For immediate release **19 March 2020**

SPORTECH PLC
('Sportech', the 'Group' or the 'Company')

Final Results

Sportech, an international betting technology business, is pleased to announce its final results for the year ended 31 December 2019.

	2019 £000	2018 £000
Revenue	64,783	63,462
Gross Profit	46,887	45,843
Adjusted[1] EBITDA pre sports betting investment	9,313	9,821[2]
Adjusted[1] EBITDA	7,540	6,540
Adjusted[1] profit before tax from continuing operations prior to sports betting investment	968	1,987
Loss before tax from continuing operations	(8,430)	(2,662)

Financial Highlights

- Revenues increased by 2% to £64.8 million (2018: £63.5 million).
- Adjusted EBITDA[1] (prior to sports betting investment) reduced by 5% to £9.3 million (2018: £9.8 million – adjusted for IFRS 16[2]).
- Adjusted profit before tax[1] from continuing operations (prior to sports betting investment) of £1.0 million (2018: £2.0 million).
- Statutory loss before tax from continuing operations of £8.4m (2018: £2.7 million - restated). £5.0 million impairment to Stamford sports bar asset.
- Cash, net of customer balances, at 31 December 2019 of £13.0 million (2018: £14.7 million).
- Increased management focus on delivering key performance results beyond simple EBITDA.
- Capex reduced by -24%; Corporate costs reduced by -28%; cash generated from operational activities increased by +27%

1. Adjusted profit measures exclude the effects of expenditure Management believe should be added back (exceptional items) and share option charges.
2. 2018 Adjusted EBITDA pre sports betting investment is shown at constant currency and restated for the impact of IFRS 16, estimated to be £1,831k increase from 2018 reported at constant currency.

Group Developments

- Accountability: bolstered senior management team with emphasis on accountability and delivery.
- Tote: enhanced international Tote technology position resulted in service revenue growth.
- Digital: strengthened digital capability across all businesses post Lot.to acquisition and integration.

- Venues: Challenging operational leverage being tackled via cost management, asset review and strategic initiatives. Critical focus in Connecticut; seeking to extend current licensing to include Sports Betting.
- Bump 50:50: Record revenue growth, however investment for future growth impacted unit EBITDA contribution.

Richard McGuire, Chief Executive Officer of Sportech, said:

"We continue to progress our strategic agenda focused on driving further development of our Group platforms following 2019 growth opportunity investments, whilst managing the inherent cost base. Despite the challenging retail environment and excluding some cost measures taken to reposition the Group, our performance in 2019 has been as expected.

In particular, we have recorded positive progress with key performance metrics beyond, the typically focussed, EBITDA measure; namely cash generation from operational activities, capex reductions and delivery of a lower operational cost base going forward.

Trading in the early months of 2020 started satisfactorily, however as announced to the market via RNS on 18 March 2020, given the uncertainty as to how the current COVID-19 situation will develop it is difficult to give accurate guidance with any certainty for the full-year. The situation remains highly uncertain, but clearly COVID-19 will have a significant impact on our business given certain of our businesses are dependent on sporting events continuing, even if behind closed doors. On Sunday March 15th, we took the precautionary action to close our Connecticut retail venues for an initial period through to the end of March. On Monday March 16th the Connecticut Governor announced closures of bars, restaurants and casinos through to the end of April. We will continue to update the market as appropriate.

Understandably, the period of disruption is uncertain, but having strengthened our online capabilities during 2019 we are better positioned to deliver a broader service wherever possible. In this period of concern and uncertainty, we initiated a Sportech COVID-19 response task force and continue to work closely with our clients and our staff to ensure, as best we can, a combination of continuity where permissible and precautionary safety measures.

Notwithstanding the uncertain short-term outlook, we remain focused on maintaining the Group's financial strength with £11.0m net cash and no debt as of the end of February 2020.

Analyst briefing:
Based on understandable guidance surrounding COVID-19, the analyst presentation will be available on the company website https://www.sportechplc.com/investors/results/. Management are available as required for analyst and investor meetings; requests should be made to Buchanan or Peel Hunt.

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Forward-looking statements *This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, results of our operations, financial condition, liquidity, prospects, growth, strategies and the business we* *operate. These forward-looking statements include all matters that are not historical facts. By their nature, these statements involve risks and uncertainties since future events and circumstances can cause results and developments to differ materially from those anticipated. Any such forward-looking statements reflect knowledge and information available at the date of preparation of this document. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation (596/2014), the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), the Company undertakes no obligation to update or revise any such forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.*

Notes to Editors:

About Sportech
Sportech PLC, an international betting technology business, delivers solutions and services for some of the world's best-known gaming companies, sports teams, racetracks, casinos and lottery clients 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 38 countries. Its global systems process US$12.3 billion in betting handle annually. In the US, it operates across 36 states. The Group has invested over US$60 million in the last five years in the successful expansion of its US gaming Venues, the diversification into raffle and lottery gaming platforms, and in developing its technology services, resulting in its proprietary Quantum™ System being the most widely deployed pari-mutuel betting system globally.

2019 Operating review

Sportech began 2019 with a renewed focus on accountability and sought to restructure the business and processes to deliver tangible long-term growth through a relentless drive for efficiency and innovation, and through delivery of an enhanced customer experience. During the year, Sportech set a course to deliver on these goals with a revamped management team, a strategy to further solidify our position as the international leader in Tote solutions, a plan to shift from an ’industrial’ to a ’digital’ focus in our solutions across the Group, and a ’challenge everything’ attitude to deliver operational efficiency.

We set out to establish broader key performance indicators beyond the simple EBITDA metric which appeared somewhat overused in previous periods. The sale of the UK Football Pools business in 2017, with the resulting loss of positive operational cash flow and subsequent redistribution of cash to shareholders, has focused the Board’s and Management’s attention on not only the popular EBITDA metric but also on operational cash flow and related investment of capital across the Group.

2019 was a challenging period, resulting in a modest 1.8% decline in revenue performance and a 5.2% decline in Adjusted EBITDA on a constant currency basis before Sports Betting costs. This predominantly related to our investments to reposition the Bump 50:50 business for digital and subscription growth potential; the expansion investment of our digital and iLottery capabilities; the competitive challenges – highlighted within our interim results – to our Connecticut Venues business as neighbouring states advance their own Sports Betting initiatives; and the losses from our subsequently closed California venues interests. The operational and product investments that impacted the headline EBITDA should generate performance returns in coming years and we have taken steps to address some of Venues’ structural challenges, including exiting the single California operation, situated almost 3,000 miles from our other operations.

However, the Group managed broader business performance metrics effectively during the year including a 24% capex cost reduction; a further reduction of 28% in corporate costs, and an increase in cash generation from operational activities of 27%.

Our exceptional cost items declined in 2019, however we remain dedicated to removing these significantly in 2020 and future years. Major items included the transfer of the UK Defined Benefit pension scheme liabilities, closure of certain long-standing litigation issues, tax interest, and certain staff restructuring redundancy costs. The net result being our cash position at year end, whilst reducing £2.3 million, was approximately £1.0 million ahead of market expectations.

We set out the Group's strategic aims for 2020 within the Annual Report. Management are dedicated and motivated to deliver tangible investor returns during the year ahead, whilst ensuring our capital is directed toward serious growth opportunities.

In 2019, the Group had two operating divisions; Sportech Racing and Digital (including Bump 50:50 and the Group's Lottery line) and Sportech Venues.

Sportech Racing and Digital

Sportech Racing and Digital provides pari-mutuel betting technology and service solutions to 287 racetrack, off-track betting network, casino, lottery, and online operator clients, plus an additional 147 commingling clients, in 38 countries and 36 US states. The Division has over 29,000 betting terminals, 30 white-label betting websites, and 19 white-label mobile apps deployed worldwide, and our pari-mutuel systems annually process US$12.3 billion in betting handle, including handle processed for its Lottery clients.

