments		671	6	20	697	339	339	1,036

–Richard McGuire was paid a basic annual salary of £400,000 per annum with effect from 1 January 2020 until 31 March 2020. Richard voluntarily reduced his salary by 50% for a six-month period beginning April 2020. Thereafter annual salary was reduced to £300,000 from 1 October 2020. He was paid in US dollars during Q1 2020, translated at an exchange rate of 1.4.

–The Company paid 8% of base salary for pension benefits for Richard McGuire from 1 January 2020 to 30 September 2020 and 5% of base salary from 1 October onwards, £4,000 of which was paid into his SIPP and the balance being paid in cash in lieu of pension contributions.

–Richard McGuire was entitled to a car allowance until 30 September 2020, which he waived.

–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 the above table.

–No company pension contributions were made for Tom Hearne.

–As disclosed last year, bonuses for 2020 include amounts awarded for the successful disposal of the Global Tote business to Betmakers Technology Group which were deferred until final completion of the deal on 17 June 2021.

–Tom Hearne's bonus was based on a converted salary of £206,000.

–Giles Vardey voluntarily reduced his fees to £60,000 per annum from 1 April 2020 to 31 August 2020.

Performance related bonus

As set out in the Chair's statement, bonuses in 2021 were based on two incentive pools and subject to each participant's maximum bonus opportunity, where required by the policy, and performance against other goals.

Firstly, in order to incentivise the maximisation of the cash generated from disposals, and therefore the preservation of value for shareholders, part of each senior manager's bonus was based on a share of a notional pool of 3.5% of proceeds from any sale of any divisional or business disposals commenced during 2021. The successful approval of the disposal of Bump 50:50 to Canadian Bank Note on 2 June 2021 for c£4.9m during the year resulted in awards of £14,332 for Richard McGuire and £40,580 (CAD$ 70,000) for Tom Hearne which were paid during the year. Andrew Lindley received £8,173 and Nicola Rowlands received £3,150 for the same transaction. A further bonus will be payable dependent on the receipt of contingent consideration in early 2023.

Andrew Lindley and Nicola Rowlands received bonuses for the disposal of the LEIDSA lottery contract of £197,889 and £131,926 respectively being 3.5% of the disposal proceeds of c£9.4m (excluding working capital settlement). The transaction was managed solely by Andrew and Nicola.

Secondly, Richard McGuire and Andrew Lindley were eligible to receive 25%, Nicola Rowlands 20% and Tom Hearne 10% of a notional pool of 5% of the increase in shareholder value above a base threshold of £62,287,915 (being 33p per share at 1 January 2021). The Pool being calculated as the average mid-price per share from 1 December 2021 to 3l January 2022 multiplied by the shares in issue; plus any shareholder returns, made during calendar year 2021 and through to end January 2022; less any capital raised from shareholders during calendar year 2021 and through to end January 2022. In the event of an agreed takeover of the Company, before settlement in Q1 2022, the Market Value within the definition would become the agreed acquirer value of the PLC.

Remuneration report continued

		Richard McGuire	Tom Hearne	Andrew Lindley[1]	Nicola Rowlands[1]
Financial		£000	£000	£000	£000
Cash generation	Successful disposal of Bump 50:50	14,332	49,376	2,724	1,050
Cash generation	Successful disposal of LEIDSA contract	–	–	65,963	43,975
Increase in shareholder value	Delivery of core new business and extension of key contracts	133,407	53,363	44,469	35,575
		Stepped down 10 September 2021	Stepped down 10 September 2021	Appointed 27 August 2021	Appointed 27 August 2021

1 Bonuses for Andrew Lindley and Nicola Rowlands are pro-rated from annual totals for the period which they were Directors, being 27 August 2021 through to 31 December 2021.

Long Term Incentive Plans ("LTIPs")

No awards were granted to Executive Directors during 2021 under the existing LTIP, the Value Creation Plan ("VCP"). At the start of the year, a total of 12,150 units were outstanding under the VCP for Executive Directors. The performance period ended on 31 December 2021, at which time all awards lapsed as the minimum performance hurdle had not been met.

Director interests

Details of the Directors' interests in shares are disclosed in the Directors' report at page 41.

Exit payments

Payments in lieu of notice were paid to Chris Rigg (£13,000), Richard McGuire (£150,000) and Tom Hearne (£205,000), in line with contractual arrangements reflecting payment of salary in lieu of notice.

Payments to past Directors

No other payments were made to former directors during the year.

Payments to third parties

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

External directorships

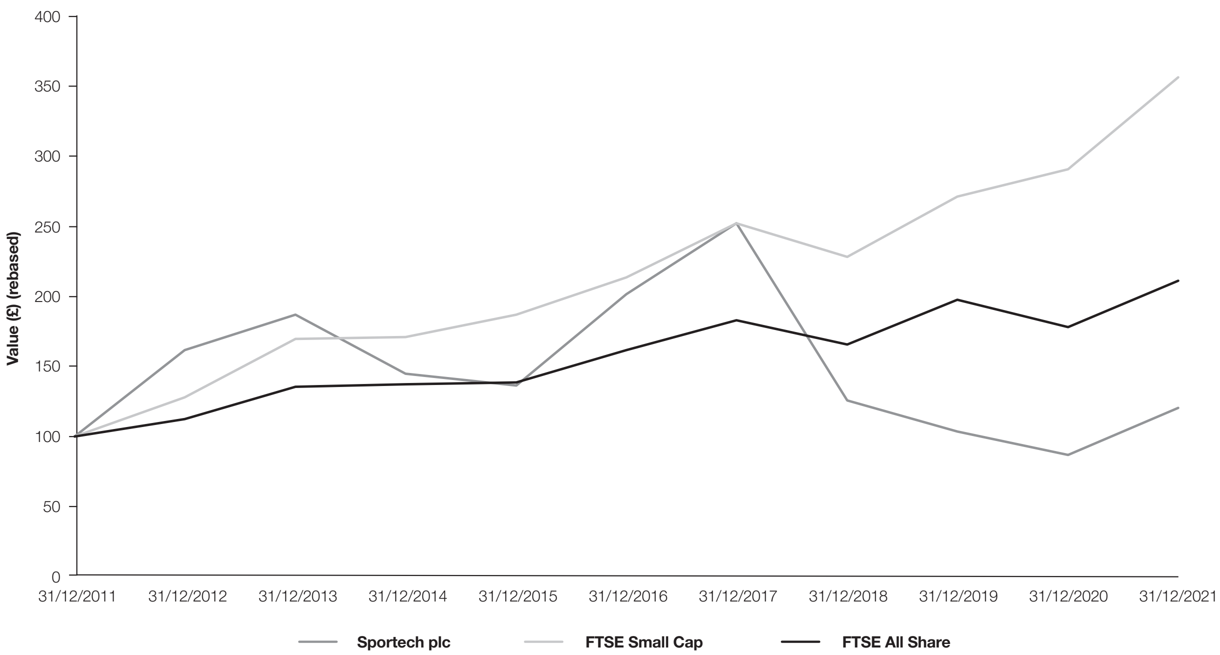
Andrew Lindley and Nicola Rowlands do not hold any external directorships.

Review of past performance

Performance graph and Chief Executive pay chart

The graph below shows the TSR (share value movement plus reinvested dividends) over the ten years to 31 December 2021 of shares in Sportech PLC compared with that of a hypothetical holding in the FTSE SmallCap Index. The FTSE Small Cap Index is considered to be an appropriate comparator group for assessing Sportech's TSR as it provides a well-defined, understood and accessible benchmark and is the index most closely aligned to Sportech PLC. A further comparator index, the FTSE All share Index is also shown for information.

Total shareholder return
Source: Datastream



This graph shows the value, by 31 December 2021, of £100 invested in Sportech plc on 31 December 2011, compared with the value of £100 invested in the FTSE Small Cap and the FTSE All Share on the same date.

The other points plotted are the values at intervening financial year-ends.

Remuneration report continued

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:

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Remuneration before LTIPS (£000)	542	575	515	517	1,233[1]	609[3]	268[4]	522[5]	506[5]	560[6]
LTIPS (£000)	233	836	158	–	–	223	–	–	–	–
Total remuneration (£000)	775	1,411	673	517	1,233	832	268	522	506	560
Annual bonus	25.0%	40.0%	21.25%	20.5%	39.2%[2]	40.0%	–	20.0%	55.4%	44.5%[7]
LTIP vesting	62.0%	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.

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 2020	119,297,821 (100.00%)	2,000 (0.00%)	515,871

The Board and Remuneration Committee continue to value shareholder engagement and welcome 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

Wholly independent advice on executive remuneration is received from Alvarez and Marsal Taxand UK LLP ("A&M"). A&M are members of the Remuneration Consultants Group and are signatories to its Code of Conduct. A&M has no connection with Sportech. The terms of engagement with A&M are available from the Company Secretary on request. The fees of A&M during the financial year were £34k (excluding VAT).

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.

Ben Warn
Non-executive Director and Chairman of the Remuneration Committee

31 March 2022

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2021. General information of the Company can be found in the Accounting Policies on page 59.

The Strategic report and Corporate Governance report are set out on pages 2 to 27. 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 16 to 19 of the Strategic report.

DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The Directors who held office at 31 December 2021 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 2022 Number	At 31 December 2021 Number	31 December 2020 Number
Andrew Lindley (appointed 27 August 2021)	187,555	187,555	–
Nicola Rowlands (appointed 27 August 2021)	22,708	22,708	–
Giles Vardey	–	–	–
Ben Warn	–	–	–

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 21.

Directors' Report continued

SUBSTANTIAL SHAREHOLDINGS

On 30 March 2022, interests representing 3% or more of the issued share capital of the Company had been notified to the Company as shown below.

	30 March 2022		31 December 2021	
	Ordinary shares of 1p	% of issued share capital	Ordinary shares of 1p	% of issued share capital
Mr Richard I Griffiths and entities	28,122,856	28.12	28,122,856	28.12
Lombard Odier Asset Management (Europe) Ltd	23,159,026	23.16	23,159,026	23.16
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
Spreadex Ltd	7,530,235	7.53	6,167,281	6.17
Cantor Fitzgerald Europe	5,903,562	5.90	n/a	n/a
Total of substantial shareholdings	93,151,744	93.15	85,885,228	85.89
All other shareholdings	6,848,256	6.85	14,114,772	14.11
Total shares in issue	100,000,000	100.00	100,000,000	100.00

DIVIDEND

No dividend is proposed for 2021 (2020: £nil).

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 20. 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 20.

CORPORATE GOVERNANCE

The Group's statement on corporate governance is set out on pages 22 to 27 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. We endeavour to ensure that we do not infringe on human rights, avoid complicity in the human rights abuses of others, and comply 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. We are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, wherever in the world we operate.

Sportech will constantly uphold all laws relating to anti-bribery and corruption in all the jurisdictions in which we operate. We are bound by the laws of the UK, including the Bribery Act 2010, in regards to our 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 our company is discovered to have taken part in corrupt activities, we may be subjected to an unlimited fine, be excluded from tendering for public contracts, and face serious damage to our reputation. It is with this in mind that we commit to preventing bribery and corruption in our business, and take our 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 retain the right to preapprove the acquirer in order for a change of control to be permitted.

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 41 and 42. There are no restrictions on the transfer of shares.

As part of the resolutions approved at the 2021 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 £12,583,417. 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 £12,583,417 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 2021 Notice of Meeting.

GOING CONCERN

The Group's forecasts and projections, which have been prepared as described on page 59 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 June 2023. Accordingly, it is deemed appropriate to prepare the financial statements on a going concern basis for the financial year ended 31 December 2021.

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 27 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.

The Auditor, BDO LLP, has indicated their willingness to continue in office, and a resolution for their reappointment will be proposed at the Annual General Meeting.

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

Directors' Report continued

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 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 31 May 2022 will be sent to shareholders by 7 May 2022. In accordance with good corporate governance practice, each Director will voluntarily stand for re-election. The profiles of the Directors appear on page 15. 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 35 to 40, 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

31 March 2022

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 2021 and of the Group's profit 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 UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; 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 2021 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 is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.
- 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.

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.

