

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

Interim Results & Proposed Delisting

Sportech (AIM:SPO), an international betting technology business, is pleased to announce its interim results for the six months ended 30 June 2023 ("H1 2023" or the "period").

Summary

The Group has continued to deliver solid operational performance, marked by stable revenue growth and a renewed emphasis on margin enhancement. This strategic approach has led to a 7.2% increase in gross profit and a notably improved Adjusted EBITDA performance, in comparison to the same period of the previous year.

The Group's Adjusted EBITDA demonstrated positive momentum, reaching £0.9 million (£0.4 million in H1 2022). This improvement was fuelled by several key factors, most notably growth in contributions from US gaming and a sustained focus on optimizing operational and corporate costs.

In July 2023, the Group completed a share capital restructuring that helped to provide approximately 3,600 smaller shareholders with a cost effective exit. Additionally, the Company announced a meaningful return of capital to shareholders totalling £3.5 million, paid in August 2023, bringing the cumulative shareholder repayments to c.£46 million over the past two years and c.£121 million since 2017. Group cash (excluding customer balances) at the end of H1 2023 was £7.8 million and at the end of August 2023 was £3.6 million.

However, it is important to acknowledge the significant financial burden associated with maintaining a listing on the public markets, particularly given the Company's reduced size, following the successful implementation of the strategic drive to return capital to investors. In light of this, the Board will today also announce, subject to shareholder approval, a proposed cancellation of its ordinary shares to trading on AIM (the "Proposed Cancellation"). The background to and reasons for the Proposed Cancellation will be set out in a separate announcement, and if approved by shareholders, is expected to deliver significant future cost savings and strengthen the Company's financial position.

Key Financials (£ million)	H1 2023	Constant Currency H1 2022	Actual Reported H1 2022
Revenue	13.5	13.4	12.6
Gross Profit	7.4	6.9	6.5
Contribution ¹	7.1	6.7	6.3
Adjusted EBITDA ²	0.9	0.4	0.3
Loss before tax from continuing operations	(0.3)	(0.9)	(0.8)
Adjusted loss before tax ³	(0.3)	(0.4)	(0.4)
Distributions to shareholders	-	7.0	7.0

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

Richard McGuire, Executive Chairman of Sportech, said: "Despite delivering improving operational results announced today, the substantial financial cost associated with maintaining a public listing, given our current scale, and the increasing volatility in the market valuation is adversely impacting net returns and future prospects. Regrettably, in light of these circumstances, we find it necessary to take the difficult but pragmatic step of proposing delisting from the AIM market today."

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Group Operational Overview

Navigating Challenges and Seizing Opportunities: A Solid Performance in H1 2023

Amidst the intricacies of a predominantly physical retail business within a heavily regulated industry, the Group's performance in H1 2023 stands as a testament to resilience and strategic prowess. Overcoming the challenges inherent to delivering scalable growth in such an environment, the Company managed to deliver enhanced results in H1.

The Board has remained proactive in charting the path forward. Management continue to address the operational cost structure of the Group and expand operations beyond its historic major dependence on pari-mutuel wagering. In January 2023 the Company unveiled the divestiture of certain non-core assets. This strategic move coupled with the receipt of contingent proceeds resulting from a prior year disposal, resulted in both streamlining future operating costs and bolstering Group cash by a net amount of £1.5 million.

The dedication to positive initiatives, coupled with the cultivation of an efficient operational cost base, yielded a commendable outcome. Despite a modest yet steady revenue growth, the Group was pleased to achieve positive Adjusted EBITDA, a testament to the Group's prudent financial management.

Looking ahead to the latter half of 2023, operational focus remains resolute. Strengthening Company affiliations with betting partners, seizing scalable growth opportunities, and realigning non-operational costs to harmonize with the Group's scale stand out as pivotal objectives for the management team. We are committed to capitalizing on our strengths, adjusting the operational cost to manage growth prospects, and optimizing our performance within this intricate and opportunistic landscape.

£'000	Revenue		EBITDA ¹	
	H1 2023	H1 2022 ¹	H1 2023	H1 2022 ²
Continuing operations				
Venues	12,651	12,442	1,923	1,612
Digital	894	912	(24)	(101)
Corporate costs	-	-	(1,030)	(1,125)
Total at constant currency	13,544	13,354	869	386
Exchange rate impact	-	(783)	-	(75)
Total reported	13,544	12,571	869	311

1. Adjusted EBITDA

2. 2022 numbers are at constant currency.

Sportech Digital

Following the 2021 sale of the core lottery contract and delivery of the contractual obligations the decision was taken to sell the remaining non-core lottery related assets in January 2023.

