22 August 2019

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

Interim results for the six months ended 30 June 2019

Sportech (LSE: SPO), the international betting technology business, is pleased to announce its interim results for the six months ended 30 June 2019.

Highlights

- Appointed new Chairman and CEO and strengthened senior management team by appointing new CTO and adding new COO and CCO roles, with focus on accountability and tangible long-term growth delivery.
- Total Group revenue of £32.6 million (2018: £33.2 million using constant currency).
- EBITDA before Sports Betting investments of £4.3 million and Adjusted EBITDA of £3.4 million (2018: £4.4 million and £3.9 million using constant currency). The 2019 Adjusted EBITDA includes £0.9 million of costs related to Sports Betting (2018: £0.5 million).
- Business turnaround driving efficiencies as transformation of business continues at pace.
- Corporate costs further reduced by 22 percent.
- 'Challenge Everything' drive delivering future operational efficiencies, including cost reductions executed in H1 that will generate efficiencies in H2 and beyond.
- Digital transformation initiated across Group, supported by acquisition of additional platform and talent.
- Revenue growth in Racing, Bump 50:50 and Lottery offset by Venues' challenges.
- Delivered growth in core pari-mutuel ('Tote') business, with key initiatives such as the World Pool successfully launched; Global Pool also secured and new contracts secured in the US and Europe.
- Bump 50:50: Strengthened market position with a record number of client acquisitions during the period.
- Venues: Challenging wagering handle being tackled via cost management, asset review and strategic initiatives.
- Developed proprietary Sports Betting platform, certified integration with Sportradar and commenced marketing to potential clients.
- Positive decisions taken to restructure the business in H1 resulted in Exceptional cash outflows of £1.5m (2018: £1.7m). Management are focussed on extricating the Group in 2019 from historical expensive strategies and delivering an efficient lower operational cost base going forward.
- Group net cash of £11.8 million at 30 June 2019 (31 December 2018: £14.7 million).
- The Board's current outlook for the full year remains in line with expectations.

Financial Summary

£m's	H1 2019	H1 2018 Constant Currency[6,7]	H1 2018 Reported Currency[7]
Revenue	32.6	33.2	31.4
Gross Profit	22.8	24.0	22.8
Contribution[1]	22.1	23.0	21.9
Adjusted EBITDA pre-Sports Betting Investment[2]	4.3	4.4	3.3
Adjusted EBITDA[3]	3.4	3.9	2.8
Loss before tax from continuing operations[4]	(2.4)	(0.6)	(0.6)
Adjusted loss before tax from continuing operations[5]	(0.5)	(0.2)	(0.2)

1. Contribution is defined as gross profit, less marketing and distribution costs.
2. Excludes Sports Betting Investment during the period, amounting to £0.9 million (2018: £0.5 million).
3. Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation, share option charges and exceptional items as reported in note 7 of the Interim Financial Statements.
4. Decrease from 2018 mainly due to fall in Adjusted EBITDA, higher depreciation and amortisation (£0.4m), amortisation of the acquired intangible with Lot.to (£0.3m), increased share option charge (£0.4), higher exceptional costs (£0.2m) and higher finance costs (£0.2m), mainly foreign exchange).

5. Adjusted loss from continuing operations is the aggregate of Adjusted EBITDA, normalised share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles) and finance charges.
6. Prior year comparatives have been adjusted for estimated impact of IFRS 16 (increase in 2018 EBITDA of £0.9m). IFRS 16 allows reported comparatives not to be restated for the change in accounting policy for leases.
7. 2018 numbers have been corrected for a presentational reclassification of reward points from marketing expense to net off from revenue in the Venues division (six months ended 30 June 2018 reported: £155k, six months ended 30 June 2018 constant currency: £166k).

Richard McGuire, Chief Executive Officer of Sportech PLC, said:
"2019 marks a year of transition for Sportech with a clear focus on challenging the predominantly "industrial" culture, whilst driving efficiencies and delivering a range of products that enhance user experience. Sportech has made good progress in the period, with the Group's senior management team bolstered to help ensure accountability and increased effectiveness across every business line. Rigorous cost management remains a core focus for the Group and the Board expects to see further benefits going forward from the measures already taken.

"Further digitisation across existing and new business lines, the elimination of certain expensive strategies, the implementation of a lower operational cost base, and an enhanced global suite of products form the roadmap for H2, positioning the Group for 2020 and beyond. Management remain committed to delivering a superior product range to our global clients and remain confident about the Group's future potential."

For further information, please contact:

Sportech PLC Tel: + 44 (0) 117 902 9000
Giles Vardey, Chairman
Richard McGuire, Chief Executive Officer
Thomas Hearne, Chief Financial Officer

Peel Hunt Tel: +44 (0) 20 7418 8900
(Corporate Broker to Sportech)
Dan Webster / George Sellar

Buchanan Tel: +44 (0) 20 7466 5000
(Financial PR adviser to Sportech)
Henry Harrison-Topham / Mark Court / Jamie Hooper

Notes to Editors:

About Sportech
Sportech PLC, the international betting technology business, provides and operates betting technology solutions for some of the world's best-known gaming companies, sports teams, lotteries and horse and greyhound racetracks, as well as owning and operating its own gaming venues in Connecticut under exclusive licences.

The Group focuses on highly regulated markets worldwide. It has more than 29,000 betting terminals deployed to over 400 clients in 37 countries. Its global systems process US$12 billion in betting handle annually. In the US, it operates under 35 licences across 37 states. The Group has invested over US$60 million in the last five years in the successful expansion of its US gaming Venues and in developing its technology services, resulting in its proprietary Quantum™ System being the most widely deployed pari-mutuel betting system globally.

Group Overview

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The Group focuses on highly regulated markets worldwide. It has 29,000 betting terminals deployed to over 400 clients in 37 countries. Its global systems process US$12 billion in betting handle annually. In the US, it operates under 35 licences across 37 states. The Group has invested over US$60 million in the last five years in the successful expansion of its US gaming Venues and in developing its technology services, resulting in its proprietary Quantum™ System being the most widely deployed pari-mutuel betting system globally.

£'000	Revenue		EBITDA	
	H1 2019	H1 2018[1,2]	H1 2019	H1 2018[1,3]
Racing and Digital	17,937	16,888	3,726	3,562
Venues	14,990	16,652	1,409	1,871
Intercompany elimination / corporate costs	(294)	(321)	(829)	(1,063)
	32,633	33,219	4,306	4,370
Sports Betting investment	-	-	(905)	(513)
Total at constant currency	32,633	33,219	3,401	3,857
Exchange rate impact	-	(1,794)	-	(181)
IFRS 16 adjustment added back	-	-	-	(879)
Total reported	32,633	31,425	3,401	2,797

1. 2018 numbers are at constant currency.

2. 2018 revenue has been corrected for a presentational reclassification of reward points from marketing expense to net off from revenue in the Venues division.

3. The Group has adopted IFRS 16 *Leases* at 1 January 2019. The Group has selected the modified retrospective transition method which allows prior year reported numbers to not be restated in the financial statements. The above prior year figures have been adjusted for IFRS 16 for comparability purposes only. The adjustment represents the 2019 lease rentals which would have been operating costs in 2019 if IFRS 16 had not been adopted, translated at 2019 exchange rates. £673k is related to Venues and £206k is related to Racing and Digital.

Sportech Racing and Digital

Sportech Racing and Digital provides betting technologies and services to 295 racetrack, off-track betting network, casino, lottery and online pari-mutuel operator clients, plus an additional 145 commingling clients, in 37 countries and 37 US states. We have an estimated 29,000 betting terminals, 27 white-label betting websites and 25 white-label mobile apps deployed worldwide and our systems annually process US$12 billion in betting handle.

The increase of 6.2% in Sportech Racing and Digital's revenues resulted from growth across all products. Lottery, Bump and our international businesses led the growth against a modest decline in our US business. We continue to leverage our core global Tote wagering platform whilst developing a digital product suite to complement our global capability to deliver a robust modern platform to our B2B international client-base. The success of the inaugural World Pool event at Royal Ascot with our clients Ascot Racecourse and Betfred Totepool, and in association with the Hong Kong Jockey Club, highlighted many strengths of our international Tote systems and services, delivering key global commingling initiatives such as this. Shortly thereafter, the agreement to deliver a Global Pool for Sports Information Services ("SIS") further emphasises our clients' belief in the strengths of our systems. In addition, we seamlessly processed over 100 million transactions during the Kentucky Derby. We continue to strengthen our web and mobile platforms and to pursue financial efficiencies and user enhancements with a new wagering hardware strategy.