£'000	**2019**	Constant currency 2018
Service revenue	**35,105**	33,278
Sales revenue	**1,420**	1,731
Total revenues	**36,525**	**35,009**
Contribution	**31,431**	30,088
Contribution margin	**86.1%**	85.9%
Adjusted operating expenses, net	**(22,845)**	(21,081)
Adjusted EBITDA	**8,586**	9,007
Intangible assets capitalised	**2,602**	3,250
Purchase of PPE	**971**	1,603
Total capex in year	**3,573**	**4,853**

**Table above includes results of Bump 50:50, prior year figures are at constant currency and Adjusted operating expenses in 2018 are restated for IFRS 16 impact for comparison purposes (reduction of £431k from 2018 constant currency under IAS 17).*

Developments during the year

Sportech Racing and Digital strengthened its dominant position in the global pari-mutuel betting market in 2019. The Division delivered the first-ever 'World Pool', leveraging its Quantum™ System to combine betting pools on races held at Royal Ascot with those from Betfred Totepool and Hong Kong Jockey Club, maximising liquidity for participants. The Division also entered into an arrangement with Sports Information Services ('SIS') to provide global pools for greyhound racing and delivered an order of 300 new BetJet® Aero terminals to the Jockey Club of Turkey.

Extending the powerful Quantum™ System to the point of sale is where Sportech finds an opportunity to greatly enhance the user experience and reset the operational cost base for future growth. A digital development team with industry-leading expertise in iGaming user experience design contributed to the completion of a new point-of-sale betting solution that extends the power of Quantum™ System to a range of proprietary and off-the-shelf hardware options. Introduced to the industry at the Asian Racing Conference in February 2020, the new solution will allow Sportech to deliver a rich and entertaining betting experience with flexible hardware options while facilitating an efficient reduction in capital costs, most importantly in North America where Sportech owns and maintains over 12,500 betting terminals.

The Division continued its roll out of enhanced digital products including the latest versions of Sportech's responsive G4 white-label platform for web and mobile betting and the Digital Link® mobile app. 2019 deployments of G4 and Digital Link® included dual language Spanish/English versions deployed for Camarero Racetrack in Puerto Rico.

In 2019, the Group continued development of a Sportech Sports Betting platform suitable for deployment to B2B clients.

Sportech Racing and Digital's global footprint remained stable in 2019. The Division signed a new contract with Boyd Gaming for Belterra Park (a new Sportech client) and Evangeline Downs and Delta Downs (both existing clients). It also welcomed new client Royal Saint Lucia Turf Club in the Caribbean under an agreement with UK Tote Group and assisted the same with their digital platform provision and launch. Contract extensions and renewals were signed with a number of other clients, including casinos, racetracks, and leading US online operator TVG, part of Flutter Entertainment PLC.

Looking forward
We are committed to the development and expansion of Quantum™ System functionality to ensure that it remains an industry leader in global pari-mutuel betting systems and we will continue to leverage Quantum™ System's dominance to further expand global pool commingling. We are also capitalising on reporting and analytics IP acquired earlier in 2019 to develop new enhanced versions of our Tote reporting packages, to deliver expanded client functionality.

The Division continues to invest in new infrastructure to support our global Quantum™ Data and Operations Centre ('QDC') in the US, separating hosting from Tote Operations. We have progressed plans to enhance our hosting location under the core auspices of improved security, stability and speed, while retaining our QDC facility to deliver our leading 24/7 Central System Operations team.

The introduction of our new terminal software platform at the Asian Racing Conference in February 2020 was successful and we have commenced detailed discussions with certain interested parties in the US and Europe. Initial deployments include the mobile self-service and roaming teller POS versions of the platform. We anticipate rollout of the self-service and teller POS versions to clients later in 2020.

In early 2020, the Division entered into agreements to extend contracts with several major North American clients and also extended our contract with the Irish Greyhound Board under an agreement that calls for an upgrade to Sportech's Quantum™ System.

Bump 50:50
Bump 50:50's electronic raffle technology and service solution helps foundations maximise their charitable fundraising efforts with 50/50 raffles offered in-stadia and online that result in jackpots that are divided equally between the foundation and the drawing winner. Bump 50:50 clients include foundations associated with some of the biggest brands in professional and collegiate sports, entertainment special events, and philanthropic organisations.

2019 was a year of investment at Bump 50:50, enhancing the technology to deliver a robust omni-channel platform to drive the product capabilities more effectively in 2020 and beyond. Bump 50:50's 2019 revenues, currently included within the Racing and Digital division, increased 31% to £2.0 million (2018: £1.5 million). Adjusted EBITDA declined to £0.3 million (2018: £0.50 million) due to increased licensing costs, a compensation hurdle and critical investments in technology platform. The 2019 technology platform investment improves Bump 50:50's capability for broader online and subscription services and should enhance future performance.

Developments during the year
In 2019, Bump 50:50 reached the 100-client milestone with new contracts from not only professional and collegiate sports, but also from prominent philanthropic organisations unaffiliated with sports. Bump 50:50 signed agreements with 27 new clients during the year and its raffle platforms generated almost US$21.0 million in funds for its charity partners in 2019.

Bump 50:50 also increased its list of sports-related partner charities, signing new accounts with a number of Californian teams including the LA Dodgers, LA Chargers, San Francisco Giants, San Francisco 49ers, and San

Diego Padres, as well as with other leading sports organisations including the Cincinnati Reds, Houston Texans, Penn State University, and the New York Giants.

Guided by a strategic initiative to expand the market to include non-sport affiliated philanthropic organisations, Bump 50:50 signed new philanthropy clients including Special Olympics of Ontario, Sinai Health System Foundation, Multiple Sclerosis Society of Canada, Rotary Club, and the Hospital for Sick Children Foundation, all of which implemented Bump 50:50's online raffle platforms.

Across its client base, Bump 50:50 continued in 2019 to deploy web and mobile platforms to complement in-stadia raffles, where permitted. In total, 25% of Bump 50:50's partners either choose a digital platform or choose to supplement their in-stadia sales with digital options.

Looking forward

During the first two months of 2020, Bump 50:50 has added new clients, including the University of Pittsburgh, further developing non-professional sports charity opportunities.

Bump 50:50 is the first company approved to run electronic "*Catch the Ace*" progressive raffles; an alternative to traditional 50/50 raffles that is perfect for foundations that offer online fundraising raffles.

Bump 50:50 delivered yet another record-setting jackpot in 2020 at the Daytona 500, in February, breaking the record for the US 50/50 raffle jackpots.

The non-sports related charitable opportunity exceeds the market for sports raffles, with charitable organisations operating year-round fundraising programs for large audiences. The Bump 50:50 online raffle platforms are well-suited for this type of client and the Group will continue in 2020 to pursue non-sport, as well as sport-affiliated, foundation clients.

In addition to continuing its pursuit of growth through client acquisition, the Group will continue to invest in technology, end user experience, innovations in marketing and client support, and new concepts that complement the core traditional 50/50 raffles.

Sportech Venues

Sportech Venues offers legal betting on horseracing, greyhound racing and Jai alai through both online and venue-based operations across the State of Connecticut under an exclusive and perpetual licence.

£'000	**2019**	Constant currency 2018
F&B - Stamford	**1,975**	2,379
F&B - Other	**2,420**	2,577
F&B - Total	**4,395**	4,956
Wagering revenue	**24,431**	26,702
Total revenues	**28,826**	31,658
Contribution	**13,984**	15,635
Contribution margin	**48.5%**	49.4%
Adjusted operating expenses	**(11,756)**	(12,775)
Adjusted EBITDA	**2,228**	2,860
Capex	**198**	421

**In the table above, prior year figures are at constant currency and Adjusted operating expenses in 2018 are restated for IFRS 16 impact for comparison purposes (reduction of £1,400k from 2018 constant currency under IAS 17) and revenue has been restated to net customer bonuses against revenue rather than being charged to marketing costs.*

Developments during the year
Venues betting handle declined 7.6% in 2019, whilst same store handle declined 6.5%. The overall decline was influenced by a variety of factors, including continued online competition from unlicensed out-of-state operators, and consumer discretionary wallet competition from the introduction of Sports Betting in neighbouring states. The closure of one small venue in 2019 resulted in the variance to same store handle.