Independent auditor's report to the members of Sportech PLC

continued

OVERVIEW

Coverage	96% (2020: 90%) of Group revenue 99% (2020: 89%) of Group net assets 95% (2020: 80%) of Group EBITDA		
Key audit matters		2021	2020
	Appropriateness of revenue recognition	✓	✓
	Impairment of investments:	✓	✓
	Parent Company Only		
	Disposal accounting and discontinued operations	✓	
	Disposal accounting and discontinued operations is considered to be a key audit matter during the current year because of significant disposal transactions completed during the year.		
Materiality	***Group financial statements as a whole*** £195,000 based on 0.5% of total Group revenue (2020: £204,000 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 24 separate components (including 12 disposed during the year) making up the Group, of which seven were deemed significant components that required a full scope audit given their contribution to the Group's revenue and net assets (Sportech Racing LLC, Sportech Lotteries LLC, Sportech Venues Inc., Racing Technology Ireland Limited, Sportech Plc, eBet Technologies Inc. and Bump Worldwide Inc.). This work, combined with the work performed over consolidation journals and specific Group account balances accounted for 96% of group revenue (2020: 90%), 95% of Group EBITDA (2020: 80%) and 99% of Group net assets (2020: 89%).

All audit work was performed by the Group audit team. Our work on the remaining components comprised analytical procedures and certain tests of detail. Together this provided the evidence required for our opinion on the Group financial statements.

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
Appropriateness of revenue recognition The details of the accounting policies applied during the year are set out in Basis of accounting section of the financial statements. The Group recognises revenue from a number of revenue streams. There is a risk that wagering revenue and variable service fee revenue is incorrectly calculated and recognised due to the different underlying contracts with customers and the variations in contract terms for each contract. Additionally, as the Group enters into new contracts there may be separate elements in the contract that requires application of different revenue recognition policies. Therefore, we considered this to be key audit matter.	We completed the following audit procedures: • Reviewed the Group's revenue recognition policies, having regard to the customer contracts inspected by us, against the requirements of applicable accounting standards, challenging and where necessary corroborating to supporting documentation, the key accounting policies adopted by Directors in relation to the customer contracts including commission rates. • Selected a sample of contracts and agreed key terms, taking into account variations in contract terms, we recalculated commission and verified to underlying records, to check that revenue had been recognised in accordance with the contract and the requirements of applicable accounting standards. • Using data analytic techniques we recalculated the expected income earned from wagering data captured in the Group's IT systems and reconciled this to the amounts recorded in the nominal ledger. • Reviewed the new contract entered during the year related to sport betting and identified performance obligations in the same. Ensured that revenue is accounted in accordance with requirements of accounting framework. • Reviewed a sample of manual and automated journal entries to revenue nominal ledger codes, to identify any unusual journal entries which may indicate fraud or error in revenue recognition. • For wagering revenue stream we tested design and implementation of controls in respect of the key processes around revenue transactions recognised. ***Key observations*** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that revenue recognition is inappropriate.

STRATEGIC REPORT
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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. In accordance with the requirements of relevant accounting standards, considering the return of capital to shareholders, Directors have performed an impairment review on investments in the current year. This has resulted in impairment charge of £37.8 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 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 to assess the reasonableness of current forecasts. • Challenged Director on the growth rates used in the model for particular revenue streams such as Venues 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*** Nothing has come to our attention as a result of performing the above procedures that the assumptions made by Directors in their impairment review were inappropriate.

Key audit matter	How the scope of our audit addressed the key audit matter
Disposal accounting and discontinued operations The Group completed several disposal transactions during the year as disclosed in note 11 of the financial statements. The details of the accounting policies applied to these transactions are set out in Basis of accounting section of the financial statements. Accounting of disposals require Directors to exercise significant judgements in fair value of consideration including contingent consideration, tax provisioning, finalisation of the closing balance sheet and presentation of discontinued activities in the financial statements. Therefore, we considered this to be key audit matter.	We completed the following audit procedures in relation to disposal accounting: • Performed a review of the sale and purchase agreements and assessed whether the consideration received and other terms in the sale and purchase agreement were appropriately accounted for in the disposal accounting entries and disclosures made by the Group in the financial statements. • Involved our internal experts and reviewed their work to determine the appropriateness of the tax provisioning for discontinued operations as at the date of disposal. • Agreed the closing balance sheet of disposed entities as at the date of disposal to profit or loss on disposal calculations and re-calculated the profit or loss on disposal to ensure that it was correctly accounted and disclosed. • We challenged Directors and reviewed underlying documents provided by Directors to assess whether any contingent consideration due from the purchasers had met the virtual certainty to be recognised at the year-end as a receivable. • In relation to discontinued operations, based on group scoping, we audited the financial information of disposed entities up to the date of disposal for inclusion in the consolidated financial statements and reviewed the financial statement disclosure related to discontinued operations for compliance with accounting standards. ***Key observations*** Nothing has come to our attention as a result of performing the above procedures that the accounting of discontinued operations is inappropriate.

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	
	2021	2020	2021	2020
Materiality	£195,000	£204,000	£40,000	£40,000
Basis for determining materiality	0.5% of Total Group Revenue	0.5% of Total Group Revenue	Capped at £40,000 based on Group materiality	Capped at £40,000 based on Group materiality
Rationale for the benchmark applied	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 the current year.		We consider an asset based measure to reflect the nature of the Company which acts as a parent holding company for the Group's investments to be most relevant. This is capped to £40,000 for Group audit purposes based on group scoping.	
Performance materiality	£136,500	£142,800	£28,000	£28,000
Basis for determining performance materiality	70% (2020: 70%) based on our assessment of past misstatements and Director's attitude towards proposed adjustments.			

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 20% and 65% (2020: 20% and 55%) 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 £126,750 (2020: £40,000 to £ 110,000). In the audit of each component, we further applied performance materiality levels of 70% (2020: 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 (2020: £10,200). 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 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 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.

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:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group being contrary to applicable laws and regulations, including fraud. We focused on laws and regulations that

Independent auditor's report to the members of Sportech PLC

continued

could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, AIM Rules, Gaming Regulation and Licences and tax legislation.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by understanding where there was a susceptibility of fraud. We also considered performance targets and Directors' remuneration incentives and how they could influence Directors to manage reported revenue and earnings.
- We obtained an understanding of the procedures and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on the understanding obtained we designed audit procedures to identify non-compliance with the laws and regulations, as noted above. This included enquiries of Directors, the Audit Committee, review of Board minutes, review of legal expenses.
- We tested manual and automated journal entries, including those to revenue, focusing on journal entries containing characteristics of audit interest, and year end consolidation journals. Also refer to Key audit matters section above for procedures performed to test appropriateness of revenue recognition.
- We tested and challenged the key estimates and judgements made by Directors in preparing the financial statements for indications of bias or management override when presenting the results and financial position of the group.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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

31 March 2022

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 2021

	Note	2021 £000	Restated 2020 £000
Revenue	2	**22,942**	17,372
Cost of sales	3	**(11,489)**	(8,717)
Gross profit		**11,453**	8,655
Marketing and distribution costs	3	**(276)**	(311)
Contribution		**11,177**	8,344
Operating costs	3	**(15,680)**	(19,710)
Other income	10	**4,101**	–
Operating loss		**(402)**	(11,366)
Finance costs	8	**(305)**	(568)
Finance income	8	**461**	11
Loss before tax from continuing operations		**(246)**	(11,923)
Tax – continuing operations	9	**(192)**	1,055
Loss for the year – continuing operations		**(438)**	(10,868)
Profit/(loss) after taxation from discontinued operations	11(g)	**35,001**	(1,964)
Profit/(loss) for the year		**34,563**	(12,832)
Attributable to:			
Owners of the Company		**34,563**	(12,832)
Basic (loss)/earnings per share attributable to owners of the Company			
From continuing operations	12(a)	**(0.3)p**	(5.8)p
From discontinued operations	12(a)	**20.6p**	(1.0)p
Total	12(a)	**20.3p**	(6.8)p
Diluted (loss)/earnings per share attributable to owners of the Company			
From continuing operations	12(b)	**(0.3)p**	(5.8)p
From discontinued operations	12(b)	**20.6p**	(1.0)p
Total	12(b)	**20.3p**	(6.8)p
Adjusted loss per share attributable to owners of the Company			
Basic	12(c)	**(1.7)p**	(2.8)p
Diluted	12(c)	**(1.7)p**	(2.8)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.

Prior year comparatives have been restated to excluded the results of the LEIDSA contract which have been included with the results of the Global Tote business and Bump 50:50 within profit/(loss) after taxation from discontinued operations.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Profit/(loss) for the year		**34,563**	(12,832)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit and loss			
Actuarial gain/(loss) on retirement benefit liability – discontinued operations		**186**	(344)
Deferred tax on movement on retirement benefit liability – discontinued operations	19	**–**	88
		186	(256)
Items that may be subsequently reclassified to profit and loss			
Currency translation differences – continuing operations		**(617)**	237
Currency translation differences – discontinued operations		**(550)**	(314)
Less: gain reclassified to profit and loss on disposal of foreign operations	11	**(3,373)**	–
		(4,540)	(77)
Total other comprehensive expense for the year, net of tax		**(4,354)**	(333)
Total comprehensive income/(expense) for the year		**30,209**	(13,165)
Attributable to:			
Owners of the Company		**30,209**	(13,165)

Consolidated Balance Sheet

AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
ASSETS			
Non-current assets			
Goodwill	13	**604**	604
Intangible fixed assets	14	**6,357**	7,343
Property, plant and equipment	15	**4,261**	5,077
Right-of-use assets	16	**4,657**	1,133
Trade and other receivables	18	**158**	156
Deferred tax assets	19	**–**	4
Total non-current assets		**16,037**	14,317
Current assets			
Trade and other receivables	18	**1,750**	1,517
Inventories	20	**124**	120
Current tax receivable	9	**–**	1,442
Cash and cash equivalents	21	**22,367**	11,821
		24,241	14,900
Assets classified as held for sale	11i	**–**	27,671
Total current assets		**24,241**	42,571
TOTAL ASSETS		**40,278**	56,888
LIABILITIES			
Current liabilities			
Trade and other payables	22	**(7,945)**	(14,104)
Provisions	23	**(736)**	(321)
Lease liabilities	24	**(923)**	(823)
Deferred tax liabilities	19	**–**	(94)
Current tax liabilities	9	**(4,718)**	(4,700)
		(14,322)	(20,042)
Liabilities directly associated with assets classified as held for sale	11i	**–**	(7,507)
Total current liabilities		**(14,322)**	(27,549)
Net current assets		**9,919**	15,022
Non-current liabilities			
Lease liabilities	24	**(6,091)**	(3,059)
Deferred tax liabilities	19	**(43)**	–
Provisions	23	**–**	(1,121)
Total non-current liabilities		**(6,134)**	(4,180)
TOTAL LIABILITIES		**(20,456)**	(31,729)
NET ASSETS		**19,822**	25,159
EQUITY			
Ordinary shares	29	**1,000**	37,750
Other reserves		**3,527**	16,539
Retained earnings		**15,295**	(29,130)
TOTAL EQUITY		**19,822**	25,159

The financial statements on pages 53 to 108 were approved and authorised for issue by the Board of Directors on 31 March 2022 and were signed on its behalf by:

Andrew Lindley
Director
Company Registration Number: SC069140

Nicola Rowlands
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

		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* (note 26)	–	–	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 (note 29)	–	–	–	–	334	334
Cancellation of capital redemption reserve	–	(10,312)	–	–	10,312	–
Capital reduction (note 29)	(35,862)	–	–	–	35,862	–
Fees in relation to capital reduction (note 29)	–	–	–	–	(66)	(66)
Fees in relation to share buy-back (note 29)	–	–	–	–	(314)	(314)
Share buy-back (note 29)	(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**

Other reserve includes the premium on shares issued of £314k in relation to the acquisition of Lot.to Systems Limited in 2019, which is recorded as a merger reserve.

**Net of deferred tax.*

Consolidated Statement of Changes in Equity continued

FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2020	37,750	10,312	(382)	6,942	(16,645)	37,977
Comprehensive (expense)/income						
Loss for the year	–	–	–	–	(12,832)	(12,832)
Other comprehensive items						
Actuarial loss on defined benefit pension liability* (note 26)	–	–	(256)	–	–	(256)
Currency translation differences	–	–	–	(77)	–	(77)
Total other comprehensive items	–	–	(256)	(77)	–	(333)
Total comprehensive items	–	–	(256)	(77)	(12,832)	(13,165)
Transactions with owners						
Share option charge (note 29)	–	–	–	–	347	347
Total transactions with owners	–	–	–	–	347	347
Total changes in equity	–	–	(256)	(77)	(12,485)	(12,818)
At 31 December 2020	37,750	10,312	(638)	6,865	(29,130)	25,159

Other reserve includes the premium on shares issued of £314k in relation to the acquisition of Lot.to Systems Limited in 2019, which is recorded as a merger reserve and cumulative actuarial movements on defined benefit pension schemes net of deferred tax.