£'000	H1 2019	H1 2018 Constant Currency*	H1 2018 Reported Currency
Sales revenue	1,007	645	637
Service revenue	16,930	16,243	15,928
Total revenue	17,937	16,888	16,565
Contribution	14,834	14,535	14,247
Contribution margin	83%	86%	86%
Adjusted operating expenses	(11,108)	(10,973)	(10,973)
Adjusted EBITDA	**3,726**	**3,562**	**3,274**
Intangible assets capex	1,389	1,669	1,569
Tangible assets capex	810	683	646
Total capex	**2,199**	**2,352**	**2,215**

*Operating expenses are adjusted by £206k for IFRS 16 Leases.

In January 2019, the Group completed the acquisition of Lot.to Systems Limited and commenced the integration of Lot.to talent and technologies, in the areas of Tote digital development, Sports Betting and iLottery. Key executives have been appointed to senior management positions within Sportech to help execute the Group's strategic initiatives with an emphasis on accountability, while the "Challenge Everything" culture introduced at the beginning of the year has been used to underpin Sportech's approach to efficiency, innovation and the user experience across all divisions and at all levels of the organisation.

Sportech's Quantum™ System software and our global service delivery network delivered a seamless inaugural World Pool, an international commingling project designed to maximise liquidity by combining tote betting from global outlets. The division also signed new commingling client SIS for which Sportech is creating and disseminating a worldwide racing pool.

In total, the Racing team signed eight contract extensions, including one with Boyd Gaming for continued servicing of their two racetracks in Louisiana, US. New clients include Belterra Park – also a Boyd Gaming property – and SIS.

The division's digital transformation is underway, with the appointment of a new Chief of Digital Development, investment in our digital infrastructure and the delivery of the latest G4 betting website to online clients. In addition to the G4 upgrades rolled out to existing clients, digital deployments include new white label G4 websites and Digital Link® Mobile apps for Parx Racing in Pennsylvania and for Camarero Park in Puerto Rico.

The division also progressed its terminal hardware project, identifying a new terminal line that will be introduced in H1 2020 to streamline capex, improve efficiency and provide an innovative and engaging end user experience.

Bump 50:50

Sportech's Bump 50:50 sports raffle business provides the technologies and services that allow charitable foundations associated with professional and college sports teams and entertainment venues to sell and fulfil 50/50 raffles to generate funds for their charitable missions. Jackpots are divided equally between the foundation and the winner.

Revenues grew 17% at constant currency versus the prior period, from £691k to £808k. In H1 2019, the Bump 50:50 business added clients at an unprecedented rate, with an additional 18 clients signed year to date. An additional 18 clients renewed their contracts. Of the 18 new clients, seven were non-sports or entertainment affiliated charities such as the Special Olympics. This is an early result of a strategy to open up a significant new potential client base for Bump 50:50's proven package of technology and raffle sales strategies that help charities maximise fundraising for their good causes.

Bump 50:50 is seeking to continue expansion into non-sports markets while continuing to enhance technology, develop new raffle variations and pursue new team clients. A new Bump 50:50 CTO was appointed in the period to drive technology initiatives. The Group also held its second annual client relations event, Bump Academy Vegas, hosting representatives from 50 clients and prospective clients to learn how to maximise fundraising using Bump 50:50's proven tools for growth.

Critical investment was made during the period to enable the business to execute its growth strategy, which seeks to deliver enhanced performance from 2020 onwards. These include new licences, new progressive product design, technology for mobile and online growth and investment in the Bump Academy client event. This has caused a reduction in EBITDA which was £7k for H1 2019, versus £141k in H1 2018.

Lottery

We increased sales agent distribution capability to a key client with the delivery of additional terminals and launched a progressive lottery. Sportech enters the Lottery marketplace in earnest with the acquisition of the technology platforms and talent of Lot.to Systems and the blending of these assets into Sportech's organisation. Sportech is combining lottery games resident on Sportech's Quantum™ System, its POS terminal hardware and software technology and enhanced iLottery product suite from Lot.to to offer a comprehensive lottery solution with a key mobile component and robust administrative, CRM and marketing tools.

Sportech Venues

Sportech Venues operates all betting on horse racing, greyhound racing and jai alai in the state of Connecticut under an exclusive and in-perpetuity licence for retail, online and telephone betting.

Our Connecticut retail operation experienced handle softness in H1, down 10% on the previous period, which illustrated the high operational leverage concerns. The attraction of Sports Betting in neighbouring states, some issues with the quality of racing product during the period and a lack of potential Triple Crown winner were main deficiencies. We are tackling this with immediate cost management actions, detailed analysis of our estate and a variety of strategic initiatives.

We closed one venue during the period with the expiration of a high-cost lease, resulting in no discernible loss of revenue as customers shifted to other regional outlets and to online platforms. We have also placed one of our freehold assets on the market for sale, as it's in a beneficial tax development zone for developers, and will appraise the market as events develop.

Sportech Venues now anticipates enforcement of the protections of Sportech's exclusive off-track betting licence in the State of Connecticut through legislation passed in June 2019, coming into effect October 2019, and are developing a strategy to enhance returns as the only legal and licensed operator in the State for pari-mutuel betting. To support this acquisition campaign and the anticipated addition of legal Sports Betting in the State, we launched a redesigned MyWinners.com website under a new brand unveiled with the launch.

The Group engaged in a comprehensive and sustained campaign and made significant progress elevating Sportech's profile as a key participant in any comprehensive gaming solution which Connecticut lawmakers design. Sportech continues to be a proactive supporter of legislation to regulate Sports Betting, deliver licensing to current in-state gaming operators and provide a competitive consumer product to minimise the attraction of the illegal market.

£'000	**H1 2019**	**H1 2018 Constant Currency[1,2]**	**H1 2018 Reported Currency[2]**
F&B – Stamford	961	1,153	1,081
F&B – Other	1,294	1,350	1,265
F&B – Total	2,255	2,503	2,346
Wagering revenue	12,735	14,149	13,273
Total revenue	14,990	16,652	15,619
Contribution	7,275	8,158	7,651
Contribution margin	49%	49%	49%
Adjusted operating expenses	(5,866)	(6,287)	(6,565)
Adjusted EBITDA	**1,409**	**1,871**	**1,086**
Total capex	**153**	**292**	**274**

1. Operating expenses are adjusted by £673k for IFRS 16 *Leases*.

2. 2018 numbers have been corrected for a presentational reclassification of reward points from marketing expense to net off from revenue (six months ended 30 June 2018 reported: £155k, six months ended 30 June 2018 constant currency: £166k).

US Sports Betting

The B2B Sports Betting opportunity in the US is highly competitive with a B2B gold rush continuing as states adopt legislation. Sportech is engaged with targeted sales and marketing efforts during the period and continue to pursue opportunities.

In 2018, Sportech entered into an agreement with Sportradar to deliver Sports Betting solutions to US operators with Sportradar's data, trading and risk management services and a third-party technology platform. In early H1, Sportech opted to develop a proprietary Sports Betting platform in-house to integrate with the Sportradar managed trading system. This proprietary solution, development of which is nearing completion, offers Sportech greater control and flexibility and will produce greater economic efficiency as and when we deploy it at our B2C Venues in Connecticut and for B2B clients elsewhere.

Sports Betting remains a complex issue both in the State of Connecticut and in other states. Sustained government relations work in Connecticut helped keep Sportech in the forefront for a state-wide gaming solution but Connecticut lawmakers did not legalise Sports Betting in the 2019 legislative session. We remain fully cooperative with the State and all stakeholders in seeking to deliver a solution that protects Sportech's investments and the interests of Sportech staff across the State.

With the development of our proprietary Sports Betting platform, integrated with Sportradar data and risk management, we believe that Sportech remains in a good position to offer a competitive integrated sports and race betting solution in other US states and will update the market as events develop.

Corporate Costs

The focus on efficiency drive throughout the business extended to our corporate cost base where costs dropped 22% during the period to £829k (2018: £1,063k).

Depreciation and Amortisation

The Group's normal depreciation and amortisation charge increased from £2.4 million (constant currency) to £3.4 million. The increase is mainly due to adopting IFRS 16 (£731k).

Exceptional Costs

The Group had exceptional administration costs of £0.7 million (2018: £0.5 million). H1 2019 items include redundancy payments and staff exits in line with employment contracts, legal and actuarial costs in relation to the UK defined benefit scheme buy-in, ongoing litigation costs, professional tax advisory work and the closure of certain non-core and expensive business.

As noted below, management is focussed on extricating the Group in 2019 from historical expensive strategies and therefore anticipates a significant reduction in "Exceptional Costs" in 2020.

Net Finance (Costs)/Income

The Group has no debt. The Group has net finance costs of £0.4 million (2018: income of £0.1 million). The increase in costs is a result of adopting IFRS 16 and foreign exchange movements.

Taxation

A tax credit for the period of £0.5 million represents the expected weighted average annual taxation rate on profits and losses in the jurisdictions in which the Group operates of 19.7% (2018: £28k, 1.2%). Tax paid in the period was £0.4 million, being withholding taxes (2018: £0.8 million).

