REGISTERED NUMBER: SC069140 (Scotland, United Kingdom)

SPORTECH LIMITED

(FORMERLY SPORTECH PLC)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

SPORTECH LIMITED

Contents of the Financial Statements for the Year Ended 31 December 2023

SPORTECH LIMITED

Annual Report and Financial Statements
for the Year Ended 31 December 2023

DIRECTORS:	R McGuire C Whiley P Humphreys
COMPANY SECRETARY:	SGH Company Secretaries Limited
REGISTERED OFFICE:	Collins House Rutland Square, Edinburgh, EH1 2AA
REGISTERED NUMBER:	SC069140 (Scotland, United Kingdom)
INDEPENDENT AUDITORS:	Sumer Auditco Limited, Chartered Accountants & Statutory Auditors 14th Floor, 33 Cavendish Square, London, W1G 0PW

Cautionary statement

Sections of this annual report, including but not limited to the Strategic Report and the Directors' Report may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of the Company. These have been made by the Directors in good faith using information available up to the date on which they approved this report. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual future financial conditions, business performance, results or developments of the Company to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

The Director presents the Strategic Report of the Company for the financial year ended 31 December 2023.

REVIEW OF BUSINESS

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

FINANCIAL OVERVIEW (Figures combine continuing and discontinued operations)

Revenue	£26.5m	(2022 £26.3m (restated))
Gross Profit	£14.1m	(2022 £14.2m (restated))
Adjusted EBITDA[1]	£1.6m	(2022 £ 1.6m)
Loss before Tax	£(0.8)m	(2022 £(0.9)m)
Cash[2]	£3.8m	(2022 £ 7.4m)

[1]Adjusted EBITDA includes exceptional items
[2] Excludes customer balances

Following the year end, the Company was approached by an independent third party who has expressed an interest in acquiring the major operating assets of the Group. However, should a binding offer be presented it is likely to be a combination of cash and deferred, non-contingent cash consideration. Further updates in relation to this proposed acquisition of core assets will be provided to shareholders at the earliest appropriate time. The process is at an advanced stage, although there is no certainty that a binding offer will be presented, nor on the terms on which any offer might be made. The Company will release updates on its website and the JP Jenkins trading platform. www.sportechplc.com www.jpjenkins.com/company/sportech

Therefore, the basis of preparation of the 2023 financial statements is to reflect the current position and makes the assumption that those identified assets are held for sale. This is particularly relevant when reviewing the Consolidated Income Statement and Consolidated Balance Sheets, which reflect the impact of those identified assets being considered discontinued operations. A useful reconciliation is provided in Note 27 to the accounts.

The Group performed well during 2023, despite inflationary headwinds and consumer challenges. Revenue improved marginally following the sale of small non core assets and a modest decline in pari-mutuel wagering handle was offset by growth in sports betting contributions and other income.

Gross Betting handle recorded in the Groups Connecticut Venues business was stable at US$201.5 million with 50.6% of this handle from the recently introduced Sports Betting agreement and the balance from the Groups long term core Tote retail betting. The average annual betting handle per retail location remains an impressive c $20 million.

Numerous corporate initiatives were evaluated and executed during the year including a share consolidation ultimately providing liquidity to smaller investors and a return of capital to shareholders, in aggregate a further £3.9 million was returned to shareholders in 2023, taking the total returned to £46.4 million since 2021. The corporate actions executed that will significantly reduce costs going forward and the small decline in pari-mutuel betting were notable factors impacting the reported 2023 Adjusted EBITDA[1].

Group cash was stable at year end at £3.8 million, following £3.9 million being returned to shareholders in 2023 via the fractional small shareholder buyback and a subsequent 35p per share capital distribution.

The Group anticipates returning further capital to shareholders in 2024, updating shareholders at earliest opportunity.

BUSINESS MODEL

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

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

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

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

Venues

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

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

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

Online

Sportech Venues operates MyWinners.com online across the State of Connecticut as a complementary business to the retail locations, offering online pari-mutuel betting. The focus remains creating innovative products and services to differentiate from competitors and meet the evolving needs of customers.

Sportech also owns and operates 123Bet.com a pan-USA pari-mutuel online retail platform (where State local laws allow). Following management improvements to the model, revenue has grown significantly from c$2.7m handle in 2019 to $10.3m handle in 2023.

Management are progressing plans to combine these online operations in 2024, providing growth potential and efficient cost management.

Strategy

The Group delisted from AIM, successfully negotiated the exit of various international legacy agreements and executed several effective cost reductions that will benefit the Group in 2024 and beyond. Management remain acutely focused on addressing the challenges presented by a physical retail consumer business, creating positive operational cashflow and delivering tangible returns to shareholders

Under the sports betting agreement in Connecticut with the Connecticut Lottery Corporation (CLC), the sports book provider was changed in December 2023 to Fanatics Sportsbook and post year end the Group managed a successful transition of its pari-mutuel betting provider and entered into new commercial arrangements with leading US betting operators.

The Group will continue to explore initiatives that drive valuation growth, ultimately seeking to deliver further tangible capital returns to shareholders. The Group anticipates updating shareholders with details of next stage capital returns in August 2024.

The Group's strategic aims for 2024 remain:

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

GROUP DEVELOPMENTS

Disposals: Following significant consolidation in 2022, the Group sold small non-core assets for £500,000, plus a potential earnout. Further small non-core asset sales will continue in 2024.

Corporate: The Group delisted from the AIM market in 2023. A share consolidation reduced the number of shareholders from around 4,000 to approximately 100 and provided a £500,000 liquidity exit sought by smaller investors. In addition a further £3.4 million was subsequently returned to shareholders during the year. The costs savings from delisting will benefit net performance and cash flow in 2024 and beyond.

Venues: The Group's core business line delivered strong performance, with traditional Pari-Mutuel handle declining only 5.7% on a like-for-like basis despite the introduction of additional competing betting products including iLottery, iCasino, and Sports Betting. Throughout the year, the Group focused on investing in building a solid foundation to expand opportunities for delivering Sports Betting to retail customers

Sports Betting: During 2023 the Group negotiated an updated agreement of the August 2021 terms when Sportech agreed to become a distributor for the Connecticut Lottery Corporation's (CLC) sports betting product across the state. Through Sportech Venues, the gross retail sports betting handle during the year was an impressive $102 million (2022 $98.7m), from which Sportech received a percentage of the 10.03% net hold.