Prior to 2019, illegal out-of-state online betting operators were doing business in Connecticut in direct defiance of actions by the State's Attorney General. In 2019 Sportech secured protections of its pari-mutuel betting licence against this illegal competition with passage of legislation to clarify and support Sportech's exclusive licence to conduct off-track betting through web and mobile channels in Connecticut. As the legislation did not take effect until October 2019, competition from these unlicensed operators continued to take a toll into 2019. In order to efficiently begin recapturing both revenues and tax proceeds, the Division agreed terms in early 2020 with the Connecticut regulator, the Department of Consumer Protection, to provide a platform for additional operators to operate legally in-state for a source market fee to be paid to Sportech, including required direct State taxes.

The Division launched a redesigned MyWinners.com website, reinvigorating its consumer brand position in anticipation of the introduction of Sports Betting. The MyWinners.com betting platform and MyWinners mobile app, both supplied by Sportech Racing and Digital, were updated to provide a more responsive, feature rich betting experience across all devices. Despite the competition from out-of-state operators, 2019 online handle grew 9% over prior year.

During the 2019 legislative session in Connecticut, Management campaigned vigorously in support of Sports Betting legalisation and for Sportech to be part of the solution to offer online and retail Sports Betting in the State. The Division undertook a multi-level campaign of lobbying, advertising, targeted public relations, and consumer outreach. Our team also attended numerous public hearings and delivered testimony to relevant General Assembly committees. Despite our efforts and those of other licensed Connecticut gaming operators, the State did not enact Sports Betting legislation in 2019, due primarily to claims of exclusivity under prior agreements by the two recognised Tribal entities. Given the importance of Sports Betting licensing to our Venues business and the Group, we continue to be proactively engaged in seeking a solution to break the impasse before the 2020 legislative session adjourns on 6 May 2020.

Our online campaign can be found at www.sportsbettingforct.com.

In 2019, Sportech closed one small underperforming venue with little impact on the overall business, as consumers moved to other locations or online. Management continues to identify other cost saving measures across the Division, including leasehold renegotiations and exploring options around our freehold estates in New Haven and Windsor Locks.

Looking forward
Our position regarding Sports Betting, and our presence in the State as a viable partner to deliver legal Sports Betting, were well established through our lobbying and communication efforts in 2019. The Group intensified these efforts during the Connecticut General Assembly's 2020 legislative session, which commenced in February, as new Sports Betting bills are considered. The Group continues to work with State legislators and established State licensed gaming operators to seek a solution and deliver a comprehensive legal and regulatory framework for Sports Betting, either in 2020 or beyond.

Early in 2020, the Division closed a second small underperforming venue located within three miles of Sportech's large Sports Haven. We retain the option to open up to 24 venues and are evaluating new sites based on demand conditions and the status of Sports Betting.

Venues management remain focused on managing the fixed cost base and are assessing options to enhance profitability via a combination of lower product costs and improved licence revenues in 2020. Sports Betting remains a key priority for all parties in the current months; it remains a complex situation, however we are fully engaged in working with all parties to seek an appropriate solution.

Outlook

Providing a long-term projection with any degree of certainty in this environment is challenging and unrealistic. There is little doubt that this crisis will test our organisation in serious ways in the coming months, however Sportech's employees are professionals who work with incredible passion and purpose and I continue to be inspired by their dedication to improve in every area.

During 2019 Sportech enhanced its global credentials via approved membership of the prestigious European Pari Mutuel Association and the World Lottery Association. The expanded reach of our Quantum™ System provides seamless connectivity between our diverse clients and partner racecourses around the world as never before.

We invested time during the year assessing our entire product range and user experience and commenced development of a digital software platform that will change the way we approach terminal hardware and capital investment going forward. We made significant strides in challenging cultural behaviours and business practices that perhaps focused on previous financial metrics rather than promoting an entrepreneurial ownership ethos; this shift ultimately resulted in some of the benefits noted at the start of this section. Still, 2019 was not without its challenges. However, with a reinvigorated senior management team, an emphasis on accountability and improved ownership focus, and intelligent progressive investments in digital solutions across every division, Sportech is meeting these challenges head-on.

A summary of our strategic objectives for 2020 include:

1. Maintain and develop our core Tote business, driving leading technological advances to our global client base via an enhanced operational platform.
2. Develop key growth business units such as Bump 50:50, Lottery, and Sportech Solutions.
3. Drive digital development initiatives with associated cost efficiencies across all divisions.
4. Continued professional pursuit of a Sports Betting licence in Connecticut.
5. Evaluate and execute material corporate opportunities, delivering tangible investor returns.

I am encouraged by our business progress in 2019 and while our 2020 performance will be impacted by the precautionary measures taken globally against the pandemic, we remain focused on protecting shareholder value and managing the business effectively and responsibly through these turbulent times.

Richard McGuire
Chief Executive Officer
18 March 2020

Financial Review

Income Statement – Detailed View

£'000	2019	Restated Reported[1] 2018	Constant Currency[2] 2018
Service revenue	**58,968**	57,012	59,284
F&B revenue	**4,395**	4,724	4,956
Sales revenue	**1,420**	1,726	1,732
Total revenues	**64,783**	63,462	65,972
Cost of sales	**(17,896)**	(17,619)	(18,489)
Gross profits	**46,887**	45,843	47,483
Marketing and distribution costs	**(1,472)**	(1,732)	(1,810)
Contribution	**45,415**	44,111	45,673
Contribution margin %	**70.1%**	69.5%	69.2%
Adjusted operating expenses (net)	**(37,875)**	(37,571)	(39,158)
Impact of FX on reported earnings	**—**	—	25
Adjusted EBITDA	**7,540**	6,540	6,540
Exceptional items (net)	**(1,140)**	(3,453)	
Non-cash items:			
Share option charges – normal	**(676)**	(1,222)	
Share option charges – accelerated	**(746)**	—	
Depreciation net of profit on sale	**(4,596)**	(2,860)	
Impairment of property, plant and equipment	**(5,020)**	—	
Amortisation	**(2,630)**	(1,917)	
Amortisation of acquired intangibles	**(467)**	—	
Total – non-cash items	**(14,135)**	(5,999)	
EBIT	**(7,735)**	(2,912)	
Share of losses from JVs and impairment	**—**	—	
Net finance charges	**(695)**	250	
EBT	**(8,430)**	(2,662)	
Taxation	**(6,034)**	(2,019)	
Result after taxation – continuing ops	**(14,464)**	(4,681)	
Discontinued operations	**—**	1,822	
Loss for the year	**(14,464)**	(2,859)	
Adjusted (loss)/profit before tax for the year from continuing operations[3]	**(805)**	559	

1. The prior year comparatives have been adjusted for an under accrual of interest payable on the uncertain tax positions, with a corresponding increase in finance costs and accruals of £223k. In addition, as reported in the interim results, management have corrected the accounting for award points granted to players in the Sportech Venues segment, which were previously charged to the income statement within marketing and distribution costs and are now debited to revenue. The effect on prior year revenue is a reduction of £256k (£270k constant currency) with a corresponding reduction in marketing and distribution costs.
2. Prior year comparatives at constant currency have been adjusted for IFRS 16 (estimated impact is an increase in 2018 EBITDA of £1.8m). IFRS 16 requires reported comparatives not to be restated for the change in accounting policy for leases.
3. Adjusted (loss)/profit before tax for the year from continuing operations is the aggregate of adjusted EBITDA, normal share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles), and normal finance charges (see note D for reconciliation).