Digital £'000	H1 2023	Constant Currency H1 2022	Reported Currency H1 2022
Service revenue	857	912	857
Contribution	354	378	355
Contribution margin	41.4%	41.5%	41.4%
Adjusted operating expenses ¹	(379)	(479)	(462)
Adjusted EBITDA	(24)	(101)	(107)
Intangible assets capex	-	97	97
Tangible assets capex	-	22	22
Total capex	-	119	119

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

Sportech Venues

Sportech Venues operates nine gaming locations/venues in the State of Connecticut under an exclusive and in-perpetuity license for pari-mutuel betting and under agreement with the state lottery for sports betting. This section outlines the company's performance in key areas and highlights its strategies for growth.

Financial Performance:

Food and Beverage (F&B) Revenue:

In H1 2023, F&B revenue increased +10%, reaching £1.85 million, (H1 2022 £1.68m) demonstrating stability, until the anticipated return to normal office occupancy occurs.

Betting Handle:

The overall betting handle within venues increased by 2.2% to \$101.8 million. This growth was primarily driven by a \$5.1 million increase in gross sports betting handle, effectively offsetting the \$2.9 million decline in pari-mutuel.

Betting handle represents the gross wagering by the Group retail customers in Pari-Mutuel (Tote) and Sports Betting. It is an essential Key Performance Indicator, however is not recorded as revenue within the Group. The Revenue recorded from pari-mutuel (pool betting) handle is the gross take out. Essentially the 'take out' is removed from the pool, and the remaining money returned to winning wagers. For Sports Betting the revenue contribution is precisely the 'commission' received from our sports betting arrangement with the Connecticut Lottery Corporation. Sports Betting handle is a core KPI, there is no direct relationship to profitability however as its risk-based fixed odds and the clear KPI remains the hold on the handle or simply the gross profit (Gross Gaming Revenue) which ultimately defines the Group sports betting commission/revenue.

Sports Betting:

Sportech offers sports betting in collaboration with the Connecticut Lottery Corporation (CLC). The net commission generated supports the Group's operational cost base. H1 2023 saw significant growth in retail sports betting handle (+10.6%) and gross profit (+39.5%). This achievement is notable, especially in the face of competition from neighbouring Massachusetts.

Risk Management:

Sportech reminds investors of the inherent risk in fixed odds sports betting compared to traditional pool betting (pari-mutuel). During the period, the Group managed approximately \$50.1 million in retail sports betting handle, with a Sportech risk exposure of around \$12.5 million. Despite challenges and a tough June when customers certainly enjoyed better Baseball results, the gross profit ('hold') stood at an impressive 10.2% of handle. The American Football season, which is the Group's busiest season, has now commenced bringing additional opportunity and risks to the Group.

Pari-Mutuel Betting:

While pari-mutuel betting across the estate handled \$51.7 million, there was a decline of 5.3% compared to H1 2022. Physical locations remained stable, but Telebetting and online products faced increased competition from iCasino gaming and sports betting for the consumer discretionary betting dollar.

Strategic Outlook:

1. Contribution Margin: The contribution margin improved to 53.4% (compared to 50.8% in H1 2022). This positive trajectory is commendable, considering the costs associated with meeting sports betting requirements and enhancing infrastructure.

2. Operational Footprint: Sportech operates across eight leasehold premises and one freehold property in Connecticut, USA. The company is actively exploring opportunities to expand its product range and enhance promotion efforts.

Conclusion:

Sportech Venues' performance in H1 2023 demonstrates resilience and growth potential. The company's focus on sports betting, despite its inherent risks, has yielded support to date, offsetting the higher cost of operating a physical retail business. As the gaming landscape in Connecticut evolves with changes in sportsbook providers and competitive pressures, the Group remains committed to managing relationships and optimizing its operational and financial performance.

Venues £'000	H1 2023	Constant Currency H1 2022	Reported Currency H1 2022
Wagering revenue	9,786	9,997	9,412
F&B	1,852	1,682	1,584
Sports betting commission	1,012	763	718
Total revenue	12,651	12,442	11,714
Contribution	6,751	6,315	5,939
Contribution margin	53.4%	50.8%	50.7%
Adjusted operating expenses ¹	(4,827)	(4,703)	(4,414)
Adjusted EBITDA	1,923	1,612	1,525
Total capex	120	15	15

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

Corporate Costs

Corporate costs reduced a further £0.1 million during the period. However the Board is acutely aware of the cost of maintaining a public company listing and has proposed today a delisting from AIM, which would significantly reduce corporate costs going forward if approved by shareholders and align costs as close as possible to the reduced size of the Group.

Separately Disclosed Items

The Group incurred costs of £0.1 million (H1 2022: £0.5 million) during the period, which are shown as separately disclosed items. H1 2023 items are associated with corporate activity, as the Group continues to assess and explore its strategic options.