Net Cash/Net Current Assets

The Group held cash balances of £11.8 million, excluding customer balances (31 December 2018: £14.7 million). The decrease in cash is mostly attributable to working capital movements, the acquisition of Lot.to and payments of exceptional costs.

Capital Expenditure

Capital expenditure in the period was £2.4 million (2018: £2.5 million). The decrease is due to a £168k reduction in the capitalisation of intangible assets offset by an increase of £43k spend of tangible assets, mostly related to new servers to enhance our digital offering.

Shareholders' Funds

Total equity and the Group's net assets at 30 June 2019 are £50.8 million (31 December 2018: £52.4 million). The reduction being; £1.0 million IFRS 16 transition adjustment, £2.0 million loss after tax, £0.2 million currency movements, £0.2 million defined benefit buy-in cost, net of £1.1 million share option reserve movement and £0.7m increase in equity from the issue of shares in consideration for the acquisition of Lo.to Systems Limited.

Auditor change

The Company undertook a competitive tender process for the position of statutory auditor during the period. It was mutually agreed with PricewaterhouseCoopers LLP ("PwC") that PwC would not participate in the tender as the length of their possible tenure would have only allowed one more year before mandatory rotation rules applied. Also, the current PwC engagement leader had served his maximum five year term on the Sportech audit. There were no other matters connected with PwC ceasing to hold office as auditors of the Company and a letter stating such, which was received from PwC on 20 August 2019, will be sent to every person who under s423 of the Companies Act 2006 is entitled to be sent copies of the accounts by 3 September 2019 as required by s520(2) of the Companies Act 2006.

BDO LLP were selected through the tender process and will be appointed as auditor of the Company for the year ending 31 December 2019. The appointment of BDO as auditor will be subject to confirmation by the shareholders at the 2020 Annual General Meeting of the Company.

Outlook

Effective cost management, whilst assessing and delivering innovative products across the businesses, remains the core focus for the Group. Digitisation across existing and new business lines forms the roadmap for the second half and management is determined to extricate the Group from historical expensive strategies and investment plans by the end of 2019 to position Sportech appropriately, with a clear vision and growth strategy. The Board's current outlook for the full year remains in line with expectations.

Venues

The delivery of an appropriate Sports Betting licence is critical to the growth of the Connecticut venues business and will continue to be a key focus for senior management. We shall update the market with developments in the Group's real estate portfolio and will seek to execute a revenue growth model capitalising on the exclusive pari-mutuel licence. There are certain commercially sensitive partnership plans under review and Sportech shall appraise the market at an appropriate time.

Racing and Digital

Digitisation of the Group's core Quantum™ System Tote will continue in the second half, leading to an expansion of our global footprint and elevation of service to our core Tote clients, as we simultaneously explore new avenues for digital growth and streamlined capex. Acquired CRM, administrative and reporting tools are being integrated with our Tote and Digital platforms to deliver enhanced capabilities to clients.

The H1 investment in Bump has created the capacity to extend our range of services to a wider range of clients with an enhanced product suite, including new progressive jackpots and additional proprietary functionality.

Lottery

We will leverage our combined Sportech lottery and acquired iLottery platforms to expand our client base and enhance our product suite through digitisation and innovation.

Sports Betting

The Group changed tactics and developed a proprietary Sports Betting platform during H1 2019 and has commenced marketing our B2B capabilities to US clients. We believe we have a strong product offering, supported by Sportradar media agreements announced this year with the NFL and NBA leagues. The position in Connecticut, where we have our B2C business, is more complex with uncertainty around State licensing. However we are focused on seeking a solution that could provide an engaging Sports Betting product to our consumers across the State in venue and online, similar to our current pari-mutuel licence.

Tax matters

As previously announced, the Company is in ongoing discussions with tax regulators in respect of certain historical tax liabilities.

Following the Spot the Ball VAT reclaim in 2016, the Group filed tax returns and paid corporation tax on the income, some of which was treated as a capital gain and offset against capital losses in the Group of £23 million, reducing the corporation tax bill on the refund by £4.6 million. HMRC have challenged the tax treatment adopted and the Company remains in discussions with them to resolve the matter. The Board took extensive professional advice on the treatment in the tax returns and believe the tax paid was appropriate. We will continue to update as progress is made.

In addition, the Group made an ‘in escrow’ payment to HMRC of £1.3 million in Q1 2018 in order to progress an appeal the Group is making against HMRC for VAT on head office costs going back a number of years, assessments on which amount to £3.3 million (including the £1.3m already paid). The Board continues to follow professional advice on this matter and will update as progress is made.

Richard McGuire
Chief Executive Officer
21 August 2019

Interim consolidated income statement
For the six months ended 30 June 2019

	Note	**Six months ended 30 June 2019 (Unaudited) £000**	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Revenue		**32,633**	31,425	63,462
Cost of sales	6	**(9,798)**	(8,656)	(17,619)
Gross profit		**22,835**	22,769	45,843
Marketing and distribution costs	6	**(726)**	(871)	(1,732)
Contribution		**22,109**	21,898	44,111
Operating costs	4, 6	**(24,186)**	(22,553)	(47,196)
Other income		**—**	—	173
Operating loss		**(2,077)**	(655)	(2,912)
Finance costs	8	**(247)**	—	(67)
Finance income	8	**34**	40	85
Other financial (costs)/income	8	**(151)**	13	455
Loss before taxation from continuing operations		**(2,441)**	(602)	(2,439)
Taxation – continuing operations	9	**482**	28	(2,019)
Loss for the period from continuing operations		**(1,959)**	(574)	(4,458)
Net (loss)/profit from discontinued operations	11	—	(355)	1,822
Loss for the period		**(1,959)**	(929)	(2,636)
Attributable to:				
Owners of the Company		**(1,959)**	(929)	(2,636)
Basic earnings per share attributable to owners of the Company				
From continuing operations	12	**(1.0)p**	(0.3)p	(2.4)p
From discontinued operations	12	**—**	(0.2)p	1.0p
Total	12	**(1.0)p**	(0.5)p	(1.4)p
Diluted earnings per share attributable to owners of the Company				
From continuing operations	12	**(1.0)p**	(0.3)p	(2.4)p
From discontinued operations	12	**—**	(0.2)p	1.0p
Total	12	**(1.0)p**	(0.5)p	(1.4)p
Adjusted earnings per share attributable to owners of the Company				
Basic	12	**(0.2)p**	(0.1)p	0.3p
Diluted	12	**(0.2)p**	(0.1)p	0.3p

Interim consolidated statement of comprehensive income
For the six months ended 30 June 2019

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Loss for the period	**(1,959)**	(929)	(2,636)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit and loss			
Actuarial gain on retirement benefit liability	**—**	—	315
UK defined benefit pension scheme “buy-in” insurance contract purchased	**(234)**	—	—
Deferred tax on movement on retirement benefit liability	**—**	—	(83)
	(234)	—	232
Items that may be subsequently reclassified to profit and loss			
Currency translation differences	**(211)**	766	2,411
Total other comprehensive (expense)/income for the period, net of tax	**(445)**	766	2,643
Total comprehensive (expense)/income for the period	**(2,404)**	(163)	7
Attributable to:			
Owners of the Company	**(2,404)**	(163)	7

Interim consolidated statement of changes in equity
For the six months ended 30 June 2019

Six months ended 30 June 2019	Ordinary shares £000	Other reserves: Capital redemption reserve £000	Other reserves: Share option reserve £000	Other reserves: Pension reserve £000	Other reserves: Foreign exchange reserve £000	Retained earnings £000	Total £000
At 1 January 2019 (audited)	37,350	10,312	7,536	(414)	8,537	(10,949)	52,372
Adjustment for adoption of IFRS 16*	—	—	—	—	—	(985)	(985)
Restated at 1 January 2019	37,350	10,312	7,536	(414)	8,537	(11,934)	51,387
Comprehensive expense							
Loss for the period	—	—	—	—	—	(1,959)	(1,959)
Other comprehensive expense							
Currency translation differences	—	—	—	—	(211)	—	(211)
UK defined benefit pension scheme "buy-in" insurance contract purchased	—	—	—	(234)	—	—	(234)
Total comprehensive expense	—	—	—	(234)	(211)	(1,959)	(2,404)
Transactions with owners							
Share option charge	—	—	1,073	—	—	—	1,073
Shares issued in relation to the acquisition of Lot.to Systems Limited	400	—	—	—	—	314	714
Total transactions with owners	400	—	1,073	—	—	314	1,787
Total changes in equity	400	—	1,073	(234)	(211)	(1,645)	(617)
At 30 June 2019 (unaudited)	**37,750**	**10,312**	**8,609**	**(648)**	**8,326**	**(13,579)**	**50,770**