Revenues

£'000	2019	Restated Reported 2018	Constant Currency 2018
Racing and Digital Service revenue	**33,103**	30,732	31,748
Racing and Digital Sales revenue	**1,420**	1,770	1,731
Bump 50:50 revenue	**2,002**	1,502	1,530
Total Racing and Digital	**36,525**	34,004	35,009
Venues wagering revenue	**24,431**	25,399	26,702
Venues F&B revenue	**4,395**	4,724	4,956
Total Venues	**28,826**	30,123	31,658
Inter-group elimination	**(568)**	(665)	(695)
Total revenues	**64,783**	63,462	65,972

Group revenues were up 2% on reported revenues and down 2% in constant currency. The following comparisons have been done at a constant currency level:

- Racing and Digital service revenues (excluding Bump 50:50) were up 4% to £33,103k, while sales revenues were down 18% to £1,420k.
- Revenues from Bump 50:50 were up 31% to £2,002 with the addition of more teams, especially in California.
- Venues wagering revenues were down 9% to £24,431k reflecting an overall decline in pari-mutuel wagering in Connecticut.
- Venues F&B revenues were down 11% to £4,395k. The reduction was mainly at the Stamford, Connecticut location.

Adjusted EBITDA

£'000	2019	Reported 2018	Adjusted Constant currency[1] 2018
Racing and Digital	**8,586**	8,643	9,007
Venues	**2,228**	1,413	2,860
Central costs	**(1,501)**	(2,088)	(2,046)
Adjusted EBITDA before sports betting investment	**9,313**	7,968	9,821
Sports betting investment	**(1,773)**	(1,428)	(1,475)
Adjusted EBITDA	**7,540**	6,540	8,346

1. 2018 numbers are shown at constant currency and restated for the impact of IFRS 16; Racing and Digital increase in EBITDA £431k and Venues increase in EBITDA £1,400k.

- Racing and Digital EBITDA reduced by 5% to £8,586k from prior year on a like for like basis taking currency and IFRS 16 into account. While revenues increased, the costs of Bump 50:50 licensing and new product development suppressed profit.
- Venues EBITDA was down 22% (again on a like for like basis) to £2,228k. This reflects the fall in revenue in the year and high operational gearing.
- Central costs were lower by 27% at £1,501k, reflecting tight cost control.

Sports betting investment represents the time and cost the Group has incurred on seeking to secure a sports betting licence in the State of Connecticut and also in seeking partnerships across the rest of the US in sports betting. It includes lobbying costs, additional staff costs, travel and consultants, and also includes an allocation of senior management time. Of these costs, £699k (2018: £508k) were external costs and £1,074k (2018: £920k) were internal (payroll and travel, of which £482k was in respect of Executive Directors (2018: £350k)).

Adoption and impact of IFRS 16 *Leases*

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.

This right-of-use asset recognised on transition was £7,935k and the lease liability was £9,445k (having derecognised an onerous lease provision of £214k), with a charge to reserves of £1,442k (net of a deferred tax charge of £146k).

The Group estimates that the impact of IFRS 16 on the 2018 results would have been as follows:

£'000	**2018 Reported**	**Estimated impact of IFRS 16**	**2018 restated (estimated)**
EBITDA	6,540	1,748	8,288
Depreciation	(2,860)	(1,401)	(4,261)
Interest	473	(433)	40
Loss before tax	(2,439)	(86)	(2,525)

Exceptional items

£'000	**2019**	**Restated Reported 2018**
Restructuring and redundancy costs (note a)	**314**	1,178
Onerous contract provisions and other losses resulting from exit from Californian operations (note b)	**(184)**	(291)
Losses from Striders Sports Bar (S&S JV) (note b)	**249**	291
UK defined pension scheme buy-out (note c)	**570**	—
Acquisition costs – Lot.to Systems Limited	**51**	—
Costs in relation to STB VAT refund (note d)	**15**	205
Costs in relation to legacy tax disputes (note d)	**(152)**	111
One off start-up costs of new ventures, including new venue builds and joint ventures (note e)	**266**	—
Impairment of contingent consideration re NYX Gaming	**—**	1,729
Legal costs re IP infringement	**—**	150
Corporate activity costs	**81**	—
Other exceptional items (net)	**20**	80
Total exceptional costs	**1,230**	3,453
Included in other income		
Settlement received in relation to IP infringement, net of costs (note f)	**(90)**	—
Included in finance costs		
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2016	**151**	223
Net exceptional costs	**1,291**	3,676

Redundancy and restructuring (note a)
Costs of completing the strategic review including further severance costs, office closure costs and continuing costs of Non-executive Directors performing executive duties during periods of transition.

Onerous contract provisions and other losses resulting from exit from Californian operations (note b)
The Group recorded a provision in 2017 against its contractual arrangements in the State of California, including a loss making joint venture. The provision has been released in the year to the value of the liabilities provided for 2019 (see note 17 and note 23). The expenses in excess of the provision have been included in exceptional costs rather than within the share of joint venture losses line on the income statement, so as to match the provision release with the costs it was provided to cover.

UK defined pension scheme buy-out (note c)
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 completed a full buy-out and winding up of the scheme in December 2019. The policy cost was £2,450k which was paid utilising the assets in the scheme, which were valued at £2,216k and an additional cash payment from the Company of £234k. The Company also paid all administrative, actuarial and legal costs the scheme incurred in the process. The Group now has no further future obligations in relation to the scheme.

Costs in relation to STB refund and legacy tax disputes (note d)
Costs were incurred for tax advice in relation to treatment of the 2016 VAT refund for corporation tax purposes. The Group had received assessments for underpaid VAT in the holding Company, Sportech PLC. The Group settled the disputed amounts in 2019 and a release from the provision was credited to the income statement of £250k, less fees incurred with advisors to reach the settlement of £98k. This matter is now closed.

One off start-up costs of new ventures, including new venue builds and joint ventures (note e)
The Group agreed a settlement in the year with the Landlord of a property in Connecticut whereby the Group was required to fulfil a potential lease obligation where the Group decided against opening a venue in the location.

Settlement received in relation to IP infringement, net of costs (note f)
The Group believed its intellectual property in Datatote (England) Limited had been infringed and sought to prevent further infringement and damages for lost revenues and costs incurred. The costs of defending this position were expensed as incurred and a settlement of £250k was received in October 2019 and credited to operating income net of the costs incurred during the year.

Taxation

The current tax charge for the year was £1,251k being mainly withholding taxes paid in the US from overseas contracts. The deferred tax charge for the year was £4,783k; reversal of timing differences being offset by a write down of the deferred tax asset in the US following a review of prospects of recoverability. The Group has a recognised deferred tax asset of £990k and unrecognised gross timing differences of £26,143k. The Board will keep the recoverability under review.

Tax paid in the year of £1,356k is mainly withholding taxes in the US.

The Group's current tax liability includes a provision for uncertain tax liabilities of £5,033k in relation to corporation tax on the 2016 VAT refund and the 2017 disposal of the Football Pools division. The Group is working with HMRC to resolve each issue. Other tax liabilities are small and are mainly offset by overpayments from prior years.

The Group's deferred tax asset of £990k represents timing differences expected to reverse within five years. The Group has a deferred tax liability of £182k at 31 December 2019 which is deferred tax recorded against intangibles recognised on the acquisition of Lot.to Systems Limited.