Net Finance Costs

The Group has no debt. The Group had a net finance expense in continuing operations of £(0.2) million (H1 2022: £0.1 million), this was primarily the interest payable on lease liabilities.

Taxation

Taxation is provided based on management's best estimate of the expected weighted average annual taxation rate for the full year. The estimated weighted average annual tax rate for the year ended 31 December 2023 is (10)% (2022: (8.5%)). The movement is a result of a change in mix of profits/(losses) in jurisdictions with varying tax rates, the non-recognition of deferred tax on losses in the UK due to uncertainty of non-recovery as well as the utilization of previously unprovided tax assets in the US.

The Group has submitted an appeal to HMRC to contest the treatment of £4.6 million of taxation potentially due on the 2016 Spot the Ball refund. This amount was paid to HMRC, however in the event the Company is unsuccessful in its appeal there remains a potential c £0.7 million interest due. There is nothing held on the balance sheet in respect of the tax itself, the interest is accrued and if payable will be a cash outflow.

Net Cash

The Group held cash balances of £7.8 million, excluding customer balances (31 December 2022: £7.4 million) as of 30th June 2023. Post the period end the Group has repurchased c.£0.5 million of shares as part of the share restructuring and returned £3.5 million to shareholders in August 2023 via a capital return distribution. The updated cash balance at the end of August 2023 was c £3.6 million

Capital Expenditure

Capital expenditure ("Capex"), was controlled again in the period and amounted to £0.1 million (H1 2022: £0.1 million), whilst management anticipate higher Capex in H2 2023 due to upgrading security recording equipment and general heating and ventilation system improvements.

Shareholders' Funds

Shareholders' funds decreased by £0.8 million from 31 December 2022 to £13.2 million (31 December 2021: £14.0 million). The loss made in the period of £0.3 million is coupled with a reduction in reserves due to foreign exchange loss on translation of net assets denominated in Sterling over the period.

Going Concern

After making reasonable enquiries and forecasting the Group's cash flows with reasonable downside assumptions applied, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

Interim consolidated income statement

For the six months ended 30 June 2023

	Note	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Revenue		13,544	12,571	26,004
Cost of sales	6	(6,183)	(6,043)	(11,847)
Gross profit		7,361	6,528	14,157
Marketing and distribution costs	6	(256)	(234)	(386)
Contribution		7,105	6,294	13,771
Other income		-	155	(14,803)
Operating costs	6	(7,231)	(7,390)	120
Operating loss		(126)	(941)	(912)
Finance costs	8	(178)	(93)	(254)
Finance income	8	-	232	232
Loss before taxation from continuing operations		(304)	(802)	(934)
Taxation – continuing operations		(30)	(29)	(79)
Loss for the period from continuing operations		(334)	(831)	(1,013)
Profit after taxation from discontinued operations		-	-	1,183
(Loss)/ profit for the period		(334)	(831)	170
Attributable to:				
Owners of the Company		(334)	(831)	170
Basic (loss)/profit per share attributable to owners of the Company				
Total	10	(0.3)p	(0.8)p	0.2p
Diluted (loss)/profit per share attributable to owners of the Company				
Total	10	(0.3)p	(0.8)p	0.2p
Adjusted loss per share attributable to owners of the Company				
Basic	10	(0.2)p	(0.4)p	0.2p
Diluted	10	(0.2)p	(0.4)p	0.2p

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

Interim consolidated statement of comprehensive income

For the six months ended 30 June 2023

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
(Loss)/profit for the period	(334)	(831)	170
Other comprehensive expense:			
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial gain on retirement benefit liability	-	-	-
	(334)	(831)	170
<i>Items that may be subsequently reclassified to profit and loss</i>			
Currency translation differences – continuing operations	(529)	983	1,047
Total other comprehensive income/(expense) for the period, net of tax	(529)	983	1,047
Total comprehensive income for the period	(863)	152	1,217
Attributable to:			
Owners of the Company	(863)	152	1,217

Interim consolidated statement of changes in equity

For the six months ended 30 June 2023

Six months ended 30 June 2023	Other reserves				Retained earnings £000	Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000		
At 1 January 2023 (audited)	1,000	888	314	3,372	8,465	14,039
Comprehensive income/(expense)						
Loss for the period	-	-	-	-	(334)	(334)
Other comprehensive items						
Currency translation differences	-	-	-	(529)	-	(529)
Total other comprehensive items	-	-	-	(529)	-	(529)
Total comprehensive items	-	-	-	(529)	(334)	(863)
Transactions with owners						
Dividend paid	-	-	-	-	-	-
Total changes in equity	-	-	-	(526)	(334)	(863)
At 30 June 2023 (unaudited)	1,000	888	314	2,823	8,151	13,176

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

* Net of deferred tax.