* Net of deferred tax

Six months ended 30 June 2018	Ordinary shares £000	Other reserves: Capital redemption reserve £000	Other reserves: Share option reserve £000	Other reserves: Pension reserve £000	Other reserves: Foreign exchange reserve £000	Retained earnings £000	Total £000
At 1 January 2018 (audited)	37,123	10,312	6,608	(646)	6,126	(8,313)	51,210
Comprehensive expense							
Loss for the period	—	—	—	—	—	(929)	(929)
Other comprehensive income/(expense)							
Currency translation differences	—	—	—	42	724	—	766
Total comprehensive income/(expense)	—	—	—	42	724	(929)	(163)
Transactions with owners							
Share option charge	—	—	660	—	—	—	660
Employment taxes paid on vesting of options	—	—	(67)	—	—	—	(67)
Shares issued in relation to PSP	227	—	(227)	—	—	—	—
Total transactions with owners	227	—	366	—	—	—	593
Total changes in equity	227	—	366	42	724	(929)	430
At 30 June 2018 (unaudited)	37,350	10,312	6,974	(604)	6,850	(9,242)	51,640

Year ended 31 December 2018	Ordinary shares £000	Other reserves Capital redemption Reserve £000	Share option reserve £000	Pension reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
At 1 January 2018 (audited)	37,123	10,312	6,608	(646)	6,126	(8,313)	51,210
Comprehensive income/(expense)							
Loss for the year	—	—	—	—	—	(2,636)	(2,636)
Other comprehensive income							
Actuarial gain on defined benefit pension liability *	—	—	—	232	—	—	232
Currency translation differences	—	—	—	—	2,411	—	2,411
Total other comprehensive income	—	—	—	232	2,411	—	2,643
Total comprehensive income/(expense)	—	—	—	232	2,411	(2,636)	7
Transactions with owners							
Share option charge	—	—	1,222	—	—	—	1,222
Employer taxes paid on vesting of options	—	—	(67)	—	—	—	(67)
Shares issues in relation to the PSP	227	—	(227)	—	—	—	—
Total transactions with owners	227	—	928	—	—	—	1,155
Total changes in equity	227	—	928	232	2,411	(2,636)	1,162
At 31 December 2018 (audited)	37,350	10,312	7,536	(414)	8,537	(10,949)	52,372

* Net of deferred tax

Interim consolidated balance sheet

As at 30 June 2019

	Note	**As at 30 June 2019 (Unaudited) £000**	As at 30 June 2018 (Unaudited) £000	As at 31 December 2018 (Audited) £000
ASSETS				
Non-current assets				
Intangible fixed assets	13	**15,846**	12,550	13,551
Property, plant and equipment	14	**25,533**	25,766	26,337
Right-of-use assets	15	**7,162**	—	—
Trade and other receivables	16	**601**	2,289	667
Deferred tax assets		**6,563**	7,259	5,979
		55,705	47,864	46,534
Current assets				
Trade and other receivables	16	**10,637**	11,479	8,169
Inventories		**2,864**	2,609	2,576
Assets held for sale		**—**	270	—
Cash and cash equivalents	17	**14,888**	16,437	17,915
		28,389	30,795	28,660
TOTAL ASSETS		**84,094**	78,659	75,194
LIABILITIES				
Current liabilities				
Trade and other payables	18	**(14,647)**	(16,164)	(12,946)
Provisions	19	**(737)**	(1,050)	(977)
Lease liabilities	21	**(1,234)**	—	—
Financial liabilities	22	**(500)**	—	—
Current tax liabilities		**(6,516)**	(7,008)	(6,563)
		(23,634)	(24,222)	(20,486)
Net current assets		**4,755**	6,573	8,174
Non-current liabilities				
Retirement benefit liability		**(898)**	(1,345)	(902)
Lease liabilities	21	**(7,297)**	—	—
Provisions	19	**(1,495)**	(1,452)	(1,434)
		(9,690)	(2,797)	(2,336)
TOTAL LIABILITIES		**(33,324)**	(27,019)	(22,822)
NET ASSETS		**50,770**	51,640	52,372
EQUITY				
Ordinary shares		**37,750**	37,350	37,350
Other reserves		**26,599**	23,532	25,971
Retained earnings		**(13,579)**	(9,242)	(10,949)
TOTAL EQUITY		**50,770**	51,640	52,372

Interim consolidated statement of cash flows
For the six months ended 30 June 2019

	Note	**Six months ended 30 June 2019 (Unaudited) £000**	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Cash flows from operating activities				
Net cash generated from operations, before exceptional items	20	**2,819**	2,560	5,890
Interest received		**34**	41	85
Interest paid		**—**	—	(22)
Tax paid		**(393)**	(772)	(2,029)
Net cash generated from operating activities before exceptional items		**2,460**	1,829	3,924
Exceptional cash inflows		**—**	487	487
Exceptional cash outflows	7	**(1,469)**	(1,697)	(2,320)
Cash generated from operations - continuing operations		**991**	619	2,091
Cash used in operations - discontinued operations		**—**	(83)	(37)
Net cash flows from operating activities		**991**	536	2,054
Cash flows from investing activities				
Investment in joint ventures and associates	23	**(230)**	(187)	(291)
Disposal of Football Pools division		**—**	—	275
Disposal of Sportech Racing BV (net of transaction costs)		**235**	—	2,411
Contingent consideration paid for Bump (Worldwide) Inc.		**—**	(167)	(167)
Purchase of Lot.to Systems Limited, net of cash acquired	10	**(729)**	—	—
Investment in intangible fixed assets	13	**(1,401)**	(1,569)	(3,106)
Purchase of property, plant and equipment	14	**(963)**	(920)	(1,927)
Cash used in investing activities - continuing operations		**(3,088)**	(2,843)	(2,805)
Cash used in investing activities - discontinued operations		**—**	(54)	—
Net cash used in investing activities		**(3,088)**	(2,897)	(2,805)
Cash flows from financing activities				
Payment of lease liabilities		**(889)**	—	—
Net cash used in financing activities		**(889)**	—	—
Net decrease in cash and cash equivalents		**(2,986)**	(2,361)	(751)
Effect of foreign exchange on cash and cash equivalents		**(41)**	(96)	(91)
Net cash and cash equivalents at the beginning of the period		**17,915**	19,170	18,757
Net cash and cash equivalents at the end of the period		**14,888**	16,713	17,915
Less cash held by asset held for sale		—	(276)	—
Group cash and cash equivalents at the end of the period		**14,888**	16,437	17,915
Represented by:				
Cash and cash equivalents	17	**14,888**	16,437	17,915
Less customer funds	17	**(3,093)**	(3,960)	(3,187)
Adjusted net cash at the end of the period	17	**11,795**	12,477	14,728

Notes to the consolidated interim financial statements
For the six months ended 30 June 2019

1. General information

Sportech PLC (the "Company") is a company domiciled in the UK and listed on the London Stock Exchange. The Company's registered office is Collins House, Rutland Square, Edinburgh, Midlothian, Scotland EH1 2AA. The condensed consolidated interim financial statements of the Company as at and for the period ended 30 June 2019 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the "Group"). The Company's accounting interim reference date is 30 June. Consistent with the normal monthly reporting process, the actual date to which the balance sheet has been drawn up is to 30 June 2019 (2018: 1 July 2018). For ease of reference in these condensed interim financial statements, all references to the results for the period are for the period ended 30 June 2019 (2018: 30 June 2018) and the financial position at the same date. The principal activities of the Group are the provision of pari-mutuel betting (B2C) and the supply of wagering technology solutions (B2B).

The condensed consolidated interim financial statements were approved for issue on 21 August 2019.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 20 March 2019 and delivered to the Registrar of Companies. The Report of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have not been reviewed or audited.

2. Basis of preparation

a. These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 *'Interim Financial Reporting'* as adopted by the European Union. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018 which have been prepared in accordance with IFRSs as adopted by the European Union.

b. After making reasonable enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

c. The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, significant judgements have been made by management with respect to the assumptions underpinning the Group's tax liabilities and the carrying value of intangible fixed assets.

d. The principal risks and uncertainties for the Group remain the same as those detailed on pages 30 and 31 of the 2018 Sportech PLC Annual Report and Accounts, where descriptions of mitigating activities carried out by the Group are also outlined. Those risks are regulation, product popularity, technological changes, customer concentration and industry competition, foreign exchange and failure to implement a Sports Betting strategy.

e. Management have corrected the accounting for award points granted to players in the Sportech Venues Segment, these awards were previously charged to the income statement within marketing and distribution costs. The value of the awards are now debited to revenue. The prior year presentation has been corrected for comparability purposes. The effect on prior year revenue in the six month period to 30 June 2018 was a reduction of £155k (year ended 31 December 2018: £256k), there is a corresponding reduction in marketing and distribution costs.