Cashflow

The Group's cash flow for the year is as follows:

		2019 £000	2018 £000
Adjusted EBITDA		**7,540**	6,540
Payment of lease liabilities (IFRS 16 lease rentals)		**(1,879)**	—
EBITDA after lease payments		**5,661**	6,540
Add:	Sportech Racing BV Sale	**236**	2,411
Less:	Other Acquisition, disposal, and JV items	**(913)**	(183)
	Capitalised software	**(2,648)**	(3,106)
	Property plant and equipment	**(1,169)**	(1,927)
	Exceptional items (net)	**(1,731)**	(1,833)
	Working capital and other	**546**	(1,002)
	Tax paid and interest, net	**(1,318)**	(1,966)
	FX impact	**(407)**	(91)
Net cashflows in year		**(1,743)**	(1,157)
Opening cash, excluding customer balances		**14,728**	15,885
Closing cash, excluding customer balances		**12,985**	14,728

Cash outflow, excluding movement in customer balances in the year was £1,743k, an increase of 51% on prior year. The largest increase in the year relates to the acquisition of the Lot.to Systems Limited. Lower EBITDA (after lease payments) was offset with better working capital management, mainly improved collections on accounts receivables. Cash spent on exceptionals was consistent with the prior, with lower restructuring costs offset by the cost of the pension scheme buy-out.

Thomas Hearne
Chief Financial Officer
18 March 2020

Consolidated Income Statement
for the year ended 31 December 2019

	Note	2019 £000	Restated 2018 £000
Revenue	E	**64,783**	63,462
Cost of sales	E	**(17,896)**	(17,619)
Gross profit	E	**46,887**	45,843
Marketing and distribution costs	E	**(1,472)**	(1,732)
Contribution	E	**45,415**	44,111
Operating costs	D	**(53,240)**	(47,196)
Other income		**90**	173
Operating loss		**(7,735)**	(2,912)
Finance costs	G	**(758)**	(290)
Finance income	G	**63**	540
Loss before tax from continuing operations		**(8,430)**	(2,662)
Tax – continuing operations	H	**(6,034)**	(2,019)
Loss for the year – continuing operations		**(14,464)**	(4,681)
Net profit from discontinued operations		**—**	1,822
Loss for the year		**(14,464)**	(2,859)
Attributable to:			
Owners of the Company		**(14,464)**	(2,859)
Basic loss per share attributable to owners of the Company			
From continuing operations	J	**(7.7)p**	(2.5)p
From discontinued operations	J	**—**	1.0p
Total	J	**(7.7)p**	(1.5)p
Diluted (loss)/earnings per share attributable to owners of the Company			
From continuing operations	J	**(7.7)p**	(2.5)p
From discontinued operations	J	**—**	1.0p
Total	J	**(7.7)p**	(1.5)p
Adjusted (loss)/earnings per share attributable to owners of the Company			
Basic	J	**(0.3)p**	0.3p
Diluted	J	**(0.3)p**	0.3p

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019

		Restated
	2019	2018
	£000	£000
Loss for the year	**(14,464)**	(2,859)
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit and loss		
Actuarial (loss)/gain on retirement benefit liability	**(399)**	315
Deferred tax on movement on retirement benefit liability	**117**	(83)
	(282)	232
Items that may be subsequently reclassified to profit and loss		
Currency translation differences	**(1,682)**	2,411
Total other comprehensive (expense)/income for the year, net of tax	**(1,964)**	2,643
Total comprehensive expense for the year	**(16,428)**	(216)
Attributable to:		
Owners of the Company	**(16,428)**	(216)

Consolidated Balance Sheet
As at 31 December 2019

	Note	2019 £000	Restated 2018 £000
ASSETS			
Non-current assets			
Goodwill	K	**604**	—
Intangible fixed assets	L	**14,935**	13,551
Property, plant and equipment	M	**17,676**	26,337
Right-of-use assets	N	**6,312**	—
Trade and other receivables	O	**499**	667
Deferred tax assets	P	**990**	5,979
		41,016	46,534
Current assets			
Trade and other receivables	O	**7,603**	8,169
Inventories	Q	**2,616**	2,576
Cash and cash equivalents	R	**15,565**	17,915
		25,784	28,660
TOTAL ASSETS		**66,800**	75,194
LIABILITIES			
Current liabilities			
Trade and other payables	S	**(12,853)**	(13,169)
Provisions	T	**(579)**	(977)
Lease liabilities	U	**(843)**	—
Financial liabilities		**(500)**	—
Current tax liabilities	H	**(4,880)**	(6,563)
Deferred tax liabilities	P	**(89)**	—
		(19,744)	(20,709)
Net current assets		**6,040**	7,951
Non-current liabilities			
Retirement benefit liability		**(1,079)**	(902)
Lease liabilities	U	**(6,881)**	—
Deferred tax liabilities	P	**(93)**	—
Provisions	T	**(1,026)**	(1,434)
		(9,079)	(2,336)
TOTAL LIABILITIES		**(28,823)**	(23,045)
NET ASSETS		**37,977**	52,149
EQUITY			
Ordinary shares	V	**37,750**	37,350
Other reserves		**16,872**	18,435
Retained earnings		**(16,645)**	(3,636)
TOTAL EQUITY		**37,977**	52,149

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

		Other reserves				
	Ordinary shares £000	**Capital redemption reserve £000**	**Other reserve £000**	**Foreign exchange reserve £000**	**Retained earnings £000**	**Total £000**
At 1 January 2019	37,350	10,312	(414)	8,537	(3,636)	52,149
Adjustment for adoption of IFRIC 23	—	—	—	—	1,562	1,562
Adjustment for adoption of IFRS 16 *Leases* net of tax	—	—	—	—	(1,442)	(1,442)
Restated at 1 January 2019	37,350	10,312	(414)	8,537	(3,516)	52,269
Comprehensive (expense)/income						
Loss for the year	—	—	—	—	(14,464)	(14,464)
Other comprehensive items						
Actuarial loss on defined benefit pension liability*	—	—	(282)	—	—	(282)
Reserve transfer	—	—	—	87	(87)	—
Currency translation differences	—	—	—	(1,682)	—	(1,682)
Total other comprehensive items	—	—	(282)	(1,595)	(87)	(1,964)
Total comprehensive items	—	—	(282)	(1,595)	(14,551)	(16,428)
Transactions with owners						
Share option charge	—	—	—	—	1,422	1,422
Shares issued in relation to the acquisition of Lot.to Systems Limited (see note V)	400	—	314	—	—	714
Total transactions with owners	400	—	314	—	1,422	2,136
Total changes in equity	400	—	32	(1,595)	(13,129)	(14,292)
At 31 December 2019	**37,750**	**10,312**	**(382)**	**6,942**	**(16,645)**	**37,977**

* Net of deferred tax

In 2019, the share option reserve has been included within retained earnings.
The reserves as at 1 January 2019 have been restated due to an accounting error in respect of the under accrual of interest payable on the uncertain tax positions. The impact on prior year retained earnings is a decrease of £223k.
The premium on the shares issued in Sportech PLC of £314k is recorded as a merger reserve in other reserves.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

		Other reserves				
	Ordinary shares	**Capital redemption reserve**	**Other reserve**	**Foreign exchange reserve**	**Retained earnings**	**Total**
Restated	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 January 2018	37,123	10,312	(646)	6,126	(1,705)	51,210
Comprehensive expense						
Loss for the year	—	—	—	—	(2,859)	(2,859)
Other comprehensive items						
Actuarial gain on defined benefit pension liability*	—	—	232	—	—	232
Currency translation differences	—	—	—	2,411	—	2,411
Total other comprehensive items	—	—	232	2,411	—	2,643
Total comprehensive items	—	—	232	2,411	(2,859)	(216)
Transactions with owners						
Share option charge	—	—	—	—	1,222	1,222
Employer taxes paid on vesting of options	—	—	—	—	(67)	(67)
Shares issued in relation to PSP	227	—	—	—	(227)	—
Total transactions with owners	227	—	—	—	928	1,155
Total changes in equity	227	—	232	2,411	(1,931)	939
At 31 December 2018	37,350	10,312	(414)	8,537	(3,636)	52,149

* Net of deferred tax

In 2019, the share option reserve has been included within retained earnings.