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

* Net of deferred tax

Interim consolidated balance sheet

As at 30 June 2023

	Note	As at 30 June 2023 (Unaudited) £000	As at 30 June 2022 (Unaudited) £000	As at 31 December 2022 (Audited) £000
ASSETS				
Non-current assets				
Goodwill		-	604	87
Intangible fixed assets	11	6,166	6,939	6,939
Property, plant and equipment	12	4,165	4,409	4,522
Right-of-use assets	13	4,315	4,813	5,042
Trade and other receivables	14	167	176	177
Deferred tax asset		15	-	15
Total non-current assets		14,829	16,941	16,782
Current assets				
Trade and other receivables	14	1,685	1,393	1,978
Inventories		146	140	146
Current tax receivable		2	54	228
Contingent consideration (gross receivable)		-	-	1,229
Cash and cash equivalents	15	8,240	8,588	7,811
Total current assets		10,073	10,175	11,392
TOTAL ASSETS		24,902	27,116	28,174
LIABILITIES				
Current liabilities				
Trade and other payables	16	(5,243)	(6,959)	(6,564)
Provisions	17	-	(17)	-
Lease liabilities	19	(927)	(678)	(1,155)
Current tax liabilities		43	-	-
Deferred tax liabilities		-	-	-
Total current liabilities		(6,127)	(7,654)	(7,935)
Net current assets		3,946	2,521	3,457
Non-current liabilities				
Lease liabilities	19	(5,620)	(6,477)	(6,200)
Deferred tax liabilities		21	(11)	-
		(5,559)	(6,488)	(6,200)
TOTAL LIABILITIES		(11,276)	(14,142)	(14,135)
NET ASSETS		13,176	12,974	14,039
EQUITY				
Ordinary shares		1,000	1,000	1,000
Other reserves		4,022	4,510	4,574
Retained earnings		8,154	7,464	8,465
TOTAL EQUITY		13,176	12,974	14,039

Interim consolidated statement of cash flows

For the six months ended 30 June 2023

	Note	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
From operating activities				
Cash (used in)/generated from operations, before separately disclosed items	18	(141)	(544)	119
Interest received		-	-	-
Interest paid		-	-	-
Tax refund received		150	-	-
Tax paid		(43)	(4,843)	(5,083)
Net cash generated from/(used in) operating activities before separately disclosed items		(34)	(5,387)	(4,964)
Cash inflows – other income		-	100	-
Cash outflows - separately disclosed items	7	(99)	(1,219)	(1,457)
Cash used in operations		(133)	(6,506)	(6,421)
From investing activities				
Disposal of LEIDSA contract (net of cash disposed of and transactions costs)		-	26	-
Contingent consideration in relation to sale of Bump 50:50		1,012	-	-
Proceeds from sale of other intangible assets		500	-	-
Investment in intangible fixed assets	11	-	(97)	(196)
Purchase of property, plant and equipment	12	(120)	(38)	(147)
Cash generated from/(used in) investing activities		1,392	(109)	(343)
From financing activities				
Principal paid on lease liabilities	19	(579)	(622)	(1,127)
Interest paid on lease liabilities	19	(162)	(69)	(230)
Dividend paid		-	(7,000)	(7,000)
Cash used in financing activities		(741)	(7,691)	(8,357)
Net increase/ (decrease) in cash and cash equivalents		519	(14,306)	(15,121)
Effect of foreign exchange on cash and cash equivalents		(90)	527	565
Cash and Cash equivalents at beginning of year		7,811	22,367	22,367
Group cash and cash equivalents at the end of the period	15	8,240	8,588	7,811
Represented by:				
Cash and cash equivalents	15	8,240	8,588	7,811
Less customer funds	15	(448)	(450)	(391)
Group cash and cash equivalents at the end of the period	15	7,792	8,138	7,420

Notes to the consolidated interim financial statements

For the six months ended 30 June 2023

1. General information

Sportech PLC (the “Company”) is a company domiciled in the UK and listed on the London Stock Exchange’s Alternative Investment Market (“AIM”). The Company’s registered office is Collins House, Rutland Square, Edinburgh, Midlothian, Scotland EH1 2AA. The condensed consolidated interim financial statements of the Company as at and for the period ended 30 June 2023 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the “Group”). The Company’s accounting interim reference date is 30 June 2023. The principal activities of the Group were the provision of pari-mutuel betting (B2C), the Group now operates nine retail venues and MyWinners.com offering pari-mutuel betting (and also betting through an arrangement with the Connecticut Lottery Corporation) as well as a pari-mutuel betting site, 123Bet.com.