**Net of deferred tax*

Consolidated Statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Cash generated from operations, before separately disclosed items	30	**511**	3,928
Interest received		**–**	13
Interest paid		**–**	(84)
Tax refund received	9	**1,442**	–
Tax paid	9	**(1,029)**	(1,029)
Net cash generated from operating activities before separately disclosed items		**924**	2,828
Cash inflows – other income	10	**2,483**	–
Cash outflows – separately disclosed items	4	**(2,407)**	(484)
Cash generated from operations		**1,000**	2,344
Cash flows from investing activities			
Disposal of Sports Haven (net of transaction costs)	11(a)	**4,193**	–
Disposal of Bump 50:50 (net of cash disposed of and transaction costs)	11(f)	**4,644**	–
Consideration paid for Lot.to Systems Limited, net of cash acquired	25	**–**	(500)
Disposal of LEIDSA contract (net of cash disposed of and transaction costs)	11(f)	**9,417**	–
Disposal of Global Tote (net of cash disposed of and transaction costs)	11(f)	**22,636**	6,180
Proceeds from sale of intangible assets	14	**150**	–
Investment in intangible fixed assets	14,11	**(1,012)**	(1,650)
Purchase of property, plant and equipment	15,11	**(582)**	(753)
Net cash generated from investing activities		**39,446**	3,277
Cash flows used in financing activities			
Principal paid on lease liabilities		**(1,333)**	(1,316)
Interest paid on lease liabilities		**(179)**	(339)
Share buy-back including transaction costs	29	**(35,880)**	–
Interest received		**27**	–
Interest paid		**(2)**	–
Cash used in financing activities		**(37,367)**	(1,655)
Net increase in cash and cash equivalents		**3,079**	3,966
Effect of foreign exchange on cash and cash equivalents		**(171)**	(72)
Cash and cash equivalents at the beginning of the year		**11,821**	15,565
Opening cash included in asset held for sale and excluded from cash and cash equivalents		**7,638**	–
Cash and cash equivalents at the end of the year		**22,367**	19,459
Less cash held by assets held for sale		**–**	(7,638)
Group cash and cash equivalents at the end of the year	21	**22,367**	11,821
Represented by:			
Cash and cash equivalents	21	**22,367**	11,821
Less customer funds	21	**(455)**	(465)
Adjusted net cash at the end of the year	21	**21,912**	11,356

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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 2021. Following the disposals the Group continues to provide pari-mutuel betting (B2C) and lottery technology (B2B).

GOING CONCERN

As discussed in the Directors' report on page 43, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Following the completion of the disposal of the LEIDSA Lottery contract on 31 December 2021, the Group has realised significant cash, the Board will continue to engage with shareholders to assess the optimal use of capital.

The forecasts used in the analysis of the Group's ability to continue in operational existence for the foreseeable future include both the base plan and downside scenarios which although Sportech has no connections with Russia or Ukraine through its operations (no employees located there nor any customers or suppliers in the region), include assumptions taking into account macro-economic potential indirect impacts of the events unfolding.

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.

Notes to the financial statements continued

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.

The Board applied judgement and concluded that the Global Tote business and the Bump 50:50 operation were held for sale at the prior year end and considered to be discontinued activities. The Group also agreed the disposal of its freehold property in New Haven, Connecticut, USA known as "Sports Haven" and the Board considered this asset to be held for sale as at 31 December 2020. Finally, the Group agreed the disposal of its entire interest in its contract for the supply of lottery systems to Loteria Electrónica Internacional Dominicana S.A. (LEIDSA) in December 2021.

As such the results of the Global Tote and Bump 50:50 have been presented separately in the income statement in the current and prior year. Given the classification as a discontinued operation in 2021, the results of the LEIDSA supply contract have been presented separately in the income statement and the prior year comparatives have also been restated to present the results separately. The assets and liabilities associated with the Global Tote division, Bump 50:50 as well as the net book value of the Sports Haven property were presented separately as assets held for sale on the prior year balance sheet and as liabilities directly associated with held for sale assets as appropriate. Given the disposal of the LIEDSA supply contract was completed in the year the assets and liabilities have been removed from the balance sheet and a profit on disposal included within discontinued operations.

Recognition of deferred contingent consideration for Bump 50:50

In addition to the consideration received during the year for the disposal of Bump 50:50, there is potential further consideration due to the Group of CAD$2m if Bump 50:50 achieves revenues in the financial year ending 31 December 2022 of CAD$6.5m or more. The Group has received information from the buyer they believe Bump is likely to achieve revenue in excess of CAD$6.5m however not sufficient information was provided for the Directors to conclude that it is virtually certain the amount will be received by the Group. It is therefore concluded that there is not sufficient evidence to recognise the asset, as such it is being disclosed as a contingent asset rather than a receivable on the Group's balance sheet.

The recoverability of the receivable is binary i.e. it is either paid in 2023 calendar year if 2022 revenue is CAD$6.5m or more, or it is not paid. The probable recoverability is judgemental and the Directors will reassess the recoverability at each period end.

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.

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 28).

A critical judgement for the current year is the use of capital losses to offset the Spot the Ball gain, and the uncertainty of this results in a provision of £4.6m for corporation tax and £0.6m of interest thereon. The provision is included in the current tax liability, except that the calculated interest has been included in finance costs and accruals. The Group does not believe any provision is required for associated penalties.

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.

In addition, the Irish revenue have assessed the Group for c£90k (€106k) for income tax allegedly underpaid in relation to subsistence claims of Irish field crew. During the year, the Group made a Voluntary Disclosure and paid an amount of c£180k (€211k) to settle the matter, this has been expensed through separately disclosed items in discontinued operations (Global Tote division). It is not certain that the Irish revenue will accept the voluntary disclosure and close the enquiry and therefore there may be additional liabilities to pay in relation to this matter. However, the Board are confident that this will draw the matter to a close and therefore have not made any additional accruals as at 31 December 2021.

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.

Notes to the financial statements continued

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	Revenue is net commission receivable calculated as a share of Net Gaming Revenue ("NGR") derived in retail venues net of cost allowances to the sports book operator (Rush Street International) 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.

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 mainly in the USA through its affiliate provider eBet Technologies Inc. Wagers net of customer winnings and loyalty awards is recognised as revenue.

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 and 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 are structured based on the supply of a turn-key service where both hardware and services are provided throughout the period of the contract. Revenue is 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 is a sale of hardware or software upfront, which is rare and generally not material to the contract as a whole, then this is 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 are either fixed monthly fees, percentages of handle through the tote software or a combination of both and most contracts have fixed monthly "minimums". Revenue is recognised as the obligations under the contract are met.

Europe and rest of world

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

Following initial delivery of hardware and software, we then generate 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 is generally based on

Notes to the financial statements continued

either a percentage of amounts wagered or on a predetermined fixed amount depending on contract terms. Revenue is recognised as the obligations under the contract are met.

Under multiple performance condition arrangements, revenue is allocated to the various elements based on the standalone selling prices determined by the price charged when the same element is sold separately, and revenue is 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 is recognised over the contract term in line with the supply of services, revenue is 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: a pari-mutuel betting website and provision of lottery software and services worldwide;
- Sportech Venues: off-track betting venue management; and
- Corporate costs: central costs relating to the overall management of the Group.

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.

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.

Notes to the financial statements continued

(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.

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.

(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 schemes are generally funded through payments to insurance companies. The Group now only has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed 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.

Notes to the financial statements continued

In the past the Group did have defined benefit plans, until the disposal of Global Tote on 17 June 2021, the plans were accounted for as follows; the asset or liability recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. Scheme curtailments are recognised immediately in profit or loss. Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

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 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.

Financial liabilities

(vi) Classification and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. 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

The fair value of employee options awarded under the Value Creation Plan is calculated using the Black-Scholes model. The fair value of employee PSP awards is 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

Notes to the financial statements continued

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 in vaults and cash held in current 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; it is 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.

(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 2021 and are therefore applicable for the 31 December 2021 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 2021. New standards and amendments effective for periods beginning on or after 1 January 2021 and therefore relevant to these financial statements:

Standard or interpretation	**Applicable for financial year beginning on or after**
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021

All of the other pronouncements are relevant other than IFRS 7, but do not result in the accounting applied by the Group changing.

Notes to the financial statements continued

(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
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	1 January 2022
Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9	1 January 2022
Annual Improvements to IFRS Standards 2019–2021	1 January 2022

IFRS 4 and IFRS 17 and Interest Rate Benchmark Reform are not relevant to the Group.

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	2021 £000	Restated 2020 £000
Continuing operations			
Operating costs per income statement		**(15,680)**	(19,710)
Add back:			
Sports betting investment	2	**260**	261
Depreciation	15,16	**982**	1,621
Amortisation, excluding acquired intangible assets	14	**129**	276
Amortisation of acquired intangible assets	14	**509**	509
Impairment of property, plant and equipment and right-of-use assets	15,16	**–**	4,349
Reversal of impairment of property, plant and equipment	15	**(335)**	–
Share option charge	29	**334**	347
Separately disclosed items (net)	4	**1,101**	229
Adjusted operating costs, pre sports betting investment		**(12,700)**	(12,118)

Adjusted EBITDA is calculated as below:

	2021 £000	Restated 2020 £000
Continuing operations		
Revenue	**22,942**	17,372
Cost of sales	**(11,489)**	(8,717)
Gross profit	**11,453**	8,655
Marketing and distribution costs	**(276)**	(311)
Contribution	**11,177**	8,344
Adjusted operating income and costs (pre sports betting investment)	**(12,700)**	(12,118)
Adjusted EBITDA pre sports betting investment	**(1,523)**	(3,774)
Sports betting investment	**(260)**	(261)
Adjusted EBITDA	**(1,783)**	(4,035)

Prior year comparatives have been adjusted for discontinued operations related to the LEIDSA contract (prior year comparatives were adjusted in the 2020 financial statements to excluded results of the Global Tote and Bump 50:50 business).

Sports Betting investment represents the time and cost the Group has incurred on seeking to secure a Sports Betting licence in the State of Connecticut and also in seeking partnerships across the rest of the US in Sports Betting. It includes lobbying costs and consultants. In both the current and prior year, the costs were all wholly externally incurred and included no internal allocations.

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.

	2021 £000	Restated 2020 £000
From continuing operations:		
Adjusted EBITDA	**(1,783)**	(4,035)
Share option charge	**(334)**	(347)
Depreciation	**(982)**	(1,621)
Amortisation (excluding amortisation of acquired intangibles)	**(129)**	(276)
Net finance costs (excluding certain finance costs – note 8)	**(130)**	(254)
Adjusted loss before tax	**(3,358)**	(6,533)
Tax at 16.4% (2020: 20.3%)	**551**	1,326
Adjusted loss after tax	**(2,807)**	(5,207)

Notes to the financial statements continued

	Note	2021 £000	Restated 2020 £000
From discontinued operations:			
Adjusted EBITDA	11	**6,879**	6,369
Depreciation	11	**(221)**	(2,170)
Amortisation	11	**(151)**	(3,585)
Net finance costs	11	**54**	(68)
Adjusted profit before tax		**6,561**	546
Tax at 25.8% (2020: (60.9)%)		**(1,693)**	333
Adjusted profit after tax		**4,868**	879

2. SEGMENTAL REPORTING

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 (pre sports betting investment)	**(579)**	**1,620**	**(2,564)**	**(1,523)**
Sports betting investment	–	(260)	–	(260)
Adjusted EBITDA	**(579)**	**1,360**	**(2,564)**	**(1,783)**
Share option charge	–	–	(334)	(334)
Depreciation	(10)	(950)	(22)	(982)
Amortisation (excluding amortisation of acquired intangible assets)	(97)	–	(32)	(129)
Segment result before amortisation of acquired intangibles	(686)	410	(2,952)	(3,228)
Amortisation of acquired intangibles	(509)	–	–	(509)
Reversal of impairment of property, plant and equipment	–	335	–	335
Separately disclosed items	(165)	(84)	(852)	(1,101)
Other income	100	4,001	–	4,101
Operating (loss)/profit	(1,260)	4,662	(3,804)	(402)
Net finance income				156
Loss before taxation from continuing operations				(246)
Taxation – continuing operations				(192)
Loss for the year from continuing operations				(438)
Profit after tax from discontinued operations				35,001
Profit for the year				**34,563**

Discontinued operations in relation to the LEIDSA contract were within the Sportech Digital division, formally known as Sportech lotteries. Those in relation to Global Tote and Bump 50:50 were classified as discontinued in 2020 also.