The loss for the year ended 31 December 2018 has been restated due to an accounting error in respect of the under accrual of interest payable on the uncertain tax positions. The impact was an increase in the loss for the year of £223k.

Consolidated Statement of cash flows
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operations, before exceptional items	W	**7,478**	5,890
Interest received		**62**	85
Interest paid		**(24)**	(22)
Tax paid	H	**(1,356)**	(2,029)
Net cash generated from operating activities before exceptional items		**6,160**	3,924
Exceptional cash inflows	F	**90**	487
Exceptional cash outflows	F	**(1,821)**	(2,320)
Cash generated from operations - continuing operations		**4,429**	2,091
Cash used in operations - discontinued operations		**—**	(37)
Net cash generated from operating activities		**4,429**	2,054
Cash flows from investing activities			
Investment in joint ventures and associates		**(184)**	(291)
Disposal of Football Pools division		**—**	275
Disposal of Sportech Racing BV (net of transaction costs)		**236**	2,411
Contingent consideration paid for Bump (Worldwide) Inc		**—**	(167)
Consideration paid for Lot.to Systems Limited, net of cash acquired	I	**(729)**	—
Proceeds from sale of property, plant and equipment	M	**1**	—
Investment in intangible fixed assets	L	**(2,648)**	(3,106)
Purchase of property, plant and equipment	M	**(1,169)**	(1,927)
Cash used in investing activities - continuing operations		**(4,493)**	(2,805)
Cash flows used in financing activities			
Payment of lease liabilities	U	**(1,879)**	—
Net cash used in financing activities		**(1,879)**	—
Net decrease in cash and cash equivalents		**(1,943)**	(751)
Effect of foreign exchange on cash and cash equivalents		**(407)**	(91)
Cash and cash equivalents at the beginning of the year	R	**17,915**	18,757
Cash and cash equivalents at the end of the year	R	**15,565**	17,915
Represented by:			
Cash and cash equivalents	R	**15,565**	17,915
Less customer funds	R	**(2,580)**	(3,187)
Adjusted net cash at the end of the year	R	**12,985**	14,728

Notes to the Final Statement
For the year ended 31 December 2019

All accounting policies applied in this Preliminary Statement are consistent with those in the full financial statements which have yet to be published. The preliminary results for the year ended 31 December 2019 were approved by the Board of Directors on 18 March 2020. The financial information set out in this announcement does not constitute statutory financial statements for the years ended 31 December 2019 and 2018 within the meaning of Section 435 of the Companies Act 2006, but is extracted from those financial statements. The auditors have reported on those financial statements and have given an unqualified report which does not contain a statement under Section 498 of the Companies Act 2006.

A. Reporting entity

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 consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the 'Group'). The principal activities of the Group are pools betting, both B2B and B2C, and supply of wagering technology solutions.

B. Prior year restatements

The prior year comparatives have been adjusted due to an accounting error in respect of the under accrual of interest payable on the uncertain tax positions, with a corresponding increase in finance costs and accruals. The impact on the prior year is an increase in finance costs within the profit and loss account of £223k and an increase within balance sheet accruals of the same amount. There is no impact on the 2017 year end balance sheet. In addition, as reported in the interim results, management have corrected the accounting for award points granted to players in the Sportech Venues segment, which were previously charged to the income statement within marketing and distribution costs and are now debited to revenue. The effect on prior year revenue is a reduction of £256k with a corresponding reduction in marketing and distribution costs. Ordinarily, a statement of financial position as at the beginning of the preceding period would be presented when an entity makes a retrospective restatement of items in its financial statements. However, in this case, the prior period adjustments had no effect on profit prior to 1 January 2018 nor on the balance sheet as at that date. Accordingly, no third balance sheet has been presented.

C. Basis of reporting

a. The accounting policies used in preparation of this preliminary announcement have remained unchanged from those set out in the Group's 2018 financial statements, other than for the adoption of IFRS 16 and IFRIC 23 as follows:

<u>IFRIC 23</u>
The Group assessed its tax provisions in light of the requirements of IFRIC 23 which has resulted in the release of provisions of £1,562k. It was considered more likely than not that the Group would not be required to pay this additional level of tax in relation to the tax due on the disposal of the Football Pools division in 2017. As the Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings at the date of initial application, 1 January 2019, the impact was recorded in retained earnings.

<u>IFRS 16</u>
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.

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:

	Short leasehold land and buildings £000	Long leasehold land and buildings £000	Vehicles £000	Fixtures and Fittings £000	Total £000
Balance at 1 January 2019	2,685	4,987	237	26	7,935
Balance at 31 December 2019	1,696	4,457	134	25	6,312

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

On transition to IFRS 16, the Group recognises additional right-of-use assets and additional lease liabilities, and derecognises onerous 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	Dr	7,935
Lease liabilities	Cr	(9,445)
Onerous lease liability derecognised	Dr	214
Deferred tax liability	Dr	(146)
Retained earnings	Dr	(1,442)

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%. The effect of a 1% increase in the discount rates applied would be to reduce the right of use asset recognised by £472k and reduce the lease liability by £419k.

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	(3,495)
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	(24)
Add:	
Extension options reasonably certain to be exercised	1,251
Lease liabilities recognised at 1 January 2019	9,445

In relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised £1,392k of depreciation charges and £480k of interest costs from these leases.

All accounting policies applied in this Preliminary Statement are consistent with those in the full financial statements which have yet to be published.

b. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Standards Interpretation Committee ("IFRS IC") as adopted by the European Union ("IFRSs as adopted by the EU") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities.

c. The preparation of consolidated 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. Details of the critical judgements applied in the preparation of these financial statements are included in the full statutory financial statements.

d. The Directors have reviewed and approved the Group's forecasts and projections, and have also reviewed sensitivities that have been applied to the forecasts. Based on this review, the Directors consider that the Group has adequate resources to continue in operational existence for the period under review and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

D. Adjusted Performance Measures

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of expenditure management believe should be added back (exceptional items). The share option expense is also excluded given it is not directly linked to operating performance of the divisions. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. This measure provides the most reliable indicator of underlying performance of each of the trading divisions. 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 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	2019 £000	2018 £000
Operating costs per income statement		**(53,240)**	(47,196)
Add back:			
Sports betting investment		**1,773**	1,428
Depreciation	M,N	**4,597**	2,860
Amortisation, excluding acquired intangible assets	L	**2,630**	1,917
Amortisation of acquired intangible assets		**467**	—
Profit on sale of property plant, plant and equipment		**(1)**	—
Impairment of property, plant and equipment		**5,020**	—
Share option charge, excluding acceleration of charge for departing management		**676**	1,222
Accelerated IFRS 2 charge for departing management		**746**	—
Exceptional items	F	**1,230**	3,453
Adjusted operating costs, pre sports betting investment		**(36,102)**	(36,316)
Other operating income*		—	173
Total adjusted net operating costs, pre sports betting investment		**(36,102)**	(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 below.

	2019 £000	2018 £000
Revenue	**64,783**	63,462
Cost of sales	**(17,896)**	(17,619)
Gross profit	**46,887**	45,843
Marketing and distribution costs	**(1,472)**	(1,732)
Contribution	**45,415**	44,111
Adjusted operating income and costs (pre sports betting investment)	**(36,102)**	(36,143)
Adjusted EBITDA pre sports betting investment	**9,313**	7,968
Sports betting investment	**(1,773)**	(1,428)
Adjusted EBITDA	**7,540**	6,540
Adjustment to prior year for IFRS 16 comparability purposes*	—	1,748
	7,540	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 represents the time and cost the Group has incurred on seeking to secure a sports betting licence in the State of Connecticut and also in seeking partnerships across the rest of the US in sports betting. It includes lobbying costs, additional staff costs, travel and consultants, and also includes an allocation of senior management time. Of these costs, £699k (2018: £508k) were external costs and £1,074k (2018: £920k) were internal (payroll and travel, of which £482k was in respect of Executive Directors (2018: £350k)).