Digital: In recent years the Company has advanced two online pool betting sites in the US, both of which delivered revenue growth in the year. The 2024 initiative is to bring these separate business under single management creating further opportunities and efficient cost management.

Sportech Limited Board: The Board continues to provide valuable support and guidance to the management team as the Company's evaluates and executes its core strategy.

CHAIRMAN STATEMENT

2023 was a year of consolidation across the Group, redefining the structure of the Group from a listed entity to a private company while extending various partnerships with leading US betting and lottery operators.

Positive progress, enabled the Group to return a further £3.9 million to shareholders by means of buyback and a capital distribution, taking shareholder repayments to £121.2 million since 2017. The Group continues to operate with no material financial debt, a positive net cash position and intends to make further capital returns in 2024.

Significant operating business disposals in 2021 had a major impact on the size of the Company's business activities resulting in the fixed costs of being a listed entity unfeasible for the new smaller Group, resulting in the 2023 delisting from AIM, generating associated cost savings going forward.

As we progress through 2024, the Company's focus remains on executing core strategies, creating further growth within our operating businesses and in executing further capital opportunities to make tangible returns to shareholders.

I would like to thank all of our employees and Board colleagues for their continued hard work through a period of change within the Company, and to our shareholders and stakeholders who continue to support the Group's objectives. The Board will continue to evaluate the third party interest in certain assets of the Group and will update shareholders at earliest opportunity. I would stress however, there is no certainty any transaction will conclude at this stage.

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

GROUP OUTLOOK

Your Company was one of the few retail consumer operators who navigated the global challenges in recent years to emerge without issuing additional equity or increasing debt while emerging to deliver superior products to our customers.

Sportech employees are professionals who work with incredible passion and purpose and the Board continues to be inspired by their dedication to improve wherever possible. This pride and ownership culture across the business enabled the Group to consolidate during 2023 and redefine growth opportunities from non core operations and assets. The Group performs within an attractive market segment, with valuable long term exclusive licenses and continues to build commercial partnerships in 2024.

As noted previously the Group is engaged in discussions that may lead to a sale of significant assets and the Company will update stakeholders at appropriate time. However, I would caution readers, that there is no certainty that binding proposal(s) will be tabled, nor on the terms on which any proposals might be made.

The Board and management remain fully engaged and focused on enhancing shareholder value and effectively managing opportunities that generate tangible value growth for shareholders.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal risks that the Company faces relate to the value of its investments. This value is at risk from the principal risks that affect those subsidiaries. Those risks are:

- Industry competition - this is mitigated through maintaining good customer relationships with current and potential customers, providing a first-class service to our customers, and developing new and innovative products to differentiate the Company from the competition.

- Third party technology - the Company mitigates the risk of dependency on third parties for technology provision through having punitive clauses in service agreements and also having the option to novate provisions at the end of contract terms if needed.

- Regulation – the Company mitigates the risk by ensuring compliance with the requirement of licences and to oversee regulatory and legal compliance and the Company engages third-party specialist legal counsel to provide specialist local advice. Regular updates and training are provided to employees and policies and procedures are in place to which staff are required to adhere.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- Product – the Company mitigates the risk by investing significant amounts in developing new and innovative products and constructing new Venues with diverse product offerings.

- Foreign exchange – the Group considers hedging to mitigate significant fluctuations.

- Political marginalisation in Connecticut – the Group retains lobbying resources in Connecticut.

Directors' statement of compliance with duty to promote the success of the Group

Section 172(1) statement

The board of directors of Sportech Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) Companies Act 2006.

The Board regularly reviews the Group's principal stakeholders and how it engages with them. This is achieved through information provided by management and by direct engagement by all of the Group's Directors with stakeholders themselves.

The Board continuously enhances its methods of engagement with the workforce. In that regard, the Executive Chairman of the Board regularly meets with staff and actively encourages dialogue and feedback. The Chair and Senior Independent Non-Executive Director has and will continue to visit operations during 2023, meeting business partners, customers and employees in field operations, and human resources. This helps the Board open direct lines of communication.

We aim to work responsibly with our stakeholders, including suppliers, and the anti-corruption and anti-bribery, equal opportunities and whistleblowing policies are reviewed annually and updated where required.

ON BEHALF OF THE BOARD:

....
R McGuire
Director

Date: 02 July 2024

The directors present their report and the financial statements for the year ended 31 December 2023

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, Director's report and annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group and company financial statements in accordance with UK adopted International Financial Reporting Standards (IFRS). 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 IFRS subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and parent's financial statements on the going concern basis unless it is inappropriate to presume that the Group or parent company will continue in business.
- assess the group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Principal activity

The principal activity of the Group is the operation of betting venues in the state of Connecticut, USA and a website for online wagering from Connecticut residents under an exclusive and perpetual licence. 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. In addition, the group receives income from sub licensing agreements.

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 take into account macro-economic potential indirect impacts to the business.

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.

Results and dividends

The loss for the year, after taxation and minority interests, amounted to £(812k) (2022 – profit £170k).

Directors

The directors who served during the year were:

R McGuire
C Whiley
P Humphreys

Insurance

Throughout the period the Group maintained insurance to provide protection to clients against losses arising from any negligent or dishonesty of the Company's employees.

The Group also maintained, throughout the period, liability insurance for its Directors and officers as permitted by section 233 of the Companies Act 2006.

Disclosure of information to auditors

The director at the time when this Director's report is approved has confirmed that:

- so far as the Director's are aware, there is no relevant audit information of which the Group's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information

Auditors

The auditors, Sumer Auditco Limited, were appointed during the year and will be reappointed for the ensuing year in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:

....
R McGuire
Director

Date: 02 July 2024

Independent Auditors' report to the Members of Sportech Limited

Opinion

We have audited the financial statements of Sportech Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group and Company Balance Sheet, Group and Company Statement of Changes in Equity, Group 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 International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Conclusion relating going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of the accounting preparation of the financial statements is appropriate,

Based on the work we have performed, we have not identified any material uncertainties relating to the event or conditions that, individually or collectively, may cat significant doubt on the Group's or 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Opinions on other matters prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 directors' responsibilities statement set out on page 6 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 consolidated 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 consolidated financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
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:

In order to identify and assess the risks of material misstatements, including fraud and non-compliance with laws and regulations that could be expected to have a material impact on the financial statements, we have considered:

- the results of our enquiries of management and those charged with governance of their assessment of the risks of fraud and irregularities;

- the nature of the group including its management structure and control systems (including the opportunity for management to override such controls); and
- management's incentives and opportunities for fraudulent manipulation of the financial statements including the company's group's remuneration and bonus policies and performance targets; and
- the industry and environment in which it operates.