The condensed consolidated interim financial statements were approved for issue on 9th September 2023.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 17 April 2023 and delivered to the Registrar of Companies. The Report of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

- a. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 ‘*Interim Financial Reporting*’ and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022 which have been prepared in accordance with UK adopted international accounting standards.
- b. After making reasonable enquiries and forecasting the Group’s cash flows with reasonable downside assumptions applied, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements. The forecasts used in the analysis of the Group’s ability to continue in operational existence for the foreseeable future include both the base plan and downside scenarios which although Sportech has no connections with Russia or Ukraine through its operations (no employees located there nor any customers or suppliers in the region), include assumptions taking into account macro-economic potential indirect impacts of the events unfolding including impacts of prices rising globally.
- c. The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, significant judgements have been made by management with respect to the assumptions underpinning the Group’s tax liabilities, the valuation of contingent consideration receivable and the carrying value of intangible fixed assets.
- d. The principal risks and uncertainties for the Group remain the same as those detailed on pages 15 to 18 of the 2022 Sportech PLC Annual Report and Accounts, where descriptions of mitigating activities carried out by the Group are also outlined. Those risks are regulation, product popularity, third party technology, foreign exchange, political marginalisation in Connecticut and global pandemics.

3. Accounting policies

There are no new standards or amendments to standards or interpretations that are mandatory for the first time for the financial year beginning 1 January 2023 that would impact the Group financial statements. Therefore, all accounting policies applied in these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

The standards, amendments and interpretations that are not yet effective and have not been adopted early by the Group are listed in the 2022 Annual Report and accounts.

4. Adjusted performance measures

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

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

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

	Note	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Operating costs per income statement		(7,231)	(7,390)	(14,803)
Add back:				
Depreciation	12,13	862	537	1,216
Amortisation, excluding acquired intangible assets	11	48	132	252
Amortisation of acquired intangible assets	11	-	29	29
Impairment of goodwill		88	-	517
Reversal of impairment of property, plant and equipment	12	-	-	(190)
Loss on disposal of property, plant and equipment	12	(103)	131	150
Separately disclosed items	7	99	578	657
Total adjusted net operating costs		(6,236)	(5,983)	(12,172)

Adjusted EBITDA is calculated as follows:

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Revenue	13,544	12,571	26,004
Cost of sales	(6,183)	(6,043)	(11,847)
Gross profit	7,361	6,528	14,157
Marketing and distribution costs	(256)	(234)	(386)
Contribution	7,105	6,294	13,771
Adjusted net operating costs	(6,236)	(5,983)	(12,172)
Adjusted EBITDA	869	311	1,599

Prior year comparatives for the period ended 30 June 2023 have been adjusted for discontinued operations related to the LEIDSA contract (prior full year comparatives were adjusted in the 2022 financial statements to exclude results of the Global Tote, Bump 50:50 business and LEIDSA).

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

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
From continuing operations:			
Adjusted EBITDA	869	311	1,599
Depreciation	(862)	(537)	(1,216)
Amortisation (excluding amortisation of acquired intangibles)	(48)	(132)	(252)
Net finance costs (excluding certain finance costs – note 8)	(162)	(69)	(230)
Adjusted loss before tax	(203)	(427)	(99)
Taxation	(30)	26	(79)
Adjusted loss after tax	(233)	(401)	(178)

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
From discontinued operations:			
Adjusted EBITDA	-	5,590	1,183
Depreciation	-	(100)	-
Amortisation (excluding amortisation of acquired intangibles)	-	(75)	-
Net finance costs (excluding certain finance costs – note 8)	-	(24)	-
Adjusted profit before tax	-	5,391	1,183
Taxation	-	(1,234)	-
Adjusted profit after tax	-	4,157	1,183

5. Segmental reporting

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

The Group has identified its operating segments as outlined below:

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

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

	Six months ended 30 June 2023 (Unaudited)			
	Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Group £000
Revenue from rendering of services	894	9,786	-	10,680
Revenue from food and beverage sales	-	1,852	-	1,852
Revenue from sports betting services	-	1,012	-	1,012
Total revenue	894	12,651	-	13,544
Cost of sales	(486)	(5,697)	-	(6,183)
Gross profit	407	6,954	-	7,361
Marketing and distribution costs	(53)	(203)	-	(256)
Contribution	354	6,751	-	7,105
Adjusted operating costs	(379)	(4,787)	(1,071)	(6,236)
Adjusted EBITDA	(24)	1,964	(1,071)	869
Depreciation	-	(862)	-	(862)
Amortisation (excluding amortisation of acquired intangibles)	(15)	-	(33)	(48)
Segment result	(39)	1,102	(1,105)	(42)
Loss on disposal of Property, plant and equipment	103	-	-	103
Amortisation of goodwill	(88)	-	-	(88)
Separately disclosed items	-	(10)	(89)	(99)
Operating (loss)/profit	(24)	1,093	(1,194)	(126)
Net finance income				(178)
Loss before taxation from continuing operations				(304)
Taxation – continuing operations				(30)
Loss for the period				(334)
Other segment items – capital expenditure				
Property, plant and equipment	-	120	-	120