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

	2019	2018		
	Total	Continuing	Discontinued	Total
	£000	£000	£000	£000
Adjusted EBITDA	**7,540**	6,540	175	6,715
Share option charge, excluding acceleration of charge for departing management	**(676)**	(1,222)	—	(1,222)
Depreciation	**(4,597)**	(2,860)	(93)	(2,953)
Amortisation (excluding amortisation of acquired intangibles)	**(2,630)**	(1,917)	—	(1,917)
Net finance (costs)/income (excluding exceptional finance costs)	**(442)**	18	(18)	—
Adjusted (loss)/profit before tax	**(805)**	559	64	623
Tax at 20.3% (2018: 22.7%)	**164**			(139)
Adjusted (loss)/profit after tax	**(641)**			484
Adjustment to prior year for IFRS 16 comparability purposes*	**—**			(86)
	(641)			398

2018 adjustment includes increasing EBITDA by £1,748k for rentals, increasing depreciation by £1,401k and increasing interest by £433k, all in continuing operations.

Adjusted loss before tax from continuing operations prior to sports betting investment of £1,773k (2018: £1,428k) is £968k (2018: profit of £1,987k).

E. Segmental reporting

2019	Sportech Racing and Digital	Sportech Venues	Corporate costs	Inter-segment elimination	Group
	£000	£000	£000	£000	£000
Revenue from sale of goods	1,420	—	—	—	1,420
Revenue from Bump 5050	2,002	—	—	—	2,002
Revenue from food and beverage sales	—	4,395	—	—	4,395
Revenue from rendering of services	33,103	24,431	—	(568)	56,966
Total revenue	36,525	28,826	—	(568)	64,783
Cost of sales	(4,446)	(14,018)	—	568	(17,896)
Gross profit	32,079	14,808	—	—	46,887
Marketing and distribution costs	(648)	(824)	—	—	(1,472)
Contribution	31,431	13,984	—	—	45,415
Adjusted net operating costs (note D)	(22,845)	(11,756)	(1,501)	—	(36,102)
Adjusted EBITDA (pre sports betting investment)	**8,586**	**2,228**	**(1,501)**	**—**	**9,313**
Sports betting investment	—	(1,773)	—	—	(1,773)
Adjusted EBITDA	**8,586**	**455**	**(1,501)**	**—**	**7,540**
Share option charge, excluding acceleration of charge for departing management	—	—	(676)	—	(676)
Depreciation	(2,396)	(2,169)	(32)	—	(4,597)
Profit on sale of property, plant and equipment	1	—	—	—	1
Amortisation (excluding amortisation of acquired intangible assets)	(2,388)	—	(242)	—	(2,630)
Segment result before amortisation of acquired intangibles	3,803	(1,714)	(2,451)	—	(362)
Acceleration of IFRS 2 charge for departing management	—	—	(746)	—	(746)
Amortisation of acquired intangibles	(467)	—	—	—	(467)
Impairment of property, plant and equipment	—	(5,020)	—	—	(5,020)
Exceptional costs (net)	(137)	(342)	(661)	—	(1,140)
Operating profit/(loss)	3,199	(7,076)	(3,858)	—	(7,735)
Net finance costs					(695)
Loss before taxation					(8,430)
Taxation					(6,034)
Loss for the year					(14,464)
Segment assets	107,143	27,697	12,749	(80,789)	66,800
Segment liabilities	(37,147)	(20,987)	(51,478)	80,789	(28,823)
Other segment items					
Capital expenditure - Intangible assets	2,602	—	46	—	2,648
Capital expenditure - Property, plant and equipment	971	198	—	—	1,169

2018	Sportech Racing and Digital	Sportech Venues	Corporate costs	Inter-segment elimination	Group
Restated	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue from sale of goods	1,770	—	—	(44)	1,726
Revenue from Bump 5050	1,502	—	—	—	1,502
Revenue from food and beverage sales	—	4,724	—	—	4,724
Revenue from rendering of services	30,732	25,399	—	(621)	55,510
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 operating costs (note D)	(20,634)	(13,473)	(2,088)	52	(36,143)
Adjusted EBITDA	**8,643**	**1,413**	**(2,088)**	**—**	**7,968**
Sports 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					250
Loss before taxation					(2,662)
Taxation					(2,019)
Loss for the year - continuing operations					(4,681)
Net profit from discontinued operations					1,822
Loss for the year					(2,859)
Segment assets	102,967	28,815	16,196	(72,784)	75,194
Segment liabilities	(37,007)	(12,901)	(45,921)	72,784	(23,045)
Other segment items					
Capital expenditure - Intangible assets	3,095	—	11	—	3,106
Capital expenditure - Property, plant and equipment	1,529	398	—	—	1,927

F. Exceptional items

	Note	2019 £000	2018 £000
Included in operating costs:			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	(a)	**314**	1,178
Onerous contract provisions and other losses resulting from exit from Californian operations	(b)	**(184)**	(291)
Losses from Striders Sports Bar (S&S JV)	(b)	**249**	291
Corporate activity costs		**81**	—
Costs in relation to the Spot the Ball VAT refund	(c)	**15**	205
Costs in relation to legacy tax disputes	(d)	**(152)**	111
Lot.to Systems Limited acquisition costs		**51**	—
One off start up costs of new ventures, including new venue builds and joint ventures	(e)	**266**	29
Costs in relation to exiting the Group's interests in India		**20**	51
Impairment of contingent consideration in relation to NYX Gaming		—	1,729
Legal costs in relation to intellectual property infringement law suit	(g)	—	150
UK defined benefit pension scheme buy-out	(f)	**570**	—
		1,230	3,453
Included in other income:			
Settlement received in relation to IP infringement law suit, net of costs	(g)	**(90)**	—
Included in finance costs:			
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2016		**151**	223
Net exceptional costs		**1,291**	3,676

Note: £173k of other operating income in 2018 is not exceptional and therefore excluded from the above table.

(a) Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business

Costs of completing the strategic review including further severance costs, office closure costs and continuing costs of Non-executive Directors performing executive duties during periods of transition.

(b) Onerous contract provision and other losses resulting from exit from California operations

The Group recorded a provision in 2017 against its contractual arrangements in the State of California, including a loss making joint venture. The provision has been released in the year to the value of the liabilities provided for 2019 (see note T). The expenses in excess of the provision have been included in exceptional costs rather than within the share of joint venture losses line on the income statement, so as to match the provision release with the costs it was provided to cover.

(c) Costs in relation to Spot the Ball ("STB") VAT refund

Costs were incurred for tax advice in relation to treatment of the 2016 VAT refund for corporation tax purposes.

(d) Costs in relation to legacy tax disputes

The Group had received assessments for underpaid VAT in the holding Company, Sportech PLC. The Group settled the disputed amounts in 2019 and a release from the provision was credited to the income statement of £250k, less fees incurred with advisors to reach the settlement of £98k. This matter is now closed.

(e) One off start up costs of new ventures, including new venue builds and joint ventures

The Group agreed a settlement in the year with the Landlord of a property in Connecticut whereby the Group was required to fulfill a potential lease obligation where the Group decided against opening a venue in the location.

(f) UK defined benefit scheme buy-out

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 completed a full buy-out and winding up of the scheme in December 2019. The policy cost was £2,450k which was paid utilising the assets in the scheme, which were valued at £2,216k and an additional cash payment from the Company of £234k. The Company also paid all administrative, actuarial and legal costs the Scheme incurred in the process. The Group now has no further future obligations in relation to the scheme.