We also considered UK tax and pension legislation and laws and regulations relating to employment and the preparation and presentation of the financial statements such as the Companies Act 2006.
Based on this understanding we identified the following matters as being of significance to the group:

- the details of the accounting policies applied during the year are set out in the Basis of accounting section of the financial statements;
- laws and regulations considered to have a direct effect on the financial statements including UK financial
- reporting standards, Company Law, tax and pension legislation and distributable profits legislation;
- the timing of the recognition of commercial income;
- compliance with legislation relating to GDPR, health and safety, local employment law, food safety, operating licenses and alcohol licenses;
- management bias in selecting accounting policies and determining estimates;
- Impairment of investments (parent company only);
- Impairment of intangible and tangible fixed assets;
- inappropriate journal entries;
- manipulation of specific performance measures to meet remuneration targets; and
- recoverability of debtors.

We communicated the outcomes of these discussions and enquiries, as well as consideration as to where and how fraud may occur in the entity, to all engagement team members.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised:

- we developed an understanding of the key revenue processes from inception to disclosure in the financial statements and assessed the design and implementation of the controls over the revenue cycle on betting revenue in Venues;
- inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations;
- assessing impairment of land and buildings and investments and challenging assumptions made by management;
- enquiries with the same concerning any actual or potential litigation or claims;
- discussion with the same regarding any known or suspected instances of non-compliance with laws and regulation and fraud;
- assessment of matters reported to management and the result of the subsequent investigation;
- obtaining an understanding of the policies and controls over the recognition of income and testing their implementation during the year;
- identifying and testing journal entries;
- accessing the recovery of debtors in the period since the balance sheet date and challenging assumptions made by management regarding the recovery of balances which remain outstanding;
- reviewing the financial statements for compliance with the relevant disclosure requirements;
- performing analytical procedures to identify any unusual or unexpected relationships or unexpected movement in account balances which may be indicative of fraud;
- reviewing the minutes of Board meetings; and
- evaluating the underlying business reasons for any unusual transactions.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://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 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Atulya Mehta

Atulya Mehta FCCA (Senior Statutory Auditor)
For and on behalf of Sumer Auditco Limited
Chartered Accountants
14th Floor
33 Cavendish Square
London

Date: 02 July 2024

Consolidated Income Statement
for the Year Ended 31 December 2023

	Note	2023 £000	Restated 2022 £000
Revenue	4	**51**	93
Cost of sales	5	**(116)**	(114)
Gross profit		**(65)**	(21)
Marketing and distribution costs	5	**-**	-
Contribution		**(65)**	(21)
Operating costs	5	**(2,446)**	(2,462)
Other income		**-**	-
Operating loss		**(2,511)**	(2,483)
Finance costs	10	**(11)**	-
Finance income	10	**42**	280
Loss before tax from continuing operations		**(2,480)**	(2,203)
Tax – continuing operations	11	**-**	167
Loss for the year – continuing operations		**(2,480)**	(2,036)
Profit after taxation from discontinued operations	29	**1,668**	2,206
(Loss) / Profit for the year		**(812)**	170
Attributable to:			
Owners of the Company		**(812)**	170

SPORTECH LIMITED

Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2023

	Note	2023	2022
		£000	£000
(Loss) / Profit for the year		**(812)**	170
Other comprehensive (expense)/income:			
Items that may be subsequently reclassified to profit and loss			
Currency translation differences		**(438)**	1,047
		(1,250)	1,047
Total other comprehensive (expense)/income for the year, net of tax		**(1,250)**	1,217
Total comprehensive (expense)/income for the year		**(1,250)**	1,217
Attributable to:			
Owners of the Company		**(1,250)**	1,217

SPORTECH LIMITED

Consolidated Balance Sheet
As at 31 December 2023

	Note	2023 £'000	Restated 2022 £'000
ASSETS			
Non-current assets			
Goodwill	11	**-**	87
Intangible fixed assets	12	**113**	6,939
Property, plant and equipment	13	**-**	4,522
Right-of-use assets	14	**-**	5,042
Trade and other receivables	17	**-**	177
Deferred tax assets		**15**	15
Total non-current assets		**128**	16,782
Current assets			
Trade and other receivables	17	**206**	3,324
Inventories	16	**-**	146
Current tax receivable		**-**	228
Contingent consideration (gross receivable)		**-**	1,229
Cash and cash equivalents	18	**1,527**	7,811
Assets classified as held for sale		**21,754**	-
Total current assets		**23,487**	12,738
TOTAL ASSETS		**23,615**	29,520
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(1,360)**	(7,910)
Provisions		**-**	**-**
Contingent consideration (bonuses payable)		**-**	(216)
Lease liabilities	15	**-**	(1,155)
Current tax liabilities		**(14)**	-
Liabilities directly associated with assets classified as held for sale		**(13,343)**	-
Total current liabilities		**(14,717)**	(9,281)
Net current assets		**8,770**	3,457
Non-current liabilities			
Lease liabilities	15	**-**	(6,200)
Total non-current liabilities		**-**	(6,200)
TOTAL LIABILITIES		**(14,718)**	(15,481)
NET ASSETS		**8,897**	14,039

EQUITY

Ordinary shares	23	**971**	1,000
Other reserves		**4,165**	4,574
Retained earnings		**3,761**	8,465
TOTAL EQUITY		**8,897**	14,039

These financial statements on pages 9 to 16 were approved by the Board of Directors 02 July 2024 and were signed on its behalf by:

....
R McGuire
Director 02 July 2024

Company Registration Number: SC069140

SPORTECH LIMITED

Company Balance Sheet
As at 31 December 2023

	Note	2023 £000	2022 £000
ASSETS			
Non-current assets			
Intangible fixed assets	12	**109**	189
Investment in subsidiaries		**15,860**	17,999
		15,969	18,188
Current assets			
Trade and other receivables	17	**203**	161
Cash and cash equivalents		**1,106**	4,307
		1,309	4,468
TOTAL ASSETS		**17,278**	22,656
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(2,709)**	(1,406)
Current tax payable		**(6)**	-
		(2,715)	(1,406)
Net current (liabilities)/assets		**(1,406)**	3,062
NET ASSETS		**14,563**	21,250
EQUITY			
Ordinary shares	23	**971**	1,000
Other reserves		**1,231**	1,202
Retained earnings carried forward		**12,361**	19,048
TOTAL EQUITY		**14,563**	21,250

The (Loss)/Profit after tax for the Company for the year was (£2,795k) (2022: £952k)

The Company financial statements on pages were approved and authorised for issue by the Board of Directors on 02 July 2024 and were signed on its behalf by:

R McGuire
Director

Company Registration Number: SC069140

SPORTECH LIMITED

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2023

		Other reserves				
	Ordinary shares	**Capital redemption reserve**	**Other reserve**	**Foreign exchange reserve**	**Retained earnings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 January 2023	1,000	888	314	3,372	8,465	14,039
Comprehensive income						
Loss for the year	-	-	-	-	(812)	(812)
Other comprehensive items						
Currency translation differences arising in year	-	-	-	(438)	-	(438)
Total other comprehensive items	-	-	-	(438)	(812)	(1,250)
Transactions with owners						
Capital Distribution paid					(3,399)	(3,399)
Share buy back	(29)	29	-	-	(493)	(493)
Total transactions with owners	(29)	29	-	-	(3,892)	(3,892)
Total changes in equity	(29)	29	-	(438)	(4,704)	(5,141)
At 31 December 2023	**971**	**917**	**314**	**2,934**	**3,761**	**8,897**

		Other reserves				
	Ordinary shares	Capital redemptio n reserve	Other reserve	Foreign exchange reserve	Retained earnings	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 January 2022	1,000	888	314	2,325	15,295	19,822
Comprehensive income						-
Profit for the year	-	-	-	-	170	170
Other comprehensive items						
Currency translation diffs arising in the year	-	-	-	1,047	-	1,047
Total other comprehensive items	-	-	-	1,047	-	1,047
Total comprehensive items	-	-	-	1,047	170	1,217

Transactions with owners						
Distributions paid	-	-	-	-	(7,000)	(7,000)
Total transactions with owners	-	-	-	-	(7,000)	(7,000)
Total changes in equity	-	-	-	1,047	(6,830)	(5,783)
At 31 December 2022	1,000	888	314	3,372	8,465	14,039

SPORTECH LIMITED

Company Statement of Changes in Equity
for the Year Ended 31 December 2023

	Ordinary shares £000	Other reserves: Capital redemption reserve £000	Other reserves: Other reserve £000	Retained earnings £000	Total £000
At 31 December 2021	**1,000**	**888**	**314**	**25,096**	**27,298**
Comprehensive expense					
Profit for the year	-	-	-	952	952
Transaction with owners					
Distribution	-	-	-	(7,000)	(7,000)
At 31 December 2022	**1,000**	**888**	**314**	**19,048**	**21,250**
Comprehensive expense					
Profit for the year	-	-	-	(2,795)	(2,795)
Transaction with owners					
Share buy back	(29)	29	-	(493)	(493)
Distribution				(3,399)	(3,399)
At 31 December 2023	**971**	**917**	**314**	**12,361**	**14,563**

SPORTECH LIMITED

Consolidated Statement of Cashflows
for the Year Ended 31 December 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Cash generated/(used in) from operations, before separately disclosed items		**902**	(681)
Tax refund received	10	**150**	-
Tax paid	10	**(42)**	(5,083)
Net cash (used in)/generated from operating activities before separately disclosed items		**1010**	(5,764)
Cash outflows - separately disclosed items	5	**(364)**	(657)
Cash generated/(used in) from operations		**646**	(6,421)
Cash flows from investing activities			
Disposal of Lotto		**1,012**	-
Contingent consideration from disposal of Bump 50:50		**500**	-
Investment in intangible fixed assets	12	**-**	(196)
Purchase of property, plant and equipment	13	**(290)**	(147)
Net cash generated from/(used in) investing activities		**1,222**	(343)
Cash flows used in financing activities			
Principal paid on lease liabilities		**(1,201)**	(1,127)
Interest paid on lease liabilities		**(278)**	(230)
Share buy-back		**(493)**	-
Dividend paid		**(3,399)**	(7,000)
Interest received		**42**	-
Cash used in financing activities		**(5,329)**	(8,357)
Net decrease in cash and cash equivalents		**(3,461)**	(15,121)
Effect of foreign exchange on cash and cash equivalents		**(155)**	565
Cash and cash equivalents at the beginning of the year		**7,812**	22,367
Group cash and cash equivalents at the end of the year	18	**4,196**	7,811
Represented by:			
Cash and cash equivalents	18	**4,196**	7,811
Less customer funds	18	**(367)**	(391)
Adjusted net cash at the end of the year	**18**	**3,829**	7,420

Company Statement of Cashflows
for the Year Ended 31 December 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Cash generated from operations, before separately disclosed items		**1,029**	5,056
Interest paid		**-**	22
Interest received		**42**	-
Tax payments / (refunds received)		**-**	(99)
Net cash generated from operating activities before separately disclosed items		**1071**	4,979
Cash outflows from separately disclosed items		**(364)**	(441)
Net cash generated from operating activities		**708**	4,538
Cash flows from investing activities			
Net cash from investing activities		**-**	-
Cash flows from financing activities			
Shareholder distribution		**(3,892)**	(7,000)
Net cash used in financing activities		**(3,892)**	(7,000)
Net decrease in cash and cash equivalents		**(3,184)**	(2,462)
Net cash and cash equivalents at the beginning of the year		**4,291**	6,769
Net cash and cash equivalents at the end of the year		**1,106**	4,307

1. GENERAL INFORMATION

The company is a private limited company, limited by shares and is incorporated in Scotland. The address of its registered office is Collins House, Rutland Square, Edinburgh, Midlothian, Scotland EH1 2AA

2. CRITICAL JUDGEMENTS AND ESTIMATES

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

Assets held for sale and discontinued operations

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

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

In addition, a discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and
(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

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 13 and 14 of the Annual Report. Critical judgements and estimates have been made in the carrying value of investments and in the recoverability of the intercompany receivable. To determine whether an impairment exists in any of the investments or intercompany receivables held by the Company, management estimate the recoverable value of each of those items. Estimating the recoverable value is subject to a number of key assumptions in forecasting future cash flows for value-in-use. Those key assumptions applied are:

- Industry handle rates;
- F&B revenues achieved;
- commissions achieved from sports betting;
  the retention of the agency agreement to provide sports betting past the end of the current contract term;
- levels of capital expenditure required; and discount rates, which appropriately reflect the risks associated with specific cash generating units.