Six months ended 30 June 2022 (Unaudited)

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

Year ended 31 December 2022 (Audited)

	Sportech Digital £000	Sportech Venues £000	Corporate costs £000	Group £000
Revenue from rendering of services	–	1,974	–	1,974
Revenue from food and beverage sales	–	3,443	–	3,443
Revenue from sports betting services	1,471	19,116	–	20,587
Total revenue	1,471	24,533	–	26,004
Cost of sales	(944)	(10,903)	–	(11,847)
Gross profit	527	13,630	–	14,157
Marketing and distribution costs	4	(390)	–	(386)
Contribution	531	13,240	–	13,771
Adjusted net operating costs (note 1)	(838)	(9,194)	(2,140)	(12,172)
Adjusted EBITDA	(307)	4,046	(2,140)	1,599
Depreciation	(10)	(1,192)	(14)	(1,216)
Amortisation (excluding amortisation of acquired intangible assets)	(162)	–	(90)	(252)
Segment result before amortisation of acquired intangibles	(479)	2,854	(2,244)	131
Amortisation of acquired intangibles	(29)	–	–	(29)
Reversal of impairment of property, plant and equipment	–	190	–	190
Loss on sale of property, plant and equipment	–	(133)	(17)	(150)
Impairment of goodwill	(517)	–	–	(517)
Separately disclosed items	–	(307)	(350)	(657)
Other income	–	120	–	120
Operating (loss)/profit	(1,025)	2,724	(2,611)	(912)
Net finance costs				(22)
Loss before taxation from continuing operations				(934)
Taxation				(79)
Loss for the year from continuing operations				(1,013)
Profit after tax from discontinued operations				1,183
Profit for the year				170
Other segment items – capital expenditure				
Intangible fixed assets (continuing operations)	951	27,055	168	28,174
Intangible fixed assets (discontinued operations)	(50)	(12,831)	(1,254)	(14,135)
Property, plant and equipment (continuing operations)	196	–	–	196
Property, plant and equipment (discontinued operations)	5	142	–	147

6. Expenses by nature

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Cost of sales			
Tote and track fees	5,248	5,266	10,208
F&B consumables	586	536	1,144
Betting and gaming duties	48	54	125
Repairs and maintenance cost of sales	6	15	28
Programs	121	127	256
Cost of sales	174	45	86
Total cost of sales	6,183	6,043	11,847
Marketing and distribution costs			
Marketing	250	224	368
Vehicle costs	6	10	18
Total marketing and distribution costs	256	234	386
Operating costs			
Staff costs – gross, excluding share option charges	3,210	3,161	6,323
Less amounts capitalised	-	(89)	(171)
Staff costs - net	3,210	3,072	6,152
Property costs	1,420	1,201	2,688
IT & communications	240	301	628
Professional fees and licences	860	765	1,524
Insurance	451	500	913
Travel and entertaining	32	41	94
Banking transaction costs and FX	38	48	107
Other costs	(15)	55	66
Adjusted operating costs	6,236	5,983	12,172
Depreciation	862	537	1,216
Amortisation, excluding amortisation of acquired intangibles	48	132	252
Amortisation of acquired intangibles	-	29	29
Impairment of goodwill	88	-	517
Loss on disposal of property, plant and equipment	-	131	150
Reversal of impairment of property, plant and equipment	(103)	-	(190)
Separately disclosed items	99	578	657
Total operating costs	7,231	7,390	14,803

7. Separately disclosed items

	Note	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Continuing operations				
Included in operating costs:				
Onerous contract provisions and other losses resulting from exit from California operations	17	-	(69)	(120)
Redundancy and restructuring costs		-	330	414
Corporate activity		86	8	57
Settlement of a contract		-	304	304
Costs in relation to exiting the Group's interests in India		13	5	2
Total included in operating costs		99	578	657
Included in finance costs:				
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2016	8	-	24	24
Total Separately disclosed items		99	602	681

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

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Cash outflows from separately disclosed items:			
Redundancy and restructuring costs	-	(242)	(414)
Costs in relation to corporate activity	(86)	(8)	(49)
Costs in relation to the Group's onerous leases in California	-	(660)	(688)
Costs in relation to exiting the Group's interests in India	(13)	(5)	(2)
Settlement of a contract	-	(304)	(304)
Cash outflows from separately disclosed items (all Continuing operations)	(99)	(1,219)	(1,457)
		-	