Within Sportech Venues' services revenue there is £545k, of which c£263k which related to 2020 handle taken from Connecticut residents online by out of state operators, the balance is related to 2021 financial year (£282k). It was only in 2021 that those operators received approval from the regulator to take bets from Connecticut residents and as such that Sportech could collect as "source market" fee from those operators.

	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

2020 restated	Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Group £000
Revenue from food and beverage sales	–	1,472	–	1,472
Revenue from rendering of services	304	15,596	–	15,900
Total revenue	304	17,068	–	17,372
Cost of sales	(93)	(8,624)	–	(8,717)
Gross profit	211	8,444	–	8,655
Marketing and distribution costs	–	(311)	–	(311)
Contribution	211	8,133	–	8,344
Adjusted net operating costs (note 1)	(973)	(9,218)	(1,927)	(12,118)
Adjusted EBITDA (pre sports betting investment)	**(762)**	**(1,085)**	**(1,927)**	**(3,774)**
Sports betting investment	–	(261)	–	(261)
Adjusted EBITDA	**(762)**	**(1,346)**	**(1,927)**	**(4,035)**
Share option charge	–	–	(347)	(347)
Depreciation	(10)	(1,595)	(16)	(1,621)
Amortisation (excluding amortisation of acquired intangible assets)	(26)	–	(250)	(276)
Segment result before amortisation of acquired intangibles	(798)	(2,941)	(2,540)	(6,279)
Amortisation of acquired intangibles	(509)	–	–	(509)
Impairment of property, plant and equipment and right-of-use assets	–	(4,349)	–	(4,349)
Separately disclosed items	–	(18)	(211)	(229)
Operating loss	(1,307)	(7,308)	(2,751)	(11,366)
Net finance costs				(557)
Loss before taxation from continuing operations				(11,923)
Taxation – continuing operations				1,055
Loss for the year from continuing operations				(10,868)
Loss after tax from discontinued operations				(1,964)
Loss for the year				(12,832)

Notes to the financial statements continued

	Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Assets held for sale £000	Group £000
Segment assets	2,943	13,681	12,593	27,671	56,888
Segment liabilities	(472)	(8,659)	(15,091)	(7,507)	(31,729)
Other segment items – capital expenditure					
Intangible assets (continuing operations)	230	–	–	–	230
Intangible assets (discontinued operations)	–	–	–	1,420	1,420
Property, plant and equipment (continuing operations)	–	29	–	–	29
Property, plant and equipment (discontinued operations)	121	–	–	603	724

Information by geographical area

	Revenues from external customers Continuing operations		Revenues from external customers Discontinued operations		Non-current assets	
	2021 £000	Restated 2020 £000	2021 £000	Restated 2020 £000	2021 £000	2020 £000
United Kingdom	**62**	180	**1,867**	4,287	**1,316**	1,883
North and South America	**22,880**	17,192	**12,534**	18,368	**14,721**	12,434
Europe	**–**	–	**1,724**	4,871	**–**	–
Other	**–**	–	**294**	823	**–**	–
Total	**22,942**	17,372	**16,419**	28,349	**16,037**	14,317

3. EXPENSES BY NATURE

	Note	2021 £000	Restated 2020 £000
Cost of sales			
Tote and track fees		**10,205**	7,821
F&B consumables		**818**	528
Betting and gaming duties and licences		**99**	79
Repairs and maintenance cost of sales		**34**	48
Programs		**266**	196
Other cost of sales		**67**	45
Total cost of sales		**11,489**	8,717
Marketing and distribution costs			
Marketing		**253**	295
Vehicle costs		**23**	16
Total marketing and distribution costs		**276**	311
Operating costs			
Staff costs – gross, excluding share option charges		**6,661**	7,015
Less amounts capitalised		**(165)**	(230)
Staff costs – net		**6,496**	6,785
Property costs		**2,581**	2,723
IT & Communications		**457**	500
Professional fees and licences		**2,323**	1,521
Insurance		**968**	639
Travel and entertaining		**26**	66
Banking transaction costs and FX		**109**	121
Other costs		**–**	24
Adjusted operating costs (including sports betting investment)		**12,960**	12,379
Share option charge		**334**	347
Depreciation	15,16	**982**	1,621
Amortisation, excluding amortisation on acquired intangibles	14	**129**	276
Amortisation of acquired intangibles	14	**509**	509
Impairment of property, plant and equipment and right-of-use assets	15,16	**–**	4,349
Reversal of impairment of property, plant and equipment	15	**(335)**	–
Separately disclosed items	4	**1,101**	229
Total operating costs		**15,680**	19,710

Notes to the financial statements continued

4. SEPARATELY DISCLOSED ITEMS

	Note	2021 £000	2020 £000
Continuing operations			
Included in operating costs:			
Onerous contract provisions and other losses resulting from exit from Californian operations		**91**	–
Redundancy and restructuring costs		**625**	–
Corporate activity costs	4(a)	**21**	118
Costs in relation to the Spot the Ball VAT refund	4(b)	**10**	44
Costs in relation to exiting the Group's interests in India	4(c)	**13**	65
Costs in relation to the Group's move from Main Market to AIM		**341**	–
UK defined benefit pension scheme buy-out		**–**	2
		1,101	229
Discontinued operations			
Included in operating costs	11	**371**	1,224
Total included in operating costs		**1,472**	1,453
Included in finance costs – continuing operations:			
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2016		**150**	150
Interest paid on VAT settlement reached in 2020		**–**	83
	8	**150**	233
Net separately disclosed items		**1,622**	1,686

(a) Corporate activity costs
Costs incurred in relation to the approach by Standard General LLP to acquire the entire equity of Sportech PLC and other corporate activity.

(b) Costs in relation to the Sport the Ball refund
Advice continues to be received in relation to the corporate tax filings in relation to the Spot the Ball VAT refund in 2016.

(c) Costs in relation to exiting the Group's interests in India
The Group is incurring costs in relation to dissolving the holding company of the joint venture in Mauritius, the issue is ongoing.

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

	2021 £000	2020 £000
Continuing operations – cash outflows from separately disclosed items:		
Redundancy and restructuring costs	**(625)**	(18)
Expenses in relation to the UK defined benefit pension scheme "buy-out"	–	(2)
Costs in relation to the Spot the Ball VAT refund	**(37)**	–
Costs in relation to corporate activity	**(71)**	(127)
Costs in relation to legacy tax disputes	**–**	(17)
Transaction costs – disposal of Global Tote Business	**–**	(16)
One off start-up costs of new ventures, including new venue builds and joint ventures	**–**	(224)
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	**(13)**	(65)
	(1,872)	(469)
Cash outflows from separately disclosed items – discontinued operations (net)	**(535)**	(15)
	(2,407)	(484)

5. EMPLOYMENT COSTS

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

	Continuing 2021 Number	Discontinued 2021 Number	Total 2021 Number	Continuing 2020 Number	Discontinued 2020 Number	Total 2020 Number
Continuing operations						
Sales and marketing	**4**	**13**	**17**	4	12	16
Operations and distribution	**134**	**195**	**329**	121	203	324
Administration and management	**12**	**24**	**36**	26	13	39
Total employees	**150**	**232**	**382**	151	228	379

Their aggregate remuneration comprised:

	Continuing		Discontinued	
	2021 £000	2020 £000	2021 £000	2020 £000
Wages and Salaries	**5,933**	6,207	**4,145**	9,636
Social security costs	**475**	463	**406**	1,061
Pension costs – defined contribution scheme (note 26)	**88**	115	**225**	364
Pension costs – defined benefit scheme (note 26)	**–**	–	**–**	221
Employee remuneration, excluding share option charges	**6,496**	6,785	**4,776**	11,282
Share option expense (note 29)	**334**	347	**–**	–
Total remuneration	**6,830**	7,132	**4,776**	11,382

Notes to the financial statements continued

6. DIRECTORS AND KEY MANAGEMENT REMUNERATION

	Directors		Key management	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**
Short-term employee benefits	**1,115**	757	**1,236**	796
Share-based payments	**45**	103	**45**	103
Pay in lieu of notice	**369**	–	**391**	–
Post-employment benefits	**18**	20	**18**	20
Total remuneration	**1,547**	880	**1,690**	919

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 28 to 40. This information forms part of the financial statements. Retirement benefits are accruing under defined benefit pension schemes for nil Directors (2020: nil). No Directors exercised share options in the year (2020: nil).

In the above table, the prior year includes approved bonuses for 2020 and excludes any bonus which was contingent on the completion of the disposal of the held for sale assets at 31 December 2020 (£221k, excluding employer's taxes). Those bonuses which have now been paid in 2021 have been included in the 2021 amounts in the above table.

Key management is considered to be the Directors of the Company (Executive and Non-executive).

7. AUDITOR REMUNERATION

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

	2021 £000	**2020 £000**
Audit fees	**264**	354
Corporate finance services	**55**	110
Other assurance services	**18**	24
Total fees	**337**	488

8. NET FINANCE INCOME/(COSTS)

	2021 £000	**2020 £000**
Continuing operations:		
Finance costs:		
Interest accrued and paid on tax liabilities	**(150)**	(233)
Interest on lease obligations (note 24)	**(155)**	(265)
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	**–**	(70)
Total finance costs	**(305)**	(568)
Finance income:		
Interest received on bank deposits	**25**	11
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	**436**	–
Total finance income	**461**	11
Discontinued operations (note 11)	**54**	(68)
Net finance income/(costs)	**210**	(625)

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

Continuing operations:	2021 £000	2020 £000
Foreign exchange gain/(loss) on financial assets and liabilities denominated in foreign currency	**436**	(70)
Interest accrued and paid on tax liabilities	**(150)**	(233)
	286	(303)

9. TAXATION

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

	2021 £000	2020 £000
Current tax:		
Current tax on profit for the year	**1,219**	1,176
Adjustments in respect of prior years	**6**	(1,895)
Total current tax	**1,225**	(719)
Deferred tax:		
Origination and reversal of temporary differences	**(56)**	169
Change in rates	**(4)**	(1)
Adjustments in respect of prior years	**13**	(204)
Derecognition of previously recognised deferred tax assets	**–**	986
Total deferred tax	**(47)**	950
Total tax charge	**1,178**	231

	Note	2021 £000	Restated 2020 £000
Total tax charge/(credit) in continuing operations		**192**	(1,055)
Total tax charge in discontinued operations	11	**986**	1,286
Total tax charge		**1,178**	231

Notes to the financial statements continued

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:

	Note	2021 £000	2020 £000
Profit/(loss) for the year		**34,563**	(12,832)
Total tax charge	9	**1,178**	231
Profit/(loss) before tax		**35,741**	(12,601)
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries		**8,065**	(2,669)
Tax effects of:			
– income not taxable net of expenses not deductible for tax purposes		**(5,282)**	449
– foreign taxes paid not provided for		**689**	835
– adjustments in respect of prior years – current tax		**6**	(1,895)
– adjustments in respect of prior years – deferred tax		**13**	(204)
– effect of change in rates		**(4)**	(1)
– deferred tax not recognised during the year		**319**	2,730
– deferred tax not previously provided		**(2,628)**	–
– derecognition of previously recognised deferred tax assets		**–**	986
Total tax charge		**1,178**	231

US deferred tax assets were revalued downwards in 2020 by £986k to £nil carrying value (predominantly foreign taxes paid in the Dominican Republic), following a review of recoverability. Group cash flow forecasts were used and any assets not showing as recoverable within five years were considered not recoverable and a valuation allowance was charged to the income statement. The same analysis was carried out in 2021 and the review confirmed no recoverability and therefore no deferred tax asset has been recognised in the US businesses as at 31 December 2021. 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. Deferred tax in the UK would be provided at 25%, however deferred tax in the UK is valued at £nil as losses carried froward are not expected to be recovered.

Included within the Group's current tax liabilities is a provision of £4.6m for an uncertain tax position in relation to the treatment of the gain included in the 2016 financial statements for the Spot the Ball VAT refund. Included in current tax receivable in the prior year is £1.4m in relation to a refund, which was subsequently received in February 2021, for overpaid tax in relation to the disposal of The Football Pools trade and assets in June 2017.