3. Accounting policies

The following standards, amendments and interpretations that are not yet effective and have not been adopted early by the Group are as follows:

Standard or interpretation	Applicable for financial year beginning on or after
IFRS 17 Insurance Contracts	1 January 2021

IFRS 17 is not relevant to the Group.

The following standards, have been adopted by the Group with effect from 1 January 2019:

Standard or interpretation	Applicable for financial year beginning on or after
IFRS 16	1 January 2019
IFRS 9 (2014) Financial Instruments (Amendment – Prepayment Features with Negative Compensation and Modifications of Financial Liabilities	1 January 2019
IAS 28 – Investments in Associate and Joint Ventures (Amendment – Long-term Interests in Associates and Joint Ventures)	1 January 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle (IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs)	1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IAS 19 Employee Benefits	1 January 2019

Of the above, only IFRS 9 and IFRS 17 are not relevant to the Group. All of the other pronouncements are relevant, but only the application of IFRS 16 has had an impact on the Group's accounting.

Except as described below, the accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements (the policy for recognising and measuring income taxes in the interim period is described in note 9).

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ended 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Group, as a lessee, has recognised right-of-use assets recognising its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting is not applicable to the Group but would have remained the same under IFRS 16 if it were.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings on 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

A) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an arrangement contains a lease. The Group now assesses whether a contract is or contains a lease based on a new definition of a lease. Under IFRS 16, a contract is, or contains a lease if a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not re-assessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone process.

B) As a lessee

The Group leases many assets including property, vehicles and IT equipment.

As a lessee the Group previously classified leases based on its assessment of whether a lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases i.e. these leases are on-balance sheet.

However, the Group has elected to not recognise right-of-use assets and lease liabilities for leases of low-value assets (<£4,000 asset values) and leases with terms of less than 12 months.

The Group presents right-of-use assets separate to tangible fixed assets that it owns. The carrying amounts of right-of-use assets, by nature of asset, are as per below:

	Tangible fixed assets					
	Short leasehold land and buildings £000	**Long leasehold land and buildings £000**	**Vehicles £000**	**Plant and machinery £000**	**Fixtures and Fittings £000**	**Total £000**
Balance at 1 January 2019	2,668	4,987	237	—	26	7,918
Balance at 30 June 2019	2,158	4,798	186	—	20	7,162

The Group presents lease liabilities separately on the face of the balance sheet.

i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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 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.

ii) Transition

Previously, the Group classified leases as operating leases under IAS 17. These included betting venues, offices, vehicles and IT equipment. The leases typically run for periods of 3 to 5 years, but some property leases exist with significantly longer terms. Some property leases include an option to extend the lease for periods of typically 3 years and some of the longer leases have termination options, "break clauses", (some with penalties). Some leases also provide for rent changes based on local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate (in the jurisdiction the lease resides) as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability at the inception of the lease.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial applications.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C) Impacts on the financial statements

i) Impacts on transition

On transition to IFRS 16, the Group recognises additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings, net of deferred tax. The impact on transition is summarised below.

	At 1 January 2019 £000
Right-of-use asset presented in property, plant and equipment	7,918
Lease liabilities	9,196
Deferred tax asset	293
Retained earnings	(985)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rates in the jurisdictions in which the leases are located. The weighted average rate applied was 5.75%.

Deferred tax has been provided as the initial reduction in reserves on transition to IFRS 16 is spread over the remaining lease term for tax relief purposes.

	At 1 January 2019 £000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	12,226
Exclude rentals in JV company included in the above commitments	(474)
Restated commitments excluding JV rentals	11,752
Less:	
Discounted using the incremental borrowing rates at 1 January 2019	(3,526)
Recognition exemption for leases of low value assets	(9)
Recognition exemptions for leases with less than 12 months lease term at transition	(30)
Correction of rental amounts to accurately reflect liability	(238)
Add:	
Extension options reasonably certain to be exercised	1,247
Lease liabilities recognised at 1 January 2019	9,196

ii) Impacts for the period

In relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised £731,000 of depreciation charges and £247,000 of interest costs from these leases.

4. Adjusted performance measures

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of non-recurring expenditure such as exceptional items and asset impairment charges. The share option expense is also excluded. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. This is considered the most reliable indicator as it is the closest approximation to cash generated by underlying trade, excluding the impact of one-off items of a material nature, adoption of IFRS 16 and working capital movements.

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

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

	Note	**Six months ended 30 June 2019 (Unaudited) £000**	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Operating costs per income statement		**(24,186)**	(22,553)	(47,196)
Add back:				
Sports Betting investment		**905**	490	1,428
Depreciation	14,15	**2,344**	1,388	2,860
Amortisation, excluding acquired intangible assets	13	**1,065**	953	1,917
Amortisation of acquired intangible assets	13	**314**	—	—
Share option charge, excluding acceleration of charge for departing management		**324**	660	1,222
Accelerated IFRS 2 charge for departing management		**749**	—	—
Exceptional items	7	**682**	451	3,453
Adjusted operating costs		**(17,803)**	(18,611)	(36,316)
Other operating income*		**—**	—	173
Total adjusted net operating costs (pre Sports Betting investment)		**(17,803)**	(18,611)	(36,143)

*Other operating income of £173k in 2018 was an insurance payout for business interruption following hurricane Maria and is considered to be non-exceptional operating income and is included in adjusted net operating costs.

Adjusted EBITDA is calculated as follows:

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Revenue	**32,633**	31,425	63,462
Cost of sales	**(9,798)**	(8,656)	(17,619)
Gross profit	**22,835**	22,769	45,843
Marketing and distribution costs	**(726)**	(871)	(1,732)
Contribution	**22,109**	21,898	44,111
Adjusted operating income and costs (pre Sports Betting investment)	**(17,803)**	(18,611)	(36,143)
Adjusted EBITDA pre Sports Betting investment	**4,306**	3,287	7,968
Sports Betting investment	**(905)**	(490)	(1,428)
Adjusted EBITDA	**3,401**	2,797	6,540
Adjustment to prior year for IFRS 16 comparability purposes*	**—**	879	1,748
	3,401	3,676	8,288

*IFRS 16 transition requires that prior year numbers are not restated. The above figures for IFRS adjustments are for comparability purposes only. They represent the 2019 lease rentals which would have been operating costs in 2019 if IFRS 16 had not been adopted, translated at 2018 exchange rates.

Sports Betting investment includes lobbying costs, additional staff costs and travel and consultants, and also includes an allocation of senior management time. Of these costs, £335k were external costs and £570k were internal (year ended 31 December 2018: £508k were external costs and £920k were internal).

Contribution is also an adjusted performance measure disclosed in the financial statements, being the revenue less directly variable costs of trade. This is presented to explain the underlying profit margins earned by the Group from its trade.

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

	Six months ended 30 June 2019 (Unaudited)
	Total
Continuing operations	**£000**
Adjusted EBITDA	**3,401**
Share option charge, excluding acceleration of charge for departing management	**(324)**
Depreciation	**(2,344)**
Amortisation	**(1,065)**
Finance income	**34**
Finance costs	**(247)**
Adjusted loss before tax	**(545)**
Tax at 31.0%	**169**
Adjusted loss after tax	**(376)**

	Six months ended 30 June 2018 (Unaudited)			**Year ended 31 December 2018 (Audited)**		
	Continuing	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjusted EBITDA	2,797	114	2,911	6,540	175	6,715
Share option charge	(660)	—	(660)	(1,222)	—	(1,222)
Depreciation	(1,388)	(48)	(1,436)	(2,860)	(93)	(2,953)
Amortisation (excluding amortisation of acquired intangibles)	(953)	(34)	(987)	(1,917)	—	(1,917)
Finance income/(charges)	40	—	40	18	(18)	—
Adjusted (loss)/profit before tax	(164)	32	(132)	559	64	623
Tax*			8			(139)
Adjusted (loss)/profit after tax			(124)			484

* The adjusted tax rate for the six months ended 30 June 2018 is 6.0% and for the year ended 31 December 2018 is 22.7%.

5. Segmental reporting

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

The Group has identified its operating segments as outlined below:

- Sportech Racing and Digital – provision of pari-mutuel wagering services and systems worldwide principally to the horseracing industry;
- Sportech Venues – off-track betting venue management; and
- Corporate costs – central costs relating to the overall management of the Group.