8. Net finance costs

	Note	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Continuing operations:				
Finance costs:				
Interest accrued and paid on tax liabilities		-	(24)	(24)
Interest on lease liabilities	19	(162)	(69)	(230)
Total finance costs		(162)	(93)	(254)
Finance income:				
Foreign exchange gain on financial assets and liabilities denominated in foreign currency		(16)	232	232
Total finance income		(16)	232	232
Net finance income		(178)	139	(22)

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

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Continuing operations			
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	(16)	232	232
Interest accrued and paid on tax liabilities	-	(24)	(24)
	(16)	208	208

9. Taxation

Taxation is provided based on management's best estimate of the expected weighted average annual taxation rate for the full year. The estimated weighted average annual tax rate for the year ended 31 December 2023 is (10)% (2022: (8.5%)). The movement is a result of a change in mix of profits/(losses) in jurisdictions with varying tax rates, the non-recognition of deferred tax on losses in the UK due to uncertainty of non-recovery as well as the utilization of previously unprovided tax assets in the US.

The Group has submitted an appeal to HMRC to contest the treatment of £4.6 million of taxation potentially due on the 2016 Spot the Ball refund. This amount was paid to HMRC, however in the event the Company is unsuccessful in its appeal there remains a potential c £0.7 million interest due. There is nothing held on the balance sheet in respect of the tax itself, the interest is accrued and if payable will be a cash outflow.

10. Earnings per share

Six months ended 30 June (Unaudited)	2023			2022		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Basic EPS						
(Loss)/profit for the period (£000)	(334)	-	(334)	(831)	-	(831)
Weighted average no of shares ('000)	100,000	100,000	100,000	100,000	100,000	100,000
Basic EPS	(0.3)p	-	(0.3)p	(0.8)p	-	(0.8)p

Year ended 31 December 2022 (Audited)	2022		
	Continuing	Discontinued	Total
Basic EPS			
(Loss)/profit attributable to owners of the Company (£000)	(1,014)	1,183	169
Weighted average no of shares ('000)	100,000	100,000	100,000
Basic EPS	(1.0)p	1.2p	0.2p

Six months ended 30 June (Unaudited)	2023			2022 (i)		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Diluted EPS						
(Loss)/profit for the period (£000)	(334)	-	(334)	(831)	-	(831)
Weighted average no of shares ('000)	100,000	100,000	100,000	100,000	100,000	100,000
Dilutive potential ordinary shares ('000)	N/A	N/A	N/A	N/A	N/A	N/A
Total potential ordinary shares ('000)	100,000	100,000	100,000	100,000	100,000	100,000
Diluted EPS	(0.3)p	-	(0.3)p	(0.8)p	-	(0.8)p

Year ended 31 December 2022 (Audited)	2022		
	Continuing	Discontinued	Total
Diluted EPS			
(Loss)/profit for the year (£000)	(1,014)	1,183	169
Weighted average no of shares ('000)	100,000	100,000	100,000
Dilutive potential ordinary shares ('000)	N/A	N/A	N/A
Total potential ordinary shares ('000)	100,000	100,000	100,000
Diluted EPS	(1.0)p	1.2p	0.2p

Adjusted EPS

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

	Note	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2022 (Audited)
Continuing operations				
Adjusted loss after tax (£000)	4	(233)	(401)	(143)
Basic Adjusted EPS (pence)		(0.2)p	(0.4)p	(0.1)p
Diluted Adjusted EPS (pence)		(0.2)p	(0.4)p	(0.1)p

11. Intangible fixed assets

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
At 1 January	6,943	6,357	6,357
Additions	-	97	196
Amortisation charge for period	(48)	(161)	(281)
Disposal	(393)	-	(5)
Movement as a result of foreign exchange	(335)	646	671
Net book amount at end of period	6,166	6,939	6,939

12. Property, plant and equipment

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
At 1 January	4,521	4,261	4,261
Additions	120	38	147
Disposal	(4)	-	-
Depreciation charge for period	(239)	(215)	(433)
Loss on disposal	-	(131)	(133)
Reversal of impairment	-	-	190
Movement as a result of foreign exchange	(233)	456	490
Net book amount at end of period	4,165	4,409	4,522

13. Right-of-use assets

	Note	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
At 1 January		5,041	4,657	4,657
Additions		134	-	652
Depreciation charge for period		(623)	(322)	(782)
Disposed of – exited lease early		-	(17)	(17)
Movement as a result of foreign exchange		(237)	495	533
Net book amount at end of period		4,315	4,813	5,042

14. Trade and other receivables

	As at 30 June 2023 (Unaudited) £000	As at 30 June 2022 (Unaudited) £000	As at 31 December 2022 (Audited) £000
Non-current			
Trade and other receivables	167	176	177
Current			
Trade and other receivables	1,685	1,393	1,978
Total trade and other receivables	1,852	1,569	2,155