An analysis of the net current tax liabilities is as follows:

	Note	2021 £000	Restated 2020 £000
At 1 January		**3,258**	4,880
Charged to the income statement – continuing operations		**239**	(1,770)
Charged to the income statement – discontinued operations*		**791**	1,051
Paid during the year – continuing operations		**(105)**	41
Received during the year – continuing operations		**1,442**	–
Paid during the year – discontinued operations*		**(904)**	(1,070)
Transferred to liabilities associated with assets held for sale		**–**	117
Foreign exchange movements		**(3)**	9
At 31 December		**4,718**	3,258
Included in:			
Current assets		**–**	(1,442)
Current liabilities		**4,718**	4,700
		4,718	3,258

** Relating to LEIDSA contract only. 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	2021 £000
Settlement for early termination of a contract		**100**
CARES Act credits received – continuing operations		**1,426**
Profit on disposal of Sports Haven	11(a)	**2,575**
Total – continuing operations		**4,101**
CARES Act credits received – discontinued operations	11(c)	**1,057**
Total		**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 during the year. Proceeds from the settlement for early termination of a contract are due to be received in early Q2 of 2022.

Notes to the financial statements continued

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 is to be leased back for 18 months to 31 October 2022 at a rental of c£36k per month ($50k). On disposal, a lease liability of £633k was recognised as well as a right-of-use asset of £169k. The profit on disposal is analysed as follows:

	2021 £000
Cash consideration received	**4,346**
Net book value disposed of	**(1,154)**
Right-of-use asset recognised	**169**
Lease liability recognised	**(633)**
Costs of disposal	**(153)**
Profit after tax on disposal net of costs	**2,575**

11b) On 2 June 2021 the Group completed the disposal of its 100% interest in Bump (Worldwide) Inc. ("Bump") for gross consideration of £4,941k (CAD$8,462k), including a net working capital settlement of £277k. The division was classified as held for sale as at 31 December 2020 and was part of the Sportech Racing division. Further deferred contingent consideration is potentially due of £1,165k (CAD$2,000k). This has not been recognised given the uncertainty of the revenue hurdle required to be achieved, see note 28.

The profit/(loss) for the period and cashflows from Bump are shown below:

Bump (Worldwide) Inc.:	Note	Period ended 2 June 2021 £000	2020 £000
Revenue		**810**	703
Cost of sales, marketing and distribution and adjusted operating expenses		**(487)**	(1,598)
Adjusted EBITDA		**323**	(895)
Depreciation and amortisation		**–**	(291)
Separately disclosed items		**–**	(65)
Finance income		**78**	45
Profit/(loss) before tax		**401**	(1,206)
Tax, excluding tax arising on disposal		**–**	–
Profit/(loss) after tax		**401**	(1,206)
Gain from selling discontinued operations after tax (net of disposal costs)	11e	**3,805**	–
Profit/(loss) for the period		**4,206**	(1,206)
Net cash flow from/(used in) operating activities		**462**	(801)
Net cash flow used in investing activities		**(37)**	(118)
Net cash inflow/(outflow)		**425**	(919)

Separately disclosed items within the above table in the prior year are disposal costs.

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 profit/(loss) for the period and cashflows from Global Tote are shown below:

Global Tote Group:	**Note**	**Period ended 17 June 2021 £000**	**2020 £000**
Revenue		**12,245**	25,052
Cost of sales, marketing and distribution and adjusted operating expenses		**(8,140)**	(19,525)
Adjusted EBITDA		**4,105**	5,527
Other income		**1,057**	–
Depreciation and amortisation		**–**	(5,083)
Profit on disposal of intangible assets		**68**	–
Separately disclosed items		**(371)**	(1,159)
Finance costs		**(24)**	(113)
Profit/(loss) before tax		**4,835**	(828)
Tax, excluding tax arising on disposal		**(195)**	(528)
Profit/(loss) after tax		**4,640**	(1,356)
Gain from selling discontinued operations after tax (net of disposal costs)	11e	**17,051**	–
Profit/(loss) for the period		**21,691**	(1,356)
Net cash flow from operating activities		**1,944**	6,099
Net cash flow used in investing activities		**(930)**	(1,905)
Net cash flow used in financing activities		**(160)**	(436)
Net cash inflow		**854**	3,758

Separately disclosed items incurred in the period were redundancy and restructuring costs in respect of a rationalisation of this business (£192k) and a provision for an employment tax settlement in Ireland (£179k) (2020: redundancy and restructuring costs in respect of a rationalisation of this business including a provision for dilapidation costs on an expiring lease (£155k) and disposal costs of £1,004k).

11d) On 31 December 2021 the Group completed the disposal of its wholly owned subsidiary, Sportech Lotteries, LLC which had the legal rights to the service contract with LEIDSA who operates the Dominican Republic national lottery. Gross Consideration amounts to £9,854k including an estimate for settlement of net working capital which was in excess of an agreed Target working capital of £431k. Of the consideration, £9,423k was received on 31 December 2021, the final working capital settlement has been received in Q1 2022, there was no variance to estimate as at 31 December 2021.

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

Notes to the financial statements continued

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

Sportech Lotteries, LLC:	Note	Period ended 31 December 2021 £000	2020 £000
Revenue		**3,364**	2,594
Cost of sales, marketing and distribution and adjusted operating expenses		**(913)**	(857)
Adjusted EBITDA		**2,451**	1,737
Depreciation and amortisation		**(372)**	(381)
Profit on disposal of property, plant and equipment		**47**	–
Profit before tax		**2,126**	1,356
Tax, excluding tax arising on disposal		**(791)**	(758)
Profit after tax		**1,335**	598
Gain from selling discontinued operations after tax (net of disposal costs)	11e	**7,769**	–
Profit for the period		**9,104**	598
Net cash flow from operating activities		**1,068**	568
Net cash flow used in investing activities		**(429)**	(121)
Net cash inflow		**639**	447

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

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

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 in 2021 net of cash disposed of		24,352	4,825	9,423	38,600
Disposal costs paid in 2021		(1,716)	(181)	(6)	(1,903)
Cash consideration received net of cash disposed of and disposal costs paid in the period		22,636	4,644	9,417	36,697
Add back cash disposal costs paid in the period		1,716	181	6	1,903
Cash consideration received net of cash disposed of before disposal costs paid in the period		24,352	4,825	9,423	38,600
Cash consideration received in 2020 (including FX movement)		5,945	–	–	5,945
Consideration to be received in 2022		–	–	431	431
Cash consideration received and receivable net of cash disposed of before disposal costs paid in the period	11e	30,297	4,825	9,854	44,976

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

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

	Note	2021 £000	2020 £000
Global Tote	11c	21,691	(1,356)
Bump	11b	4,206	(1,206)
Sportech Lotteries, LLC	11d	9,104	598
		35,001	(1,964)

11h) Summary of cash flows from discontinued operations

	Note	Global Tote Group £000	Bump (Worldwide) Inc. £000	Sportech Lotteries LLC £000	Total £000
Net cash flow from operating activities		1,944	462	1,068	3,474
Net cash flow used in investing activities		(930)	(37)	(429)	(1,396)
Net cash flow used in financing activities		(160)	–	–	(160)
Net cash generated		854	425	639	1,918

Notes to the financial statements continued

11i) Assets held for sale as at 31 December 2020

The net assets at 31 December 2020 of the identified disposal groups and asset held for sale, which have been presented on the Group balance sheet as assets held for sale in current assets and liabilities directly associated with assets held for sale in current liabilities, are as follows:

	Note	Global Tote Group £000	Bump (Worldwide) Inc. £000	Sports Haven property £000	Total £000
Intangible fixed assets	14	4,309	235	–	4,544
Property, plant and equipment	15	6,675	207	1,166	8,048
Right-of-use assets	16	833	–	–	833
Deferred tax assets	19	27	–	–	27
Trade and other receivables		3,718	71	–	3,789
Inventories		2,675	–	–	2,675
Income tax receivable	9	117	–	–	117
Cash and cash equivalents		7,514	124	–	7,638
Total assets held for sale		25,868	637	1,166	27,671
Trade and other payables		(5,186)	(87)	–	(5,273)
Provisions	23	(7)	–	–	(7)
Lease liabilities	24	(998)	–	–	(998)
Retirement benefit liability	26	(1,229)	–	–	(1,229)
Total liabilities directly associated with assets held for sale		(7,420)	(87)	–	(7,507)

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.

				Restated		
	Continuing 2021 £000	Dis-continued 2021 £000	Total 2021 £000	Continuing 2020 £000	Dis-continued 2020 £000	Total 2020 £000
(Loss)/profit attributable to the owners of the Company	**(438)**	**35,001**	**34,563**	(10,868)	(1,964)	(12,832)
Weighted average number of ordinary shares in issue ('000)	**169,785**	**169,785**	**169,785**	188,751	188,751	188,751
Basic (loss)/earnings per share	**(0.3)p**	**20.6p**	**20.3p**	(5.8)p	(1.0)p	(6.8)p

(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.

				Restated		
	Continuing 2021 £000	Dis-continued 2021 £000	Total 2021 £000	Continuing 2020 £000	Dis-continued 2020 £000	Total 2020 £000
Loss)/profit attributable to the owners of the Company	**(438)**	**35,001**	**34,563**	(10,868)	(1,964)	(12,832)
Weighted average number of ordinary shares in issue ('000)	**169,785**	**169,785**	**169,785**	188,751	188,751	188,751
Dilutive potential ordinary shares	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A
Total potential ordinary shares	**169,785**	**169,785**	**169,785**	188,751	188,751	188,751
Diluted (loss)/earnings per share	**(0.3)p**	**20.6p**	**20.3p**	(5.8)p	(1.0)p	(6.8)p

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 2021 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.

	2021			2020		
Continuing operations	Adjusted loss after tax £000	Weighted average number of shares £000	Per share amount Pence	Restated Adjusted loss after tax £000	Weighted average number of shares £000	Restated Per share amount Pence
Basic adjusted EPS	**(2,807)**	**169,785**	**(1.7)p**	(5,207)	188,751	(2.8)p
Diluted adjusted EPS	**(2,807)**	**169,785**	**(1.7)p**	(5,207)	188,751	(2.8)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:

	2021		2020		
	Sportech Digital £000	Total £000	eBet £000	Sportech Digital £000	Total £000
Cost					
At 1 January	**604**	**604**	5,548	604	6,152
Transferred to held for sale	**–**	**–**	(5,548)	–	(5,548)
At 31 December	**604**	**604**	–	604	604
Accumulated impairment charges					
At 1 January	**–**	**–**	(5,548)	–	(5,548)
Transferred to held for sale	**–**	**–**	5,548	–	5,548
At 31 December	**–**	**–**	–	–	–
Closing net book value	**604**	**604**	–	604	604

As required by IAS 36, an impairment test has been carried out as at 31 December 2021. In testing for impairment, other assets used solely to generate cash flows in the Sportech Digital CGU are also included, totalling £1,037k.

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:

- The base year cash flow is represented by the 2022 budget EBITDA as per the Board approved plan;
- The online Lottery for LEIDSA is expected to go live in H2 2022, revenues are forecasted to start at a low base but then to grow quickly;
- One new lottery customer is assumed in January 2023 and a further new customer in June 2023;
- No increase in the cost base of the development support team;
- Capital expenditure remains at 2021 levels into perpetuity;
- Growth in 123Bet revenues following moderate increases in marketing spend. 20% growth is assumed in 2023 and 2024, 15% in 2025 and 10% in 2026, and nil growth into perpetuity, 40% EBITDA margin; and
- a post-tax discount rate of 13.5% was used representing a market-based weighted average cost of capital appropriate for the Sportech Digital 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 £2,726k and accordingly no impairment was identified.

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 £1,640k.

- no further increases in revenue beyond 2023 levels in either Lot.to or 123Bet;
- EBITDA therefore remains flat at £432k per annum into perpetuity.

14. INTANGIBLE FIXED ASSETS

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

Of the amounts capitalised in the year in continuing operations, £165k arose from capitalising staff costs for development expenditure (2020: £230k). Of the amounts capitalised in the year in discontinued operations, £nil arose from capitalising staff costs for development expenditure (2020: £1,420k). Amortisation has been included within operating costs.

Assets 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.

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 £5,616k ($7,569k, 2020: £5,545k, $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 2021. 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) £12,680k, $17,088k (2020: £9,876k, $13,479k).