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

	Six months ended 30 June 2019 (Unaudited)				
	Racing and Digital £000	Venues £000	Corporate costs £000	Inter-segment elimination £000	Group £000
Revenue from sale of goods	1,007	—	—	—	1,007
Revenue from food and beverage sales	—	2,255	—	—	2,255
Revenue from rendering of services	16,930	12,735	—	(294)	29,371
Total revenue	**17,937**	**14,990**	—	**(294)**	**32,633**
Cost of sales	(2,793)	(7,299)	—	294	(9,798)
Gross profit	**15,144**	**7,691**	—	—	**22,835**
Marketing and distribution costs	(310)	(416)	—	—	(726)
Contribution	**14,834**	**7,275**	—	—	**22,109**
Adjusted operating costs	(11,108)	(5,866)	(829)	—	(17,803)
Adjusted EBITDA (pre Sports Betting investment)	**3,726**	**1,409**	**(829)**	—	**4,306**
Sport betting investment	—	(905)	—	—	(905)
Adjusted EBITDA	**3,726**	**504**	**(829)**	—	**3,401**
Share option charge, excluding acceleration of charge for departing management	—	—	(324)	—	(324)
Depreciation	(1,206)	(1,128)	(10)	—	(2,344)
Amortisation (excluding amortisation of acquired intangibles)	(1,001)	—	(64)	—	(1,065)
Segment result	**1,519**	**(624)**	**(1,227)**	—	**(332)**
Acceleration of IFRS 2 charge for departing management	—	—	(749)		(749)
Amortisation of acquired intangibles	(314)	—	—	—	(314)
Exceptional costs	(352)	(52)	(278)	—	(682)
Operating profit/(loss)	**853**	**(676)**	**(2,254)**	—	**(2,077)**
Net finance costs					(364)
Loss before taxation					**(2,441)**
Taxation					482
Loss for the period from continuing operations					**(1,959)**
Other segment items					
Capital expenditure – intangible fixed assets	1,389	—	12	—	1,401
Capital expenditure – property, plant and equipment	810	153	—	—	963

	Six months ended 30 June 2018 (Unaudited)				
	Racing and Digital	Venues	Corporate costs	Inter-segment elimination	Group
	£000	£000	£000	£000	£000
Revenue from sale of goods	637	—	—	—	637
Revenue from food and beverage sales	—	2,346	—	—	2,346
Revenue from rendering of services	15,928	13,273	—	(759)	28,442
Total revenue	16,565	15,619	—	(759)	31,425
Cost of sales	(1,930)	(7,485)	—	759	(8,656)
Gross profit	14,635	8,134	—	—	22,769
Marketing and distribution costs	(388)	(483)	—	—	(871)
Contribution	14,247	7,651	—	—	21,898
Adjusted operating expenses	(10,973)	(6,565)	(1,073)	—	(18,611)
Adjusted EBITDA (pre Sports Betting investment)	3,274	1,086	(1,073)	—	3,287
Sport betting investment	—	(490)	—	—	(490)
Adjusted EBITDA	3,274	596	(1,073)	—	2,797
Share option charge	—	—	(660)	—	(660)
Depreciation	(838)	(537)	(13)	—	(1,388)
Amortisation	(837)	—	(116)	—	(953)
Segment result	1,599	59	(1,862)	—	(204)
Exceptional costs	(48)	(40)	(363)	—	(451)
Operating profit/(loss)	1,551	19	(2,225)	—	(655)
Net finance income					53
Loss before taxation					(602)
Taxation					28
Loss for the period - continuing operations					(574)
Net loss from discontinued operations					(355)
Loss for the period					(929)
Other segment items					
Capital expenditure – intangible fixed assets	1,569	—	—	—	1,569
Capital expenditure – property, plant and equipment	646	274	—	—	920

	Year ended 31 December 2018 (Audited)				
	Racing and Digital £000	Venues £000	Corporate costs £000	Inter-segment elimination £000	Group £000
Revenue from sale of goods	1,770	—	—	(44)	1,726
Revenue from food and beverage sales	—	4,724	—	—	4,724
Revenue from rendering of services	32,234	25,399	—	(621)	57,012
Total revenue	34,004	30,123	—	(665)	63,462
Cost of sales	(3,991)	(14,241)	—	613	(17,619)
Gross profit	30,013	15,882	—	(52)	45,843
Marketing and distribution costs	(736)	(996)	—	—	(1,732)
Contribution	29,277	14,886	—	(52)	44,111
Adjusted net operating expenses	(20,634)	(13,473)	(2,088)	52	(36,143)
Adjusted EBITDA (pre Sports Betting investment)	**8,643**	**1,413**	**(2,088)**	**—**	**7,968**
Sport betting investment	—	(1,428)	—	—	(1,428)
Adjusted EBITDA	**8,643**	**(15)**	**(2,088)**	**—**	**6,540**
Share option charge	—	—	(1,222)	—	(1,222)
Depreciation	(1,715)	(1,115)	(30)	—	(2,860)
Amortisation	(1,743)	—	(174)	—	(1,917)
Segment result	5,185	(1,130)	(3,514)	—	541
Exceptional costs	(2,214)	(65)	(1,174)	—	(3,453)
Operating profit/(loss)	2,971	(1,195)	(4,688)	—	(2,912)
Net finance income					473
Share of loss after tax of joint ventures					—
Loss before taxation					(2,439)
Taxation					(2,019)
Loss for the year - continuing operations					(4,458)
Net profit from discontinued operations					1,822
Loss for the period					(2,636)
Other segment items					
Capital expenditure – intangible fixed assets	3,095	—	11	—	3,106
Capital expenditure – property, plant and equipment	1,529	398	—	—	1,927

6. Expenses by nature

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Cost of sales			
Tote and track fees	**5,856**	5,526	11,261
F&B consumables	**665**	705	1,405
Betting and gaming duties	**400**	363	738
Repairs and maintenance cost of sales	**196**	169	335
Ticket paper	**467**	392	888
Programs	**259**	275	498
Outsourced service costs	**1,000**	885	1,684
Cost of inventories sold, including provision for obsolete inventory	**955**	341	810
Total cost of sales	**9,798**	8,656	17,619
Marketing and distribution costs			
Marketing	**525**	629	1,261
Vehicle costs	**65**	112	232
Freight	**136**	130	239
Total marketing and distribution costs	**726**	871	1,732
Operating costs			
Staff costs – gross, excluding share option charges	**14,155**	13,639	27,532
Less amounts capitalised	**(1,389)**	(1,047)	(2,923)
Staff costs - net	**12,766**	12,592	24,609
Property costs	**1,930**	2,562	5,314
IT & communications	**671**	657	1,355
Professional fees	**2,356**	2,040	4,391
Travel and entertaining	**624**	679	1,353
Banking transaction costs and FX	**154**	163	310
Provision for doubtful debts	**—**	—	(76)
Other costs	**207**	408	488
Adjusted operating costs	**18,708**	19,101	37,744
Share option charge, excluding exceptional accelerated charges	**324**	660	1,222
Acceleration of IFRS 2 charge for departing management	**749**	—	—
Depreciation	**2,344**	1,388	2,860
Amortisation, excluding amortisation of acquired intangibles	**1,065**	953	1,917
Amortisation of acquired intangibles	**314**	—	—
Exceptional costs	**682**	451	3,453
Total operating costs	**24,186**	22,553	47,196

7. Exceptional items

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Exceptional costs:			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	**287**	251	1,178
Expenses in relation to the UK defined benefit pension scheme "buy-in"	**105**	—	—
Acquisition costs in relation to Lot.to Systems Limited	**52**	—	—
Investment in S&S JV (immediately impaired)	**230**	187	291
Release of onerous contract provisions provided in relation to exit from California operations – offsetting investment above	**(179)**	(187)	(291)
Costs in relation to the Spot the Ball VAT refund	**—**	160	205
Costs in relation to legacy tax disputes	**37**	—	111
One off start-up costs of new ventures, including new venue builds and joint ventures	**—**	40	29
Costs in relation to exiting the Group's interests in India	**18**	—	51
Impairment of contingent consideration in relation to NYX Gaming	**—**	—	1,729
Legal costs in relation to intellectual property infringement lawsuit	**132**	—	150
Total exceptional costs	**682**	451	3,453

Below is a summary of exceptional cash (outflows)/inflows:

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Exceptional cash outflows:			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	**(846)**	(999)	(1,332)
Expenses in relation to the UK defined benefit pension scheme "buy-in"	**(105)**	—	—
UK defined benefit pension scheme "buy-in" insurance contract purchased	**(234)**	—	—
Staff bonuses paid in relation to Football Pools disposal plus final costs paid	**—**	(301)	(307)
Acquisition costs in relation to Lot.to Systems Limited	**(52)**		—
Spot the Ball bonus paid to former Director and associated legal fees	**—**	(292)	(315)
Costs in relation to the Spot the Ball VAT refund	**(45)**	(73)	(73)
Costs in relation to legacy tax disputes	**(37)**	—	(111)
One off start-up costs of new ventures, including new venue builds and joint ventures	**—**	(32)	(32)
Costs in relation to exiting the Group's interests in India	**(18)**	—	—
Legal costs in relation to intellectual property infringement lawsuit	**(132)**	—	(150)
Total exceptional cash outflows	**(1,469)**	(1,697)	(2,320)
Exceptional cash inflows:			
Cost settlement received from HMRC regarding Spot the Ball VAT refund	**—**	487	487
Total exceptional cash inflows	**—**	487	487

The Trustees of the Sportech Pension Scheme entered into a contract with Just Retirement Limited ("Just") on 28 March 2019 to insure the liabilities of the scheme. The Trustees and Just are working through due diligence and under-writing in order for an anticipated full buy-out and winding up of the scheme to be completed prior to the year end. The policy cost was £2,450,000 which was paid utilising the assets in the scheme, which were valued at £2,216,000 and an additional cash payment from the Company of £234,000. The Company is also paying all administrative, actuarial and legal costs the Scheme is incurring in the process.