Those 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 discount rates applied, which are reviewed annually.

3. ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as adopted by the UK (collectively IFRSs).

Details of the Company's accounting policies, including changes during the year, are included in note 3.2.

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and elected not to present its own Profit and loss account or Statement of comprehensive income in these consolidated financial statements.

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in note 2

3.1.1 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

3.1.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2023

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023.

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction– Amendments to IAS 12

ii) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements:

Standards with effective date from May 2023

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

Standards with effective date from 1 January 2024

Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non current – Amendments to IAS 1

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2Climate-related Disclosures

Standards with effective date from 1 January 2025

Lack of Exchangeability – Amendments to IAS 21

The director anticipates that the adoption of these Standards in future periods may have an impact on the results and net assets of the Company, however, it is too early to quantify this.
The director anticipates that the adoption of other Standards and interpretations that are not yet effective in future periods will only have an impact on the presentation in the consolidated financial statements of the Company.

3.2 Accounting policies

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

(a) Subsidiaries

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

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

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

(b) Revenue

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

Sportech Venues:

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

Other revenue type

- Providing a full turn-key service for the operation of racebooks at casinos
- Food and beverage sales in venue
- Programme sales
- Rental of space in venues for parties/events
- Sale of lottery tickets on behalf of the state lottery
- ATM transaction fees
- Source market fees
- Parking lot rental for events e.g. carnival, rodeo
- Sports Betting revenue share

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 risk;
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, that loss is carried forward until covered

Sportech Digital:

123Bet.com Revenue

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

Lottery software supply

The Group's subsidiary Lot.to Systems Limited provided online lottery software to clients. 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 was recognised as the obligations under the contract are met. This remains of this unit was sold in early 2023.

(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) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration given over the fair value of the separately identifiable net assets acquired. Goodwill arising on acquisitions before the date of transition to IFRSs (4 January 2005) has been frozen at the previous UK GAAP net book value at the date of transition, subject to being tested for impairment annually at the year end date. There is potential contingent consideration receivable of up to a further £500k which has been fair valued at £nil. The receipt of further amounts are contingent on certain activities being transacted through digital channels within a time period which the Directors believe are unlikely to be met.

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.

(j) 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.

(k) Investments in subsidiaries

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

(l) 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.

(m) Pension obligation

The Group operates various pension schemes, depending on employee geographical location.

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.

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.

(n) 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.

(o) 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 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.

(p) 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.

(q) 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.

(r) 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.

(s) Trade payables

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

(t) 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.

(**u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) 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 inrelation 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.

(z) 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.

4. **TURNOVER**

	Note	2023	Restated 2022
By type		**£000**	£000
Full turn key Take-out		**17,608**	18,646
Commission Revenue (including Sports Betting)		**2,627**	2,418
SM Fee Revenue		**1,993**	571
F&B Revenue		**3,478**	3,455
Other Revenue		**799**	1,193
Revenue		**26,505**	26,283
By geographic segment			
US (discontinued operations)		**26,454**	26,190
UK (continuing operations)		**51**	93
Total		**26,505**	26,283

5. **SEPARATELY DISCLOSED ITEMS**

	Note	2023	2022
Continuing operations		**£000**	£000
Included in operating costs:			
Onerous contract provisions and other losses resulting from exit from Californian operations		**-**	(120)
Redundancy and restructuring costs[1]		**-**	414
Corporate activity costs		**54**	57
Costs in relation to the Spot the Ball VAT refund		**-**	-
Settlement of a contract		**-**	304
Costs in relation to exiting the Group's interests in India		**13**	2
Costs in relation to delisting from London Stock Exchange		**297**	-
		364	657

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

	2023	2022
	£000	£000
Continuing operations – cash outflows from separately disclosed items:		
Onerous contract provisions and other losses resulting from exit from Californian operations	**-**	51
Settlement of a contract	**-**	(304)
Redundancy and restructuring costs	**-**	(414)
Costs in relation to corporate activity	**(54)**	(49)
Costs in relation to delisting from London Stock Exchange	**(297)**	-
Costs in relation to exiting the Group's interests in India	**(13)**	(2)
Cash outflows from separately disclosed items –continuing operations (net)	**(364)**	(718)
Cash outflows from separately disclosed items – discontinued operations (net)		-
Cash outflows from separately disclosed items - total	**(364)**	(718)

6. Auditor remuneration

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

	2023	2022
	£000	£000
Audit fees (continuing and discontinued operations)	**100**	288
Total fees	**100**	288

7. Employment costs

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

Continuing and discontinued operations	**Total**	Total
	2023	2022
	Number	Number
Sales and marketing	**5**	5
Operations and distribution	**141**	140
Administration and management	**16**	12
Total employees	**162**	157

Aggregate Employee remuneration comprised:

	2023	2022
	£000	£000
Wages and Salaries	**5,711**	5,545
Social security costs	**513**	530
Pension costs – defined contribution scheme (note 20)	**62**	75
Employee remuneration, excluding share option charges	**6,286**	6,151
Share option expense	**-**	334
Total remuneration	**6,286**	6,484

8. Directors remuneration

Continuing operations	**2023**	2022
	£000	£000
Short-term employee benefits	**396**	365
Pay in lieu of notice	**-**	266
Total remuneration	**396**	631