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 8% in 2022 and 1% per annum thereafter and 2% decline into perpetuity;
- 3% increase in online handle in 2022, 5% in 2023, 2% in 2024 and 2025 and into perpetuity;
- 7% increase in handle at the Stamford venue in 2022 and handle is assumed to decline by 5% thereafter through 2025, and 2% decline into perpetuity;
- a 44% increase in core F&B revenues, which excludes the Stamford venue, in 2022 reflecting further recovery from COVID-19 restrictions, a 1% increase in 2023, 2024 and 2025 and thereafter stable revenues into perpetuity;
- F&B revenues at the Stamford venue are forecasted to increase by 70% in 2022, again reflecting recovery from COVID-19 restrictions, to increase a further 10% in 2023, 5% in 2024 and 3% in 2025, and remain flat thereafter into perpetuity;
- Sports betting revenues are forecasted to increase by 8% from 2022 budget levels in 2023 and by 6% in 2024 and 2025 and to then remain flat 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 13.5% (2020: 10.5%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU. The pre-tax discount rate was 18.9% (2020: 14.7%).

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 £16,792k ($22,630k) and accordingly no impairment was identified (2020: 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.

- 2% decline for 2023 through 2025 rather than 1% for core wagering handle;
- 3%, 1% and 1% growth for online handle in 2023 through 2025 rather than 5%, 2% and 2%;
- Stamford's handle remains at 2022 forecast levels;
- All other costs remain constant;
- Core F&B delivers same EBITDA as 2022 budget - $65k throughout the period; and
- Stamford F&B delivers same EBITDA as 2022 budget - loss of $219k throughout the period.

Notes to the financial statements continued

For information, if a 0.5% increase in the post-tax discount rate to 14.0% was used in the Base Case model this would lead to a value in use of £14,697k.

Restated 2020	Customer contracts and relationships £000	Software £000	Licences £000	Other £000	Total £000
Cost					
At 1 January 2020	862	37,558	17,024	2,960	58,404
Additions – continuing operations	–	230	–	–	230
Additions – discontinued operations	–	1,366	–	54	1,420
Transferred to held for sale	(862)	(33,801)	(11,328)	(3,014)	(49,005)
At 31 December 2020	–	5,353	5,696	–	11,049
Accumulated amortisation					
At 1 January 2020	862	29,938	13,178	3,715	47,693
Charge for year – continuing operations	–	735	50	–	785
Charge for year – discontinued operations	–	3,585	–	–	3,585
Transferred to held for sale	(862)	(30,664)	(12,349)	(3,715)	(47,590)
At 31 December 2020	–	3,594	879	–	4,473
Exchange differences at 1 January 2020	–	1,158	1,989	1,077	4,224
Movement in the year	–	(74)	(201)	(53)	(328)
Transferred to held for sale	–	(1,084)	(1,021)	(1,024)	(3,129)
Exchange differences at 31 December 2020	–	–	767	–	767
Net book amount at 31 December 2020	–	1,759	5,584	–	7,343

An impairment test was carried out as at 31 December 2020 on the Group's licence in perpetuity to offer pari-mutuel off-track betting in the State of Connecticut in the US.

The recoverable amount of the asset was 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 5% in 2021 and 1% per annum thereafter and 1% decline into perpetuity;
- 3% increase in online handle in 2021, 5% in 2022, 2% in 2023 and 2024 and 2% into perpetuity;
- 61% increase in handle at our Stamford venue in 2021, 5% in 2022 and handle is assumed to remain flat thereafter and into perpetuity (handle is assumed to be transferrable to other nearby venues or to online when the lease expires in May 2025);
- a 90% increase in core F&B revenues, which excludes the Stamford venue, in 2021 reflecting recovery from COVID-19 restrictions, a 5% increase in 2022 and thereafter stable revenues into perpetuity;
- F&B revenues at the Stamford venue are forecasted to increase by 93% in 2021, again reflecting recovery from COVID-19 restrictions, to increase a further 50% in 2022 and 32% in 2023 and remain flat thereafter to the expiry of the lease in May 2025;
- 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 10.5% (2019: 9.5%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU. The pre-tax discount rate was 14.7% (2019: 13.3%).

The above assumptions were 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 £10,967k and accordingly no impairment was identified.

15. PROPERTY, PLANT AND EQUIPMENT

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**

Depreciation charges 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);
- Pari-mutuel handle was assumed to increase by 7% from 2021 to 2022 but then decrease by 5% per annum until 2025 and by 2% thereafter into perpetuity;
- F&B revenues are forecasted to increase by 69% in 2022 (recovering from the depressed 2020 and 2021 levels due to COVID-19 restrictions), by 10% in 2023 and by 5% in 2024 and 3% in 2025, and to then remain flat into perpetuity;
- Sports betting revenues are forecasted to increase by 8% from 2022 budget levels in 2023 and by 6% in 2024 and 2025 and to then remain flat into perpetuity (is it assumed the 10-year contract with CLC will be renewed in perpetuity);

Notes to the financial statements continued

- Capital expenditure will average at $100k per annum into perpetuity; and
- a post-tax discount rate of 13.5% (2020: 9.5%) 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 £3,119k. Accordingly a reversal of impairment of £335k 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.

Restated 2020	Leasehold improvement 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 2020	16,573	11,785	5,423	74	33,855
Additions – continuing operations	–	–	–	29	29
Additions – discontinued operations	–	710	–	14	724
Transferred to held for sale	(8,180)	(9,473)	(1,870)	(86)	(19,609)
At 31 December 2020	8,393	3,022	3,553	31	14,999
Accumulated depreciation and impairment charges					
At 1 January 2020	11,320	4,260	4,225	–	19,805
Charge for year – continuing operations	401	31	382	–	814
Charge for year – discontinued operations	40	1,742	8	–	1,790
Transferred to held for sale	(8,869)	(4,520)	(1,974)	–	(15,363)
Impairment	1,888	–	633	–	2,521
At 31 December 2020	4,780	1,513	3,274	–	9,567
Exchange differences at 1 January 2020	2,003	1,198	425	–	3,626
Movement in the year	(27)	(24)	(126)	(2)	(179)
Transferred to held for sale	(1,854)	(1,846)	(104)	2	(3,802)
Exchange differences at 31 December	122	(672)	195	–	(355)
Net book amount at 31 December 2020	3,735	837	474	31	5,077

The table has been restated to show additions which are in continuing activities and those which are classed as discontinued.

Impairment

Management considered that indicators of impairment of assets at the Stamford sports bar venue in Connecticut, USA had arisen during the six months to 30 June 2020 based on its trading performance, the likely recovery from forced closure during the COVID-19 pandemic and also changes to strategy in relation to closure of nearby venues. As a result, an impairment test was carried out to determine the value-in-use of the assets at the venue. The carrying value of the assets at 30 June 2020, prior to any impairment, was £2,521k. The following key assumptions were made in the value-in-use calculation:

- The break clause will be activated to end the lease in May 2025 and the trade at the venue would terminate;
- Handle was assumed to remain flat through the period at 2019 levels to June 2025;
- F&B revenues were forecasted to remain flat through to June 2025 at management's expected "post-pandemic" levels;
- There would be no capital expenditure; and
- a post-tax discount rate of 9.5% (2019: 9.5%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU.

Following the impairment review, the recoverable amount of those assets was deemed to be £nil and accordingly an impairment of £2,521k was identified and charged to the income statement within operating costs.

No further indicators of impairment of property, plant and equipment arose in the second half of 2020.

16. RIGHT-OF-USE ASSETS

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 2021	**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 2021	**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 2021	**(42)**	**(1)**	**(2)**	**(45)**
Net book amount at 31 December 2021	**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 has been 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.

Notes to the financial statements continued

2020	Land and buildings £000	Vehicles £000	Plant & machinery £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2020	7,698	237	–	40	7,975
Additions – continuing operations	304	29	–	13	346
Additions – discontinued operations	73	30	205	–	308
Transferred to held for sale	(1,134)	(267)	(205)	–	(1,606)
At 31 December 2020	6,941	29	–	53	7,023
Accumulated depreciation					
At 1 January 2020	1,282	97	–	13	1,392
Charge for year – continuing operations	791	2	–	14	807
Charge for year – discontinued operations	225	97	58	–	380
Reassessment of lease term	2,231	–	–	–	2,231
Impairment	1,828	–	–	–	1,828
Transferred to held for sale	(479)	(194)	(58)	–	(731)
At 31 December 2020	5,878	2	–	27	5,907
Exchange differences at 1 January 2020	(263)	(6)	–	(2)	(271)
Movement in the year	250	(1)	(3)	–	246
Transferred to held or sale	33	6	3	–	42
Exchange differences at 31 December 2020	20	(1)	–	(2)	17
Net book amount at 31 December 2020	1,083	26	–	24	1,133

The table has been restated to show additions and depreciation which are in continuing activities and those which are classed as discontinued.

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 will be completed in 2022.

18. TRADE AND OTHER RECEIVABLES

	2021 £000	2020 £000
Non-current		
Other receivables	**158**	156
Non-current trade and other receivables	**158**	156
Current		
Trade receivables	**781**	778
Less provision for impairment of receivables	**–**	(111)
Trade receivables – net	**781**	667
Other receivables	**480**	62
Accrued income	**279**	292
Prepayments	**210**	496
Current trade and other receivables	**1,750**	1,517
Total trade and other receivables	**1,908**	1,673

The fair value of trade and other receivables is not considered to be different from the carrying value recorded above. Other receivables includes £423k due from Inspired Entertainment Inc. for final working capital settlement on disposal of LEIDSA.

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

	2021 £000	2020 £000
At 1 January	**111**	875
Charged to the income statement – discontinued operations	**–**	362
Utilisation of provision	**(111)**	–
Transferred to held for sale	**–**	(1,167)
Foreign exchange movements	**–**	41
At 31 December	**–**	111

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

	2021 £000	2020 £000
Sterling	**233**	69
US Dollar	**1,675**	1,604
Total	**1,908**	1,673

Trade receivables that are not more than three months past due are not considered impaired. As at 31 December 2021, £102k (2020: £177k) of trade receivables were more than three months past due and not impaired. Management also considers that these receivables are recoverable in full.

19. DEFERRED TAX

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

	Note	Asset 2021 £000	Liability 2021 £000	Net 2021 £000	2020 £000
Net deferred tax asset at 1 January		**4**	**(94)**	**(90)**	**808**
Income statement (charge)/credit – continuing operations	9	**(4)**	**51**	**47**	(715)
Income statement charge – discontinued operations		**–**	**–**	**–**	(235)
Tax credited directly to other comprehensive income		**–**	**–**	**–**	88
Deferred tax transferred to assets held for sale		**–**	**–**	**–**	(27)
Exchange differences		**–**	**–**	**–**	(9)
Net deferred tax asset at 31 December		**–**	**(43)**	**(43)**	(90)
Included in:					
Non-current assets		**–**	**–**	**–**	4
Current liabilities		**–**	**–**	**–**	(94)
Non-current liabilities		**–**	**(43)**	**(43)**	–
		–	**(43)**	**(43)**	(90)

Notes to the financial statements continued

Deferred tax assets

	Pension £000	Capital allowances £000	Other temporary differences £000	Total £000
At 1 January 2020	–	33	957	990
Income statement charge – continuing operations	–	4	(807)	(803)
Income statement charge – discontinued operations	(88)	(5)	(142)	(235)
Tax credited directly to other comprehensive income	88	–	–	88
Transferred to assets held for sale	–	(27)	–	(27)
Currency translation differences	–	(1)	(8)	(9)
At 31 December 2020	–	4	–	4
Income statement charge – continuing operations	–	(4)	–	(4)
At 31 December 2021	**–**	**–**	**–**	**–**

The Group has not recognised further deferred tax assets on gross timing differences in continuing operations of: £6,804k in the US (2020: £21,637k) arising from unutilised trading losses and carried forward foreign tax credits; £nil (2020: £6,123k) from capital tax allowances versus accounting charges; and £5,212k (2020: £7,985k) from other short term timing differences. In the UK, £2,177k gross timing differences exist arising from trading losses and £32k on depreciation charged in excess of capital allowances claimed, which have not been provided for.

The Directors reviewed the recoverability of the deferred tax assets in the US and the UK during the year and did not consider there is sufficient certainty of future profits against which these losses/credits which could be offset due to expected future profit generation levels in the respective business units. A significant proportion of the tax losses unprovided for last year end in the US were utilised against profits on disposal of the discontinued operations in the US (as was expected at 31 December 2020, however accounting prevented the anticipation of such utilisation in the recognition of deferred tax assets.)