8. Net finance (costs)/income

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Finance costs:			
Interest payable on bank loans and overdrafts	**—**	—	(22)
Interest on lease liabilities	**(247)**	—	—
Interest on defined benefit pension obligation	**—**	—	(45)
Total finance costs	**(247)**	—	(67)
Finance income	**34**	40	85
Other finance (costs)/income:			
Foreign exchange (loss)/gain on financial assets and liabilities denominated in foreign currency	**(139)**	(25)	363
Unwinding of interest on discounted non-current balances	**(12)**	38	92
Total other financial (costs)/income	**(151)**	13	455
Net finance (costs)/income	**(364)**	53	473

9. Taxation

Taxation is provided based on management's best estimate of the expected weighted average annual taxation rate for the full year. The estimated weighted average annual tax rate for the year ended 31 December 2019 is 19.7% (2018: 1.2%). The movement is a result of a change in mix of profits/(losses) in jurisdictions with varying tax rates.

The Group continues to hold a tax provision of £4,600k for tax potentially due on the 2016 Spot the Ball refund. Further provisions are held totaling £2,005k for other uncertain tax positions.

10. Acquisition of Lot.to Systems Limited

On 1 February 2019, the Group acquired 100% of the issued share capital of Lot.to Systems Limited ("Lot.to") a UK-based digital gaming technology business. The acquisition provides Sportech with a leading digital gaming platform, iLottery and a specialist team focused on innovative digital gaming technologies. It also helps solidify the Group's global gaming capabilities and services position. Importantly, the acquisition also provides Sportech with growth opportunities through broadening the suite of gaming services offered by the Group.

UK-regulated Lot.to is recognised as a digital specialist in the lottery sector which has developed turn-key solutions. Whilst its proprietary 'Rapid Lotto' and lotto betting verticals online have been its core consumer products, Lot.to's iLottery platform has the capability to operate in any gambling vertical including self-service POS terminals plus online and mobile interfaces.

Goodwill arising on the acquisition amounted to £nil.

The following table summarises the fair value of consideration paid for Lot.to and the amounts of the assets acquired and liabilities assumed recognised at acquisition date.

Fair value of consideration at 1 February 2019	Note	Unaudited £000
Ordinary shares in Sportech PLC (2,000,000 shares at 35.7p*)		714
Repayment of shareholder loan		1,300
Total fair value of consideration transferred		2,014
Recognised provisional fair value of identifiable assets acquired and liabilities assumed		
Intangible fixed assets – software		2,112
Intangible fixed assets – licences		150
Tangible fixed assets – fixtures and fittings		1
Cash at bank and in hand		71
Trade and other receivables		99
Trade and other payables		(14)
Corporation tax liability		(3)
Deferred tax on acquired intangibles		(402)
Total identifiable net assets		2,014
Total fair value of consideration transferred		2,014

*share price of the Company on 1 February 2019.

There was no contingent consideration payable. The shareholder loan was agreed to be repaid in three installments of £300,000 on completion date, £500,000 by 31 March 2019 and £500,000 by 31 December 2019.

Acquisition costs amounted to £52,000 and have been recognised as an expense in the consolidated income statement as an exceptional item (see note 7).

The fair values of identifiable assets acquired and liabilities assumed are considered provisional in nature due to the business combination occurring just five months prior to the period end. Management will continue to monitor the provisional values during the year ended 31 December 2019 to ensure any fair values amendments are identified as a hindsight adjustment.

No contingent liabilities have been recognised as at the acquisition date.

Lot.to has contributed revenues of £170,000 and a loss of £121,000 to the Group results from the acquisition date to 30 June 2019. Had the acquisition occurred on 1 January 2019, the Group's revenue for the period ended 30 June 2019 would have been £32,642,000 and the Group's loss for the period would have been £1,989,000. These amounts have been determined by applying the Group's accounting policies and adjusting the results of Lot.to to reflect additional amortisation that would have been charged, assuming the fair value adjustments to intangible assets had been applied from 1 January 2019.

The premium on the shares issued in Sportech PLC of £314k is recorded as a merger reserve in retained earnings.

11. Net (loss)/profit from discontinued operations

Results from discontinued operations includes the Football Pools division, disposed of in June 2018, and also the Venues business in The Netherlands, Sportech Racing BV and its subsidiaries ("Sportech Holland"). Sportech Holland was disposed of in full on 26 July 2018 and was considered to be a held for sale asset as at 30 June 2018. The sale of this business to RBP Luxembourg SA was structured as a locked box, with an effective date of 1 January 2018. The risks and benefits of its cash generation were therefore transferred to the purchaser from that date. Control of the entity did not however transfer until completion of the deal on 26 July 2018 and accordingly its results were included in the six months ended 30 June 2018 as those of a discontinued operation.

	Six months ended June 2018 (Unaudited)			Year ended 31 December 2018 (Audited)		
	FP*	Holland	Total	FP*	Holland	Total
	£000	£000	£000	£000	£000	£000
Revenue	—	2,631	2,631	—	3,065	3,065
Cost of sales, marketing and distribution and adjusted operating expenses	46	(2,562)	(2,516)	78	(2,968)	(2,890)
Adjusted EBITDA	46	69	115	78	97	175
Depreciation and amortisation	—	(82)	(82)	—	(93)	(93)
Exceptional items	—	(461)	(461)	—	(461)	(461)
Finance costs	—	—	—	—	(18)	(18)
Profit/(loss) before tax	46	(474)	(428)	78	(475)	(397)
Tax, excluding tax arising on disposal	—	—	—	(169)	—	(169)
Profit/(loss) after tax	46	(474)	(428)	(91)	(475)	(566)
Net gain on disposal (note 11a)	73	—	73	59	2,329	2,388
Net result from discontinued operations	119	(474)	(355)	(32)	1,854	1,822

** Holland results for 2018 are to the date of disposal of 26 July 2018.*

11a) Net gain on disposal

	Six months ended June 2018
	FP (Unaudited) £000
Consideration, net of working capital adjustments	73
Gain on disposal	73

	Year ended 31 December 2018		
	FP (Audited) £000	Holland (Audited) £000	Total (Audited) £000
Consideration, net of working capital adjustments	73	3,007	3,080
Net assets disposed of	—	(318)	(318)
Transaction costs incurred in the year	—	(360)	(360)
Pre-tax gain on disposal	73	2,329	2,402
Tax arising on disposal	(14)	—	(14)
Gain on disposal	59	2,329	2,388

Of the consideration receivable for Sportech Racing BV, £2,692k was received in cash during 2018 and £314k was recorded as contingent consideration receivable and was received in January 2019. Transaction costs of £79k were also paid in January 2019, the rest having been settled in cash in 2018. No tax is payable on the disposal of Sportech Racing BV as Substantial Shareholder Relief is being applied.

12. Earnings per share

Basic EPS	**Six months ended 30 June 2019 (Unaudited)**			Six months ended 30 June 2018 (Unaudited)			Year ended 31 December 2018 (Audited)		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total	Continuing	Discontinued	Total
(Loss)/profit for the period (£000)	**(1,959)**	**—**	**(1,959)**	(574)	(355)	(929)	(4,458)	1,822	(2,636)
Weighted average no of shares ('000)	**188,331**	**188,331**	**188,331**	186,029	186,029	186,029	186,393	186,393	186,393
Basic EPS	**(1.0)p**	**—**	**(1.0)p**	(0.3)p	(0.2)p	(0.5)p	(2.4)p	1.0p	(1.4)p

Diluted EPS	**Six months ended 30 June 2019 (Unaudited)**			Six months ended 30 June 2018 (Unaudited)			Year ended 31 December 2018 (Audited)		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total	Continuing	Discontinued	Total
(Loss)/profit for the period (£000)	**(1,959)**	**—**	**(1,959)**	(574)	(355)	(929)	(4,458)	1,822	(2,636)
Weighted average no of shares ('000)	**188,331**	**188,331**	**188,331**	186,029	186,029	186,029	186,393	186,393	186,393
Dilutive potential ordinary shares ('000)	**N/A**	**—**	**N/A**	N/A	N/A	N/A	N/A	—	N/A
Total potential ordinary shares ('000)	**188,331**	**188,331**	**188,331**	186,029	186,029	186,029	186,393	186,393	186,393
Diluted EPS	**(1.0)p**	—	**(1.0)p**	(0.3)p	(0.2)p	(0.5)p	(2.4)p	1.0p	(1.4)p