15. Cash and cash equivalents

		As at 30 June 2023 (Unaudited) £000	As at 30 June 2022 (Unaudited) £000	As at 31 December 2022 (Audited) £000
	Note			
Cash and short-term deposits		7,792	8,138	7,421
Customer funds	16	448	450	391
Total cash and cash equivalents		8,240	8,588	7,811

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

16. Trade and other payables

		As at 30 June 2023 (Unaudited) £000	As at 30 June 2022 (Unaudited) £000	As at 31 December 2022 (Audited) £000
	Note			
Trade payables		3,203	3,769	4,588
Other taxes and social security costs		187	307	148
Accruals and other payables		956	2,433	1,437
Player liability	15	448	450	391
Total trade and other payables		4,795	6,959	6,564

17. Provisions

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
At beginning of period	-	736	736
Utilised during the period	-	(660)	(677)
Released to the income statement	-	(69)	(69)
Currency movements	-	10	11
Total provisions	-	17	-
Provisions are in relation to:			
<i>Current provisions</i>	-	-	-
Onerous contracts	-	17	-

18. Cash flow from operating activities before separately disclosed items

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

		Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
	Note			
Total (loss)/profit before tax		(304)	(802)	249
Adjustments for:				
Net Separately disclosed items (included in operating costs)	7	99	578	657
Other income (excluding profit on disposal of Sports Haven)		-	-	(120)
Depreciation and amortisation	11,12,13	910	698	1,497
(Profit)/loss on disposal of property, plant and equipment	12	(103)	131	150
Impairment/ (reversal of impairment) of assets	12,13	88	-	327
Net finance charges	8	162	(139)	22
Changes in working capital:				
Increase in trade and other receivables		205	(180)	(1,476)
Increase in inventories		(8)	(16)	(22)
Decrease in trade and other payables, excluding player liabilities		(1,274)	(809)	(1,101)
Increase/(decrease in player liabilities)	15	83	(5)	(64)
Cash (used in)/generated from operating activities, before separately disclosed items		(141)	(544)	119

19. Lease liabilities

	As at 30 June 2023 (Unaudited) £000	As at 30 June 2022 (Unaudited) £000	As at 31 December 2022 (Audited) £000
Maturity analysis – contractual undiscounted cashflows			
Less than one year	1,168	810	1,211
Between 2 and 5 years	2,660	3,000	2,615
More than 5 years	4,201	5,093	4,824
Total	8,030	8,903	8,650

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

	As at 30 June 2023 (Unaudited) £000	As at 30 June 2022 (Unaudited) £000	As at 31 December 2022 (Audited) £000
Lease liabilities included in the balance sheet			
Current	927	678	923
Non-current	5,620	6,477	6,091
Total	6,547	7,155	7,014

	Note	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Movement in lease liability during the period				
At 1 January		7,355	7,014	7,014
Interest charged to the income statement	8	162	69	230
New leases entered into	13	134	-	652
Lease rentals paid		(741)	(691)	(1,357)
Disposed of on settlement of lease dispute		-	-	-
Disposal – early exit of lease		-	(23)	-
Movement as a result of foreign exchange		(363)	786	816
At period end		6,547	7,155	7,355

20. Related party transactions

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

a. Key management compensation is disclosed below:

	Six months ended 30 June 2023 (Unaudited) £000	Six months ended 30 June 2022 (Unaudited) £000	Year ended 31 December 2022 (Audited) £000
Short-term employee benefits	110	294	365
Pay in lieu of notice	-	245	266
Post-employment benefits	-	11	-
Total	110	550	631

21. Contingencies

Contingent items

Tax

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

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

Other contingent items are summarised as follows:

M&A activity

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

Legal

The Group has been engaged in certain disputes in the ordinary course of business which could have potentially led to outflows greater than those provided for on the balance sheet. Management was of the view that the risk of those outflows arising was not probable and accordingly they were considered contingent items.

22. Statement on Rounding

The financial information presented in this report has been rounded to either whole numbers or the nearest decimal place. Rounding is employed for the purpose of simplifying complex numerical data and enhancing readability, while ensuring consistency and adherence to generally accepted accounting principles.

We believe that the rounded figures accurately represent the financial position and performance the Group and subsidiaries in accordance with applicable accounting standards. Materiality considerations have been taken into account, and rounding has not been used to obscure any significant financial information. It is important to note that the use of rounded figures may result in minor discrepancies when summing subtotals or totals.

For a complete understanding of the financial data presented herein, including the exact unrounded figures, interested parties are encouraged to refer to the underlying financial records and detailed notes to the financial statements.

Sportech is committed to maintaining transparency and compliance with relevant accounting standards, and we are available to provide additional information or clarification upon request.