Deferred tax assets are recognised when it is probable that future taxable profits will be generated against which assets can be utilised.

Deferred tax liabilities

	Other temporary differences £000	Total £000
At 1 January 2020	(182)	(182)
Income statement credit – continuing operations	88	88
At 1 January 2021	(94)	(94)
Income statement credit– continuing operations	51	51
At 31 December 2021	**(43)**	**(43)**

Of the deferred tax liability, £5k is the remaining balance from that which was recognised on the acquisition of Lot.to Systems Limited, in relation to intangible assets identified. The balance is in relation to the S&S Venues partnership. All of the deferred tax liability is recorded in non-current liabilities (2020: current liabilities).

20. INVENTORIES

	2021 £000	2020 £000
Finished goods	**124**	120

The cost of inventories (food and beverage inventory) recognised as an expense and included in cost of sales amounted to £818k (2020: £528k). Food and beverage inventory is included in finished goods. There was no provision for obsolescence held against inventories at 31 December 2021 (2020: £nil).

21. CASH AND CASH EQUIVALENTS

	Note	2021 £000	2020 £000
Cash and short-term deposits		**21,912**	11,356
Customer funds	22	**455**	465
		22,367	11,821

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 £455k (2020: £465k) 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	2021 £000	2020 £000
Trade payables		**3,545**	3,581
Other taxes and social security costs		**178**	141
Accruals		**3,767**	3,737
Deferred income		**–**	6,180
Player liability	21	**455**	465
		7,945	14,104

There is no difference between book values and fair values of trade and other payables. All amounts are due within one year. Deferred income in 2020 is consideration received in advance not yet recorded in income related to an Initial Payment received from BetMakers Technology Group Ltd for the acquisition of certain parts of the Racing and Digital division.

23. PROVISIONS

	Onerous contracts £000	Other Provisions £000	Total £000
At 1 January 2020	1,597	8	1,605
Utilised during the year	(105)	–	(105)
Transferred to liabilities associated with assets held for sale	–	(7)	(7)
Currency differences	(50)	(1)	(51)
At 1 January 2021	1,442	–	1,442
Utilised during the year	(785)	–	(785)
Charged to the income statement	91	–	91
Currency differences	(12)	–	(12)
At 31 December 2021	**736**	**–**	**736**
Of which:			
Current provisions	736	–	736

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 leases it entered into in California. The amounts provided for in prior year represented management's best estimate based on scenario analysis of what the Group was expecting to pay to settle the liabilities. During the period one lease dispute was settled resulting in a cash outflow of £785k (including legal fees). The second lease dispute was settled subsequent to the period end but prior to approving these financial statements, for £736k (including estimated legal fees to completion of the legal process). The estimated legal fees amount to £45k and could differ from management's expectations. The liability was settled in March 2022.

Notes to the financial statements continued

24. LEASE LIABILITIES

Maturity analysis – contractual undiscounted cash flows	2021 £000	2020 £000
Less than one year	**1,211**	1,085
Between 2 and 5 years	**2,615**	3,241
More than 5 years	**4,824**	–
Total	**8,650**	4,326

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	2021 £000	2020 £000
Current	**923**	823
Non-current	**6,091**	3,059
Total	**7,014**	3,882

Movement in lease liability during the year	Note	2021 £000	2020 £000
At 1 January		**3,882**	7,724
New leases entered into		**1,698**	654
Reassessment of lease term	16	**2,835**	(2,231)
Interest charged to the income statement – continuing operations	8	**155**	265
Interest charged to the income statement – discontinued operations		**–**	74
Lease rentals paid – continuing operations		**(1,354)**	(1,219)
Lease rentals paid – discontinued operations		**–**	(436)
Disposed of on settlement of lease dispute		**(169)**	–
Transferred to held for sale		**–**	(998)
Movement as a result of foreign exchange		**(33)**	49
At 31 December		**7,014**	3,882

25. FINANCIAL LIABILITIES

Movements in the year are as below:

	2021 £000	2020 £000
At 1 January	**–**	500
Instalment payments made	**–**	(500)
At 31 December	**–**	–

26. PENSION SCHEMES

The Group operates defined contribution schemes in the UK. Datatote and Lot.to employees contribute to a separate defined contribution scheme to that of Sportech PLC employees. The Group operated a further funded defined benefit scheme in the US, two defined contribution schemes in the US and a defined contribution scheme in Ireland within its discontinued operations.

Summary of pension contributions paid:

	2021 £000	2020 £000
Defined contribution scheme contributions – continuing operations	**88**	115

Defined contribution schemes

Continuing and discontinued operations

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

Discontinued operations only

For employees in Ireland (of which there are 13), the Group contributes between 7.5% and 12.5% of salary, dependent on length of service, into a defined contribution scheme. For employees in France and Turkey (of which there are one and seven respectively), all pensions cover is provided through employer and employee social security contributions.

Summary of pension contributions paid:

	2021 £000	2020 £000
Defined contribution scheme contributions – discontinued operations	**225**	364

Defined benefit schemes – discontinued operations

The Group had a defined benefit scheme in the US which is administered by an insurance company and provides retirement benefits to employees who are members of a collective bargaining unit represented by the International Brotherhood of Electrical Workers. Benefits are based on value times credited service.

The amounts recognised in the balance sheet within liabilities associated with assets held for sale in the prior year are as follows:

	2020 £000
Fair value of plan assets	3,674
Present value of the scheme's liabilities	(4,903)
Deficit in the scheme	(1,229)

The figures below have been determined by qualified actuaries at the balance sheet date using the following assumptions:

	US 2020
Discount rate	2.5%
Rate of increase in salaries	N/A
Rate of inflation	N/A
Mortality table	Pri-2012 Total Dataset (Employee/Retiree) with Scale MP-2021

The qualified actuaries who valued the scheme are The Prudential Insurance Company.

The scheme was transferred on disposal to Betmakers Technology Group Limited on 17 June 2021. Contributions in the period were £219k, service cost was £120k, actuarial movement was £186k credit to reserves and the foreign exchange movement was £53k debit, leaving a closing net lability disposed of of £997k (opening net liability £1,229k).

Notes to the financial statements continued

The movement in the net defined benefit obligation over the prior year was as follows:

	Present value of obligation £000	Fair value of plan asset £000	Total £000
At 1 January 2020	4,766	(3,687)	1,079
Income statement expense/(income) – discontinued operations:			
– Current service cost	88	–	88
– Interest expense/(income)	147	(119)	28
– Administrative expenses	–	105	105
	235	(14)	221
Remeasurements:			
– Currency exchange movements	(256)	216	(40)
– Loss from change in actuarial assumptions	340	4	344
	84	220	304
Contributions:			
– Employer's	–	(375)	(375)
Payments from plans:			
– Benefit payments	(182)	182	–
At 31 December 2020	4,903	(3,674)	1,229

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.

27. FINANCIAL INSTRUMENTS

Financial risk management policies and objectives
The key financial risks borne by the Group, and the policy of managing those risks, are outlined below:

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

Credit risk
The Group's main exposure to credit risk is in accounts receivable and is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry, country in which customers operate. Credit risk is managed locally by assessing the creditworthiness of each new customer before agreeing payment and delivery terms.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on annual revenue and the corresponding historical credit losses experienced over the past five years as annual percentages. On that basis, no loss allowance as at 31 December 2021 (2020: £nil) was determined other than specific provisions for bad debts in trade receivables.

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

Foreign exchange risk

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

The Group continually monitors the foreign currency risks and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. In doing so, the Group considers whether use of foreign exchange forward contracts would be appropriate in fixing the economic impact of forecasted profitability. As at 31 December 2021, there were no outstanding commitments on foreign exchange forward contracts (2020: none). The Group did not enter into any forward contracts during the year (2020: 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.

	2021		2020	
	Average	Closing	Average	Closing
US Dollars	**1.37**	**1.35**	1.29	1.36
Euro	**1.16**	**1.19**	1.13	1.11

If the exchange rates in 2021 were comparable to those in 2020, profit after tax would have been £25,627k and the net assets would have been £19,595k at 31 December 2021.

If exchange rates had be 1% higher/lower in 2021 than the prevailing rates during the year, profit for the year would have been £115k higher/lower and net assets as at 31 December 2021 would have been £19,646k (£176k lower/higher).

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:

	2021 £000	2020 £000
Financial assets measured at amortised cost	**24,065**	12,998
Financial liabilities measured at amortised cost	**(14,781)**	(11,665)

Maturity of financial liabilities

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

28. 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 £114k (2020: £67k).

Notes to the financial statements continued

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

	2021 £000	2020 £000
No later than one year	**26**	50
Later than one year and no later than five years	**1**	10
Total	**27**	60

Contingent items

Bump contingent consideration receivable

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

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

Tax

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

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.

Legal

The Group is engaged in certain disputes in the ordinary course of business which could potentially lead to outflows greater than those provided for on the balance sheet. The maximum possible exposure considered to exist, in view of advice received from the Group's professional advisors, is up to £0.1m (2020: £0.5m). Management is of the view that the risk of those outflows arising is not probable and accordingly they are considered contingent items.

29. ORDINARY SHARES

Authorised, issued and fully paid ordinary shares of 1p (2020: 20p) each	2021		2020	
	'000	£000	'000	£000
At 1 January	**188,751**	**37,750**	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**	188,751	37,750

On 28 September 2021. The Scottish Court approved the reduction of the Company's nominal share value from 20p to 1p per share and also the cancellation in full of the Capital redemption reserve (£10,312k). Costs associated with the process were expensed to retained earnings (£66k).

On 21 October 2021 the Company completed a tender offer to buy back of 88,751,257 shares for consideration of £35,500k (40p per share). The shares repurchased were cancelled reducing the number of shares in issue to 100 million. Fees associated with the buy-back were £314k and were expensed to retained earnings.

Potential issue of ordinary shares

Value Creation Plan

On 24 May 2017, shareholders approved the creation of a new executive management incentive plan known as the Value Creation Plan (VCP). Participants in the VCP were granted an Award giving them a future right to earn ordinary shares in the Company based on the cumulative total shareholder return generated over the VCP performance period. The VCP provides participants with a pool of ordinary shares with a value equal to 20% of any cumulative shareholder value created above a compound hurdle rate of 8% per annum. However, in the event of a change of control that results in accelerated vesting in 2017 or 2018, or in the case of an Executive Director being deemed a "Good Leaver" (as defined in the VCP rules) in 2017 or 2018, the compound hurdle rates for vesting will be 12% and 10% respectively.

All awards lapsed on 31 December 2021 as the hurdle was not achieved.

Awards were valued using a Black-Scholes-Merton option pricing model. The fair value per award granted and the assumptions used in the valuation calculation are as below:

Valuation date (date of award issues)	11 September 2019	29 June 2018	21 July 2017
VCP performance period start date	01 January 2017	01 January 2017	01 January 2017
End of vesting period	31 December 2021	31 December 2021	31 December 2021
Share price at period start date	£0.978	£0.978	£0.978
Expected term	2.3 years	3.5 years	4.43 years
Expected volatility	40%	40%	35%
Dividend yield	0%	0%	0%
Risk free rate	0.47%	0.80%	0.51%
Fair value of each issued share in VCP	£8	£279	£463

Notes to the financial statements continued

30. CASH GENERATED FROM OPERATIONS

Reconciliation of profit/(loss) before taxation to cash generated from operations, before separately disclosed items:

	Note	2021 £000	2020 £000
Loss before tax – continuing operations		**(246)**	(11,923)
Profit/(loss) before tax – discontinued operations	11	**35,987**	(678)
Total profit/(loss) before tax		**35,741**	(12,601)
Adjustments for:			
Separately disclosed items (included in operating costs)	4	**1,472**	1,453
Other income (excluding profit on disposal of Sports Haven)	10	**(2,583)**	
Depreciation and amortisation	14,15,16	**1,992**	8,161
Profit on disposal of discontinued operations	11e	**(28,625)**	–
Profit on disposal of Sports Haven	11a	**(2,575)**	–
Profit on sale of property, plant and equipment	11d	**(47)**	–
Profit on sale of intangible assets	11c	**(68)**	–
(Reversal of impairment)/impairment of assets	15,16	**(335)**	4,349
Net finance costs	8	**(210)**	625
Share option expense		**334**	347
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(2,162)**	2,791
Decrease/(increase) in inventories		**192**	(179)
Decrease in trade and other payables		**(448)**	(1,060)
(Decrease)/increase in customer funds		**(2,167)**	42
Cash generated from operating activities, before separately disclosed items		**511**	3,928

31. RELATED PARTY TRANSACTIONS

The extent of transactions with related parties of Sportech PLC and the nature of the relationships with them are summarised below:

a. Key management compensation is disclosed in note 6.

b. 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 (202: £nil).