9. Net finance costs

	£000	£000
Interest accrued and paid on tax liabilities	-	(24)
Interest on lease obligations (note 15) (discontinued operations)	**(278)**	(230)
Foreign exchange loss on financial assets and liabilities denominated in foreign currency (continuing operations)	**(11)**	-
Total finance costs	**(289)**	(254)
Finance income (continuing operations):		
Interest received on bank deposits	**42**	-
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	**-**	232
Total finance income	**42**	232
Net finance (costs)/income	**(247)**	(22)

10. Taxation

The Group’s tax charge comprises:

	2023	2022
	£000	£000
Current tax:		
Current tax on profit for the year	-	287
Adjustments in respect of prior years	-	(150)
Total current tax	-	137
Deferred tax:		
Origination and reversal of temporary differences	-	(43)
Change in rates	-	-
Adjustments in respect of prior years	-	(15)
Derecognition of previously recognised deferred tax assets	-	-
Total deferred tax	-	(58)
Total tax charge	-	79

11. 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:

Continuing operations	2023	2022
	£000	£000
Cost		
At 1 January	**604**	604
Disposal	**(604)**	-
At 31 December	**-**	604
Accumulated impairment charges		
At 1 January	**517**	-
Impairment charge	**-**	517
Disposal	**(517)**	517
At 31 December	**-**	517
Closing net book value	**-**	87

12. Intangible fixed assets (continuing and discontinued operations)

2023

	Software	Licences	Total
	£000	**£000**	**£000**
Cost			
At 1 January 2023	4,770	5,696	10,466
Additions – continuing operations	-	-	-
Disposals - continuing operations	(6)	-	(6)
Transfer to asset held for sale	(4,047)	(5,696)	(9,743)
At 31 December 2023	717	-	717
Accumulated amortisation			
At 1 January 2023	3,871	918	4,789
Charge for year	95	-	95
Disposal	385	-	385
Transfer to asset held for sale	(3,747)	(918)	(4,665)
At 31 December 2023	604	-	604
Exchange differences at 1 January 2023	(247)	1,509	1,262
Movement in the year	3	(288)	(289)
Transfer to asset held for sale	244	(1,221)	(973)
Exchange differences at 31 December 2023	-	-	-
Net book amount at 31 December 2023	113	-	113

2022

	Software	Licences	Total
	£000	**£000**	**£000**
Cost			
At 1 January 2022	4,576	5,696	10,272
Additions – continuing operations	196	-	196
Disposals - continuing operations	(2)	-	(2)
At 31 December 2022	4,770	5,696	10,466

Accumulated amortisation			
At 1 January 2022	3,592	914	4,506
Charge for year – continuing operations	277	4	281
Disposal – continuing operations	2	-	2
At 31 December 2022	3,871	918	4,789
Exchange differences at 1 January 2022	(247)	838	591
Movement in the year	0	671	671
Exchange differences at 31 December 2022	(247)	1,509	1,262
Net book amount at 31 December 2022	652	6,287	6,939

Intangible fixed assets (Company)

2023	Software £000	Total £000
Cost		
At 1 January 2023	717	717
Disposals		
At 31 December 2023	717	717
Accumulated amortisation		
At 1 January 2023	528	528
Charged during the year	80	80
Disposals		
At 31 December 2023	608	608
Net book amount at 31 December 2023	109	109

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

13. Property, plant and equipment (discontinued operations)

2023	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 2023	8,200	505	3,333	36	12,075
Additions	-	10	284	(4)	290
Transfer to asset held for sale	(8,200)	(515)	(3,617)	(32)	(12,365)
At 31 December 2023	-	-	-	-	-
Accumulated depreciation					
At 1 January 2023	4,562	22	3,375	-	7,959
Charge for year	440	12	211	-	663
Reversal of impairment	(190)	-	-	-	(190)
Transfer to asset held for sale	(4,812)	(34)	(3,586)	-	(8,432)
At 31 December 2023	-	-	-	-	-
Exchange differences at 1 January	495	(470)	379	1	406
Movement in the year	(180)	-	(19)	2	(197)
Disposals	-	-	-	-	-
Transfer to asset held for sale					
Exchange differences at 31 December 2023	-	-	-	-	-
Net book amt at 31 December 2023	-	-	-	-	-

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

Reversal of impairment

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

- The break clause in May 2025 will not be automatically 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). Management have agreed new lease terms with the Landlord post year end.
- All operating assumptions driving revenues and costs were considered in the same way as the overall venues business
- Capital expenditure will average at $60k per annum
- a post-tax discount rate of 13.9% (2022: 13.9%) 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 £3,707k. Accordingly a reversal of impairment of £190k was identified and has been credited to the income statement within operating costs.

2022 *£'0000*	Leasehold improvements and owned land and buildings	Plant and machinery	Fixtures and fittings	Assets in the course of construction	Total
Cost					
At 1 January 2022	8,393	502	3,598	1	12,494
Additions – continuing operations	-	3	109	35	147
Disposals	(193)	-	(374)	-	(567)
At 31 December 2022	8,200	505	3,333	36	12,074
Accumulated depreciation					
At 1 January 2022	4,640	1	3,508	-	8,149
Charge for year – continuing	231	21	182	-	434
Reversal of impairment	(190)	-	-	-	(190)
Disposals	(119)	-	(315)	-	(434)
At 31 December 2022	4,562	22	3,375	-	7,959
Exchange differences at 1 January	54	(472)	333	1	(84)
Movement in the year	441	3	47	-	491
Disposals	-	-	-	-	-
Exchange differences at 31	495	(469)	380	1	407
Net book amount at 31 December 2022	4,133	14	337	37	4,522

14. Right-of-use assets (discontinued operations)

2023 **£'000**	Land and buildings	Vehicles	Fixtures and fittings	Total
Cost				
At 1 January 2023	9,431	29	53	9,513
Additions	217	-	-	217
Transfer to asset held for sale	(9,648)	(29)	(53)	(9,730)
At 31 December 2023	-	-	-	-
Accumulated depreciation				
At 1 January 2023	4,897	12	49	4,958
Charge for year	1,206	-	-	1,206
Disposals	-	-	-	-
Transfer to asset held for sale	(6,103)	(12)	(49)	(6,164)
At 31 December 2023	-	-	-	-
Exchange differences at 1 January 2023	478	3	6	487
Movement in the year	(218)	(1)	-	(219)
Transfer to asset held for sale	(260)	(2)	(6)	(268)
Exchange differences at 31 December 2023	-	-	-	-
Net book amount at 31 December 2023	-	-	-	-

The additions in year relate to the extension of the existing leases at the Norwalk and Milford venues.