Adjusted EPS

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

	Note	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2018 (Audited)
Adjusted (loss)/profit after tax (£000)	4	**(376)**	(124)	484
Basic Adjusted EPS (pence)		**(0.2)p**	(0.1)p	0.3p
Diluted Adjusted EPS (pence)		**(0.2)p**	(0.1)p	0.3p

13. Intangible fixed assets

	Note	**Six months ended 30 June 2019 (Unaudited) £000**	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
At 1 January		**13,551**	11,629	11,629
Additions – continuing operations		**1,401**	1,569	3,106
Additions – business combination	**10**	**2,262**	—	—
Amortisation charge for period – continuing operations		**(1,379)**	(953)	(1,917)
Movement as a result of foreign exchange		**11**	305	733
Net book amount at end of period		**15,846**	12,550	13,551

14. Property, plant and equipment

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
At 1 January	**26,337**	25,705	25,705
Additions	**963**	920	1,927
Additions – business combination	**1**	—	—
Depreciation charge for period	**(1,613)**	(1,388)	(2,860)
Movement as a result of foreign exchange	**(155)**	529	1,565
Net book amount at end of period	**25,533**	25,766	26,337

15. Right-of-use assets

	Six months ended 30 June 2019 (Unaudited) £000
At 1 January – on transition to IFRS 16	**7,918**
Depreciation charge for period	**(731)**
Movement as a result of foreign exchange	**(25)**
Net book amount at end of period	**7,162**

16. Trade and other receivables

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Non-current			
Trade and other receivables	**601**	660	667
Contingent consideration receivable from disposal of Sportech-NYX Gaming, LLC	**—**	1,629	—
Total non-current trade and other receivables	**601**	2,289	667
Current			
Trade and other receivables	**10,637**	11,479	8,169
Total trade and other receivables	**11,238**	13,768	8,836

17. Cash and cash equivalents

	Note	**Six months ended 30 June 2019 (Unaudited) £000**	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Cash and short-term deposits		**11,795**	12,477	14,728
Customer funds	18	**3,093**	3,960	3,187
Total cash and cash equivalents		**14,888**	16,437	17,915

Customer funds are matched by liabilities of an equal value within trade and other payables (see note 18).

Included within cash and short-term deposits as at 30 June 2019 are amounts held in tills and vaults and other estimated amounts required by the Group to fund day to day working capital commitments totalling approximately £2.5m.

18. Trade and other payables

	Note	**Six months ended 30 June 2019 (Unaudited) £000**	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Trade payables		**6,115**	6,014	4,018
Other taxes and social security costs		**331**	157	113
Accruals		**4,884**	5,825	5,382
Deferred income		**224**	208	246
Player liability	17	**3,093**	3,960	3,187
Total trade and other payables		**14,647**	16,164	12,946

19. Provisions

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
At beginning of period	**2,411**	2,626	2,626
Utilised during the period	**—**	(186)	(96)
Release of discount interest to the income statement	**12**	7	22
Credit to income statement – share of loss of JV	**(179)**	—	(291)
Currency movements	**(12)**	55	150
Total provisions	**2,232**	2,502	2,411
Provisions are in relation to:			
Current provisions			
Onerous contracts	**737**	1,050	977
Total current provisions	**737**	1,050	977
Non-current provisions			
Onerous contracts	**1,377**	1,338	1,315
Other	**118**	114	119
Total non-current provisions	**1,495**	1,452	1,434

20. Cash flow from operating activities

Reconciliation of loss before taxation to cash flows from operating activities for continuing operations

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Loss before taxation – continuing operations	**(2,441)**	(602)	(2,439)
Adjustments for:			
Net exceptional items	**682**	451	3,453
Depreciation and amortisation	**3,723**	2,341	4,777
Net finance charges/(income)	**364**	(53)	(473)
Share option expense	**1,073**	660	1,222
Employers' taxes paid on options vested	**—**	(67)	(67)
Changes in working capital:			
(Increase)/decrease in trade and other receivables	**(2,240)**	(1,556)	1,831
(Increase)/decrease in inventories	**(306)**	122	76
Increase/(decrease) in trade and other payables, excluding player liabilities	**2,058**	176	(2,805)
(Decrease)/increase in customer funds	**(94)**	1,088	315
Cash generated from operating activities, before exceptional items	**2,819**	2,560	5,890

21. Lease liabilities

Maturity analysis – contractual undiscounted cashflows	As at 30 June 2019 (Unaudited) £000
Less than one year	**1,697**
Between 2 and 5 years	**4,071**
More than 5 years	**5,984**
Total	**11,752**

The weighted average incremental borrowing rate applied to the lease liabilities was 5.75%.

Lease liabilities included in the balance sheet	As at 30 June 2019 (Unaudited) £000
Current	**1,234**
Non-current	**7,297**
Total	**8,531**

	As at 30 June 2019 (Unaudited) £000
At 1 January 2019	**9,196**
Interest charged to the income statements	**247**
Lease rentals paid	**(889)**
Movement as a result of foreign exchange	**(23)**
Total	**8,531**

22. Financial liabilities

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Amounts payable to former shareholder of Lot.to Systems Limited	**500**	—	—

The final instalment of the original £1,300k shareholder loan to Lot.to Systems Limited which was assumed by Sportech PLC on the acquisition of the whole of the share capital of Lot.to Systems Limited is repayable on or before 31 December 2019.

23. Related party transactions

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

a. Key management compensation is disclosed below:

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
Short-term employee benefits	**623**	511	752
Consultancy fees	—	174	76
Share-based payments	**49**	164	388
Accelerated IFRS 2 charge for departing management	**755**	—	—
Pay in lieu of notice	**300**	—	—
Post-employment benefits	**2**	5	5
Total	**1,729**	854	1,221

b. The Group invested the following amounts of cash into each of its joint ventures and associates during the period:

	Six months ended 30 June 2019 (Unaudited) £000	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
S&S Venues California, LLC	**230**	187	291

S&S Venues California, LLC	**Six months ended 30 June 2019 (Unaudited) £000**	Six months ended 30 June 2018 (Unaudited) £000	Year ended 31 December 2018 (Audited) £000
At 1 January	**—**	—	—
Additions	**230**	187	291
Income statement items:			
Impairment	**(121)**	(71)	(44)
Share of loss after tax	**(109)**	(116)	(247)
Net income statement expense	**(230)**	(187)	(291)
Total	**—**	—	—

The net income statement expense has been charged to exceptional costs (see note 7), given the provision for onerous contracts in relation to this joint venture, has been released to exceptional costs, having been recorded through exceptional costs in 2017. In 2019 the losses exceed the amounts provided which were the lease rentals only.

24. Contingencies

Contingent items

Tax

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

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

Corporation tax

Judgement has been applied by management as to the corporation tax which arises on the sale of the Football Pools in June 2017. Exposure to further liabilities as a result of differences to management judgement exists and a possible further tax liability could arise.

VAT

As disclosed in the 2015 interim financial statements, HMRC have previously challenged the recovery of VAT by Sportech PLC as an active holding company providing wholly economic activities. This challenge was aligned to European Case Law which ultimately ruled in the taxpayer's favour.

HMRC adjusted their challenge to Sportech in 2017 to instead focus on the value of the economic activities that Sportech PLC provides to its trading subsidiaries, the majority of which are based overseas. Assessments have been raised totaling £3.3m for the period to 30 June 2017, citing an under-valuation of the Group's management supplies which is made primarily to its exempt UK Football Pools business. The Group has continued to engage its external advisors on this issue and has entered into a formal appeals process and further dialogue with HMRC.

To continue with the appeal, and in accordance with due process, £1.3m was paid to HMRC in 2018 (HMRC agreed to defer payment of the remaining amount). A provision of £1.7m has been made in the Group accounts and Management consider that the likelihood of any further material outflow, over this amount, being made to HMRC to settle this issue is remote.

Irish subsistence claims

The Irish Revenue have assessed the Group for €106k for income tax allegedly underpaid in relation to subsistence claims of Irish field crew. Management believe that this assessment is incorrect and that all subsistence claims paid were made without tax deduction in accordance with relevant regulations. An appeal is being pursued and no provision has been recorded in these financial statements.

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 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 £0.6m. Management are of the view that the risk of those outflows arising is not probable and accordingly they are considered contingent items.

Statement of Directors' responsibilities

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the Interim Management Report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report and Accounts.

A list of current Directors of Sportech PLC is maintained on the Sportech PLC website: www.sportechplc.com.

On behalf of the Board

Richard McGuire	Tom Hearne
Chief Executive Officer	Chief Financial Officer
21 August 2019	21 August 2019