32. RELATED UNDERTAKINGS

Subsidiaries, excluding dormant companies	Country of incorporation	Registered address	Class of shares held	Shareholding
Sportech Group Holdings Limited	England & Wales	16	Ordinary	100%
Sportech Gaming Limited	England & Wales	16	Ordinary	100%
Sportech Pools Limited	England & Wales	16	Ordinary	100%
Sportech Pools Games Limited	England & Wales	16	Ordinary	100%
Sportech Holdco 1 Limited[3]	England & Wales	1	Ordinary	100%
Sportech Holdco 2 Limited	England & Wales	16	Ordinary	100%
Datatote (England) Limited[3]	England & Wales	1	Ordinary	100%
Lot.to Systems Limited	England & Wales	16	Ordinary	100%
Playlot.to Limited[1]	England & Wales	16	Ordinary	100%
Sportech Mauritius Limited	Mauritius	2	Ordinary	100%
Sportech, Inc.	United States	3	Ordinary	100%
Sportech Venues, Inc.	United States	3	Ordinary	100%
eBet Technologies, Inc.[3]	United States	3	Ordinary	100%
Sportech Venues California, LLC	United States	3	Ordinary	100%
Sportech Venues CA Holdco, LLC	United States	3	Ordinary	100%
Sportech Racing, LLC[3]	United States	4	Ordinary	100%
Sportech Lotteries, LLC[4]	United States	3	Ordinary	100%
Sportech Retail, LLC	United States	3	Ordinary	100%
Bump Worldwide, Inc.[2]	Canada	5	Ordinary	100%
Sportech Racing Canada, Inc.[3]	Canada	5	Ordinary	100%
Sportech Racing Limited	British Virgin Islands	7	Ordinary	100%
Racing Technology Ireland Limited[3]	Ireland	8	Ordinary	100%
Autotote Europe GmbH[3]	Germany	9	Ordinary	100%
Sportech Racing GmbH[3]	Germany	10	Ordinary	100%
Sportech Racing Turkey[3]	Turkey	11	Ordinary	100%
Sportech Racing SAS[3]	France	12	Ordinary	100%

1 Playlot.to Limited was dissolved on 19 January 2021.

2 Bump Worldwide Inc was disposed of on 2 June 2021.

3 Global Tote subsidiaries were disposed of on 17 June 2021.

4 Sportech Lotteries, LLC was disposed of on 31 December 2021.

Notes to the financial statements continued

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 (non-trading)	India	13	Ordinary	50%
S&S Venues California, LLC	United States	3	Ordinary	50%
DraftDay Gaming Group, Inc (non-trading)	United States	14	Ordinary	30%

Dormant companies	Country of incorporation	Registered address	Class of shares held	Shareholding
Thepools.com Limited	England & Wales	16	Ordinary	100%
C&P Promotions Limited	England & Wales	16	Ordinary	100%
Pools Promotions Limited	England & Wales	16	Ordinary	100%
Sportech Pools Competitions Company Limited	England & Wales	16	Ordinary	100%
Bet 247 Limited	England & Wales	16	Ordinary	100%
Pools Company Limited	England & Wales	16	Ordinary	100%
Sportech Management Limited[1]	Scotland	15	Ordinary	100%
Sportech Pools Trustee Company Limited[1]	Scotland	15	Ordinary	100%

1 Sportech Pools 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, Otawa, 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. KalaycioglluSitesi 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

Company Balance Sheet

AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
ASSETS			
Non-current assets			
Intangible fixed assets	C5	**276**	503
Investment in subsidiaries	C7	**26,257**	64,071
Trade and other receivables	C8	**2,679**	6,621
Deferred tax assets		**–**	7
		29,212	71,202
Current assets			
Trade and other receivables	C8	**197**	191
Income tax receivable		**–**	151
Cash and cash equivalents		**6,769**	10,597
		6,966	10,939
TOTAL ASSETS		**36,178**	82,141
LIABILITIES			
Current liabilities			
Trade and other payables	C9	**(8,770)**	(30,635)
Income tax payable		**(110)**	–
		(8,880)	(30,635)
Net current liabilities		**(1,914)**	(19,696)
NET ASSETS		**27,298**	51,506
EQUITY			
Ordinary shares	29	**1,000**	37,750
Other reserves	29	**1,202**	10,626
Retained earnings carried forward		**25,096**	3,130
TOTAL EQUITY		**27,298**	51,506

The profit after tax for the Company for the year was £11,338k (2020: loss of £2,168k).

The Company financial statements on pages 109 to 116 were approved and authorised for issue by the Board of Directors on 31 March 2022 and were signed on its behalf by:

Andrew Lindley
Director
Company Registration Number: SC069140

Nicola Rowlands
Director

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

		Other reserves			
	Ordinary shares £000	**Capital redemption reserve £000**	**Other reserve £000**	**Retained earnings £000**	**Total £000**
At 1 January 2020	37,750	10,312	314	4,951	53,327
Comprehensive income					
Loss of the year	–	–	–	(2,168)	(2,168)
Transactions with owners					
Share option charge	–	–	–	347	347
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**

The premium on the shares issued of £314k is recorded as a merger reserve in Other reserves.

See note 29 for explanation of cancellation of capital redemption reserve, capital reduction and share buy-back.

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Cash generated from operations, before separately disclosed items	C11	**32,987**	5,002
Interest paid		**–**	(118)
Interest received		**–**	12
Tax refunds received		**162**	23
Net cash generated from operating activities before separately disclosed items		**33,149**	4,919
Cash outflows from separately disclosed items		**(1,170)**	(232)
Net cash generated from operating activities		**31,979**	4,687
Cash flows from investing activities			
Dividends received		**–**	211
Proceeds from disposal of intangible fixed assets	C5	**150**	–
Net cash from investing activities		**150**	211
Cash flows (used in)/from financing activities			
Share buy-back		**(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		**(35,957)**	–
Net (decrease)/increase in cash and cash equivalents		**(3,828)**	4,898
Net cash and cash equivalents at the beginning of the year		**10,597**	5,699
Net cash and cash equivalents at the end of the year		**6,769**	10,597

Notes to the Company Financial Statements

C1. ACCOUNTING POLICIES

The accounting policies applied by the Company are consistent to those disclosed on pages 61 to 72 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 31 March 2022.

C3. AUDITOR REMUNERATION

Fees payable to the Company auditors for the audit of these financial statements are £64k (2020: £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	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**
Short-term employee benefits	**1,115**	757	**1,236**	796
Share-based payments	**45**	103	**45**	103
Pay in lieu of notice	**369**	–	**391**	–
Post-employment benefits	**18**	20	**18**	20
Total remuneration	**1,547**	880	**1,690**	919

The Company had four employees at 31 December 2021 (2020: five).

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 28 to 40. This information forms part of the financial statements. Retirement benefits are accruing under defined benefit pension schemes for nil Directors (2020: nil). Nil Directors exercised share options in the year (2020: nil).

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

C5. INTANGIBLE FIXED ASSETS

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**

2020	Software £000	Total £000
Cost		
At 1 January and 31 December 2020	18,103	18,103
Accumulated amortisation		
At 1 January 2020	17,328	17,328
Charged during the year	272	272
At 31 December 2020	17,600	17,600
Net book amount at 31 December 2020	503	503

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

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

Notes to the Company Financial Statements continued

2020	Plant and machinery £000	Total £000
Cost		
At 1 January and 31 December 2020	183	183
Accumulated depreciation		
At 1 January and 31 December 2020	183	183
Net book amount at 1 January and 31 December 2020	–	–

C7. INVESTMENTS IN SUBSIDIARIES

A full list of the Company's subsidiaries and other related undertakings is included in note 32 of the Group Consolidated Financial Statements.

At 31 December 2021, 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.

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

	2021 £000	2020 £000
At 1 January	**64,071**	64,071
Impairment	**(37,814)**	–
At 31 December	**26,257**	64,071

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 2021 the enterprise value of the subsidiaries of SGHL amounted to £25,068k and the enterprise value of the Company's Lot.to Systems Limited subsidiary was £1,189k. As a result, an impairment of £37,814k was charged to operating costs in the income statement. This impairment reflects the cash paid to shareholders in the share buyback from disposals of subsidiaries and cash paid up to Sportech PLC from the disposing entities. Following the impairment, the Directors consider the carrying value of £26,257k 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.

When applying the downside assumptions detailed in note 14 to the cashflows in the forecasts used to determine the carrying value of investments which the Company holds, the carrying value reduces from £26,257k to £22,189k. The Directors consider the downside assumptions occurring in unison to be a possible but remote scenario. There exists potential upsides to the forecasts which have not been modelled which would increase the carrying value of the Company's investments such as improvement on each assumption outlined in note 14, in particular in sports betting revenues achieved and the enforcement by the State of Connecticut of the Company's exclusive rights to operate online wagering and Sportech Venues' ability to drive value from its exclusivity in the State from operators taking bets from Connecticut residents.

C8. TRADE AND OTHER RECEIVABLES

	2021 £000	2020 £000
Non-current		
Amounts owed by Group companies	**2,679**	6,621
Current		
Amounts owed by Group companies	**6**	78
Other receivables	**73**	70
Prepayments	**118**	43
Current trade and other receivables	**197**	191
	2,876	6,812

Amounts due in more than one year are from:

	2021 £000	2020 £000
Datatote (England) Limited	**–**	833
Sportech Inc.	**259**	2,996
Lot.to Systems Limited	**2,375**	1,337
Bump (Worldwide) Inc.	**–**	175
Ontario Inc.	**45**	–
Sportech Racing GmbH	**–**	1,280
	2,679	6,621

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

	2021 £000	2020 £000
Trade payables	**82**	656
Amounts owed to Group companies	**7,643**	28,611
Social security and other taxes	**29**	29
Accruals	**1,016**	1,339
	8,770	30,635

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. It is expected that the remaining loans with the Football Pools companies which are all now dormant, will be 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 £4,600k (2020: £15,882k).

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.

Notes to the Company Financial Statements continued

C11. CASH GENERATED FROM OPERATIONS

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

	Note	2021 £000	2020 £000
Profit/(loss) before taxation		**11,444**	(2,007)
Adjustments for:			
Investment income		**(14,168)**	(211)
Separately disclosed items		**944**	1,413
Amortisation of intangible assets	C5	**145**	272
Profit on disposal of intangible assets	C5	**(68)**	–
Impairment of investments	C7	**37,814**	–
Finance costs		**229**	268
Finance income		**(2)**	(12)
Other finance (income)/expense		**(148)**	54
Share option charge		**334**	347
Changes in working capital:			
Movement in trade and other receivables		**3,936**	(2,489)
Movement in trade and other payables		**(7,473)**	7,367
Cash generated from operating activities, before separately disclosed items		**32,987**	5,002

C12. RELATED PARTY TRANSACTIONS

The Company had the following transactions with subsidiaries during the year:

	2021 £000	2020 £000
Management charges received	**1,223**	624
Management charges paid	**(50)**	(209)
Royalty income received	**–**	1,463
Investment income	**14,168**	211
Loan receivable from Sportech Racing GmbH waived	**(1,004)**	–
Loan payable to Datatote (England) Limited waived	**4,190**	–
Loan payable to Sportech Pools Limited waived	**10,581**	–
Loan payable to Sportech Holdco 2 Limited waived	**23,822**	–
Interest paid on inter-company loan balances	**(155)**	(153)
Interest received on inter-company loan balances	**76**	119

The amount outstanding in relation to management charges at the balance sheet date was £6k (2020: £178k). All inter-company transactions are on an arm's-length basis.

Investment income is a dividend received from the Company's 100% owned subsidiary Sportech Group Holdings Limited (2020: dividend income from Sportech Group Holdings Limited).

Advisors and Corporate Information

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Peel Hunt LLP
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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.

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E-mail: enquiries@linkgroup.co.uk

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London EC3V 0HR

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Company registration number
SC069140

Internet
The Group website can be found at www.sportechplc.com. This site is regularly updated to provide information about the Group. The Group's press releases and announcements can be found on the site.

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