2022

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

Depreciation charges have been included in operating costs.

15. Lease liabilities (discontinued operations)

Maturity analysis – contractual undiscounted cash flows	**2023 £000**	2022 £000
Less than one year	-	1,435
Between 2 and 5 years	-	2,955
More than 5 years	-	4,783
Total	-	9,173

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	**2023 £000**	2022 £000
Current	**-**	1,155
Non-current	**-**	6,200
Total	**-**	7,355

Movement in lease liability during the year		**2023**	2022
	Note	**£000**	£000
At 1 January		**7,356**	7,014
New leases entered into		**217**	652
Interest charged to the income statement	9	**278**	230
Lease rentals paid		**(1,479)**	(1,357)
Movement as a result of foreign exchange		**(327)**	816
Transfer to asset held for sale		**(6,045)**	-
At 31 December		**-**	7,356

16. Inventories (discontinued operations)

	2023	2022
	£000	£000
Finished goods	**-**	146
	-	146

The cost of inventories (food and beverage inventory) recognised as an expense and included in cost of sales amounted to £1,100k (2022: £1,147k). Food and beverage inventory is included in finished goods. There was no provision for obsolescence held against inventories at 31 December 2023 (2022: £nil).

17. Trade and other receivables (continuing and discontinued operations)

		Restated
	2023	2022
	£000	£000
Non-current		
Other receivables	**-**	177
Non-current trade and other receivables	**-**	177
Current		
Trade receivables -net	**-**	1,112
Other receivables	**3**	1,837
Accrued income	**-**	231
Prepayments	**203**	144
Current trade and other receivables	**206**	3,324
Total trade and other receivables	**206**	3,501

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

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

	2023	2022
	£000	£000
Sterling	**206**	104
US Dollar	**-**	3,397
Total	**206**	3,501

Trade receivables that are not more than three months past due are not considered impaired. As at 31 December 2023, £nil (2022: £48k) of trade receivables were more than three months past due and not impaired. Management also considers that these receivables are recoverable in full.

Trade and other receivables (Company only)

	2023	2022
	£000	£000
Non-current		
Amounts owed by Group companies	**-**	-
Current		
Amounts owed by Group companies	**-**	-
Other receivables	**-**	70
Prepayments	**203**	91
Current trade and other receivables	**203**	161
Total	**203**	161

18. Cash and cash equivalents (continuing operations)

	Note	**2023**	2022
		£000	£000
Cash and short-term deposits		**1,160**	7,421
Customer funds	19	**367**	391
		1,527	7,811

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 £367k (2022: £391k) 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 20).

19. Trade and other payables (continuing and discontinued operations)

	Note	2023 £000	Restated 2022 £000
Trade payables		**137**	4,588
Other taxes and social security costs		**9**	1,195
Accruals		**847**	1,736
Player liability	18	**367**	391
		1,360	7,910

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

Trade and other payables (Company only)

	2023 £000	2022 £000
Trade payables	**144**	60
Amounts owed to Group companies	**1,734**	387
Social security and other taxes	**9**	29
Accruals	**822**	930
Total	**2,709**	1,406

Amounts due to Group companies are repayable on demand and carry interest charges of Bank of England base rate plus 3%

20. Pension schemes (continuing and discontinued operations)

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

Summary of pension contributions paid:

	2023 £000	2022 £000
Defined contribution scheme contributions	**62**	75

Defined contribution schemes

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

Pension risks

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

21. Financial instruments (continuing and discontinued operations)

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 2023 (2022: £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 2023, there were no outstanding commitments on foreign exchange forward contracts (2022: none). The Group did not enter into any forward contracts during the year (2022: 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 in both the current and previous reporting period are as outlined below.

	2023		2022	
	Average	**Closing**	Average	Closing
US Dollars	1.25	1.26	1.23	1.2

If the exchange rates in 2023 were comparable to those in 2022, profit after tax would have been £670k and the net assets would have been £10,442k at 31 December 2023.

If exchange rates had be 1% higher/lower in 2022 than the prevailing rates during the year, profit for the year would have been £26k higher/lower and net assets as at 31 December 2023 would have been £290k higher/lower.

Capital risk management

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

Financial assets and liabilities

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

	2023	2022
	£000	£000
Financial assets measured at amortised cost	**1,733**	9,755
Financial liabilities measured at amortised cost	**5,061**	13,309

Maturity of financial liabilities

Except for lease obligations (see note 16) all non-derivative financial liabilities are all payable within twelve months.

22. Contingencies and commitments (continuing and discontinued operations)

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 £27k (2022: £158k).

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

	2023	2022
	£000	£000
No later than one year	**4**	13
Later than one year and no later than five years	**-**	-
Total	**4**	13

Contingent items

Tax
The Group's only remaining open case is in relation to the treatment of the £4.6m gain included in the 2016 financial statements for the Spot the Ball VAT refund. The £4.6m potential tax was paid to HMRC to eliminate further interest accruing. There remains a cash liability of c £650,000 should the Company accept HMRC's position or challenge and ultimately lose. The directors continue to evaluate the previous position taken and have engaged counsel to provide opinion, whereupon they will consider if further actions are appropriate.

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

Other contingent items

M&A activity

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

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 (2022: £0.1m). Management is of the view that the risk of those outflows arising is not probable and accordingly they are considered contingent items.

23. Ordinary shares

Authorised, issued and fully paid ordinary shares of 1p	**2023**		2022	
	'000	**£000**	'000	£000
At 1 January	**100,000**	**1,000**	100,000	1,000
Buy-back and cancellation	**(2,900)**	**(29)**	-	-
At 31 December	**97,100**	**971**	100,000	1,000

Post Share Consolidation 9,710,000 shares in Issue

24. Related party transactions

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

- Directors compensation is disclosed in note 8.
- 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 (2022: £nil).

25. Related undertakings

Subsidiaries, excluding dormant companies	Country of incorporation	Registered address	Class of shares held	Shareholding
Sportech Group Holdings Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	85%
Lot.to Systems Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	100%
Sportech Holdco 2 Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	100%
Sportech, Inc.	United States	600 Long Wharf Drive, New Haven, CT 06511	Ordinary	100%
Sportech Venues, Inc.	United States	600 Long Wharf Drive, New Haven, CT 06511	Ordinary	100%
Sportech Retail, Inc.	United States	601 Long Wharf Drive, New Haven, CT 06511	Ordinary	200%

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

Joint ventures and associates	**Country of incorporation**	**Registered address**	**Class of shares held**	**Shareholding**
Sportshub Private Limited	India	Arias, Fabrega & Fabrega, Plaza 2000 Building, 50th Street, Panama	Ordinary	50%
DraftDay Gaming Group, Inc	United States	Trident Chambers, POB 146, Road Town, Tortola, British Virgin Islands	Ordinary	30%

Dormant companies	**Country of incorporation**	**Registered address**	**Class of shares held**	**Shareholding**
Sportech Gaming Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	100%
Sportech Pools Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	100%
Sportech Pools Competitions Company Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	100%
Pools Promotions Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	100%
Sportech Mauritius Limited	Mauritius	Intercontinental Trust Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary	100%

Sportech Pools Games Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	100%
Bet 247 Limited	England & Wales	6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Ordinary	100%
Sportech Racing Limited	British Virgin Islands	CSC North America Inc., 45 O'Connor Street, Suite 1600, Ottawa, Ontario K1P 1A4	Ordinary	100%
Sportech Games Holdco, LLC	United States	600 Long Wharf Drive, New Haven, CT 06511	Ordinary	100%

26. Investments in subsidiaries (Company)

A full list of the Company's subsidiaries and other related undertakings is included in note 25 of the Group Consolidated Financial Statements.

At 31 December 2023 the Company held direct investments in the following entities:

Company	Nature of business
Sportech Group Holdings Limited ("SGHL")	Holds investments in Group companies
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:

	2023 **£000**	2022 £000
At 1 January	**17,999**	26,257
Impairment	**(2,139)**	(8,258)
At 31 December	**15,860**	17,999

The Directors considered the carrying value of the investments for impairment during the year. It was concluded that as at 31 December 2023 the enterprise value of the subsidiaries of SGHL amounted to £15,792k and the enterprise value of the Company's Lot.to Systems Limited subsidiary was £68k. As a result, an impairment of £2,139k was charged to operating costs in the income statement. Following the impairment, the Directors consider the carrying value of £15,792k to be supported by the underlying net assets and cashflows of the Group including those forecasts outlined in note 13 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.

27. Reconciliation of EBITDA

The Board of Directors assesses the performance of the business 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. This measure provides the most reliable indicator of underlying performance of the business 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	2023 £000	2022 £000
Operating costs per income statement		**(14,344)**	(14,803)
Add back:			
Depreciation	13,14	**1,868**	1,216
Amortisation, excluding acquired intangible assets	12	**95**	252
Amortisation of acquired intangible assets	12	**-**	29
Impairment of goodwill	11	**88**	517
(Profit)/Loss on sale of intangible assets	12	**(109)**	-
(Profit)/Loss on sale of property, plant and equipment	13	**-**	150
Reversal of impairment of property, plant and equipment	13	**(190)**	(190)
Separately disclosed items (net)	6	**364**	657
Adjusted operating costs		**(12,228)**	(12,172)

Adjusted EBITDA is calculated as below:

Continuing and discontinued operations	2023 £000	Restated 2022 £000
Revenue	**26,505**	26,283
Cost of sales	**(12,398)**	(12,126)
Gross profit	**14,107**	14,157
Marketing and distribution costs	**(328)**	(386)
Contribution	**13,779**	13,771
Adjusted operating income and costs	**(12,228)**	(12,172)
Adjusted EBITDA	**1,550**	1,599

28. Prior year adjustments

The consolidated income statement and consolidated balance sheet for the comparative period, the year ended 31 December 2022, were adjusted in relation to the treatment of amounts received and paid in respect of source market fees. The revised income statement shows the gross revenue and gross costs rather than the net revenue that was disclosed in last year's statements. The restated balance sheet shows the receivable and payable values that were not previously disclosed. The overall impact is zero on Total Assets and the Profit for the Year.

The following adjustments were made in the financial statements:

Consolidated Balance Sheet		Original	**Adjustment**	**Restated**
		2022	**2022**	**2022**
	Note	£000	£000	£000
Trade and other receivables	18	1,978	1,346	3,324
Trade and other payables	20	(6,564)	(1,346)	(7,910)

Consolidated Income Statement		Original	**Adjustment**	**Restated**
		2022	2022	2022
	Note	£000	£000	£000
Revenue	4	26,004	279	26,283
Cost of sales	5	(11,847)	(279)	(12,126)

29. Discontinued operations and assets held for sale

The net assets at 31 December 2023 of the identified disposal entities 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:

Sportech Inc	**2023**
	£'000
Intangible fixed assets	6,017
Property, plant and equipment	4,176
Right-of-use assets	3,834
Trade and other receivables - LT	169
Trade and other receivables	4,645
Inventories	133
Income tax receivable	111
Cash and cash equivalents	2,669
Total assets held for sale	21,754
Trade and other payables	7,298
Lease liabilities	6,045
Total liabilities directly associated with assets held for sale	13,343

Sportech Inc	**2023 £000**	2022 £000
Revenue	26,454	26,190
Cost of sales, marketing and distribution and adjusted operating expenses	(23,016)	(22,860)
Adjusted EBITDA	3,438	3,330
Depreciation and amortisation	(1,682)	(1,198)
Reversal of impairment	190	190
Disposal of property, plant & equipment	-	(133)
Separately disclosed items	-	(642)
Finance costs	(278)	(279)
Profit before tax	1,668	1,268
Tax, excluding tax arising on disposal	-	(245)
Profit after tax	1,668	1,023[1]
Net cash flow from/(used in) operating activities	1297	(296)
Net cash flow used in investing activities	(290)	(167)
Net cash flow used in financing activities	(1479)	(1,342)
Net cash outflow	(472)	(1,805)

[1] *Note that the £1,023k profit in Sportech Inc is part of the overall profit from discontinued operations in 2022 of £2,206k. The other £1,183k relates to profits realised in 2022 from other discontinued operations, Bump Worldwide Inc and Global Tote Inc that were disposed in 2021.*