(g) Intellectual property ("IP") infringement law suit

The Group believed its intellectual property in Datatote (England) Limited had been infringed and sought to prevent further infringement and damages for lost revenues and costs incurred. The costs of defending this position were expensed as incurred and a settlement of £250k was received in October 2019 and credited to operating income net of the costs incurred during the year.

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

	2019 £000	2018 £000
Exceptional cash outflows:		
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	**(982)**	(1,332)
Expenses in relation to the UK defined benefit pension scheme "buy-out"	**(336)**	—
UK defined benefit pension scheme "buy-in" insurance contract purchased	**(234)**	—
Staff bonuses paid in relation to Football Pools disposal plus final costs paid	—	(307)
Acquisition costs in relation to Lot.to Systems Limited	**(51)**	—
Spot the Ball bonus paid to former Director and associated legal fees	—	(315)
Costs in relation to the Spot the Ball VAT refund	**(60)**	(73)
Costs in relation to legacy tax disputes	**(68)**	(111)
One off start-up costs of new ventures, including new venue builds and joint ventures	—	(32)
Costs in relation to the Group's lease in Norco, California	**(70)**	—
Costs in relation to exiting the Group's interests in India	**(20)**	—
Legal costs in relation to intellectual property infringement lawsuit	—	(150)
Total exceptional cash outflows	**(1,821)**	(2,320)
Exceptional cash inflows:		
Cost settlement received from HMRC regarding Spot the Ball VAT refund	—	487
Settlement received for alleged IP infringement, net of costs	**90**	—
Total exceptional cash inflows	**90**	487

G. Net finance costs

	2019 £000	Restated 2018 £000
Finance costs:		
Interest payable on bank loans, derivative financial instruments and overdrafts	**—**	(22)
Interest accrued on corporation tax liabilities	**(151)**	(223)
Interest on lease obligations (note U)	**(480)**	—
Interest on defined benefit pension obligation (net)	**(25)**	(45)
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	**(78)**	—
Unwinding of interest on discounted provisions (note T)	**(24)**	—

Total finance costs	**(758)**	(290)

Finance income:		
Interest received on bank deposits	**63**	85
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	**—**	363
Unwinding of interest on discounted non-current balances	**—**	92
Total finance income	**63**	540
Net finance (costs)/income	**(695)**	250

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

	2019	2018
	£000	£000
Foreign exchange (loss)/gain on financial assets and liabilities denominated in foreign currency	**(78)**	363
Interest accrued on corporation tax liabilities	**(151)**	(223)
Unwinding of interest on discounted provisions	**(24)**	—
Unwinding of interest on discounted non-current balances	**—**	92
	(253)	232

H. Taxation

The Group's tax charge from continuing operations comprises:

	2019	2018
	£000	£000
Current tax:		
Current tax on profit for the year	**1,115**	1,977
Adjustments in respect of prior years	**136**	(570)
Total current tax	**1,251**	1,407
Deferred tax:		
Origination and reversal of temporary differences	**(1,509)**	(1,089)
Effect of changes in tax rates	**1**	53
Adjustments in respect of prior years	**104**	(13)
Derecognition of previously recognised deferred tax assets	**6,187**	1,661
Total deferred tax	**4,783**	612
Total tax charge	**6,034**	2,019

The taxation on the Group’s loss before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits and losses of the consolidated entities as follows:

		Restated
	2019	2018
	£000	£000
Loss before tax	**(8,430)**	(2,662)
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	**(1,762)**	(570)
Tax effects of:		
– expenses not deductible for tax purposes net of income not taxable	**1,382**	1,562

– effect of changes in tax rates	**1**	53
– adjustments in respect of prior years – current tax	**136**	(570)
– adjustments in respect of prior years – deferred tax	**104**	(13)
– deferred tax not previously provided	**(14)**	(104)
– derecognition of previously recognised deferred tax assets	**6,187**	1,661
Total tax charge	**6,034**	2,019

Included within expenses not deductible for tax purposes net of income not taxable are the foreign taxes taken as a deduction rather than a carried forward credit (prior to the subsequent downward revaluation of the deferred tax asset) and the share option charges expensed in the period as well as certain other non-deductible expenses.

US deferred tax assets were revalued downwards by £6,187k in 2019 (2018: £1,661, predominantly foreign taxes paid in the Dominican Republic), following a review of recoverability. Group cashflow forecasts were used and any assets not showing as recoverable within five years were considered not recoverable and a valuation allowance was charged to the income statement.

These financial statements account for the change in the UK Corporation Tax rate from 19% to 17% for financial years beginning 1 April 2020 based on enacted legislation. Deferred tax in the UK is provided at a blended rate, depending on when the deferred tax is expected to unwind. There are no changes expected in the US federal income tax rate from the current rate of 21%. The Group notes that the UK corporation tax cut to 17% has been cancelled and will account for this when it is substantively enacted.

Included within the Group's current tax liabilities are provisions for uncertain tax positions in relation to; the treatment of the gain included in the 2016 financial statements for the Spot the Ball VAT refund and the treatment of the disposal of the trade and assets of the Football Pools division in 2017. The provision for the tax on the disposal of the Football Pools division has been reduced in the second half of the year and is therefore a change in estimate from what was determined as at 30 June 2019.

An analysis of the current tax liabilities is as follows:

	Note	2019 £000	2018 £000
At 1 January		**6,563**	7,106
Release of provision – transition to IFRIC 23		**(1,562)**	—
		5,001	7,106
Charged to the income statement		**1,251**	1,407
Paid during the year		**(1,356)**	(2,029)
Acquired with subsidiary	**I**	**3**	—
Foreign exchange movements		**(19)**	79
At 31 December		**4,880**	6,563

I. 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 £604k and is determined to be knowledge and expertise of the workforce.

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	2019 £000
Ordinary shares in Sportech PLC (2,000,000 shares at 35.7p*)	V	714
Repayment of shareholder loan		1,300
Total fair value of consideration transferred		2,014
Recognised fair value of identifiable assets acquired and liabilities assumed		
Intangible fixed assets – software	L	1,377
Intangible fixed assets – licences	L	150
Tangible fixed assets – fixtures and fittings	M	1
Cash at bank and in hand		71
Trade and other receivables		99
Trade and other payables		(14)
Corporation tax liability	H	(3)
Deferred tax on acquired intangibles	P	(271)
Total identifiable net assets		1,410
Goodwill	K	604
Total fair value of consideration transferred		2,014

*Share price of the Company on 1 February 2019.

The valuation of software intangible assets was determined by reference to cost of development incurred to the date of acquisition plus a mark up of 30%. The valuation of licences intangible assets was determined by reference to external advisory costs expected to be incurred to obtain the licence again.

There was no contingent consideration payable. The shareholder loan was agreed to be repaid in three installments of £300k on completion date, £500k by 31 March 2019 and £500k by 31 December 2019. The final installment was subsequently mutually agreed to be paid on 2 January 2020.

Acquisition costs amounted to £51k and have been recognised as an expense in the consolidated income statement as an exceptional item (see note F).

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

Lot.to has contributed revenues of £570k and a loss after tax of £540k to the Group results from the acquisition date to 31 December 2019. Had the acquisition occurred on 1 January 2019, the Group's revenue for the period ended 31 December 2019 would have been £64,792k and the Group's loss for the period would have been £14,528k. 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. Lot.to's loss after tax for the period 1 February 2019 to 31 December 2019 excluding amortisation of acquired intangibles net of deferred tax was £162k and for the period prior to acquisition from 1 January 2019 was a profit after tax of £7k.

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

J. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018		
	Total £000	**Restated Continuing £000**	**Discontinued £000**	**Restated Total £000**
(Loss)/profit attributable to the owners of the Company	**(14,464)**	(4,681)	1,822	(2,859)
Weighted average number of ordinary shares in issue ('000)	**188,543**	186,393	186,393	186,393
Basic (loss)/earnings per share	**(7.7)p**	(2.5)p	1.0p	(1.5)p

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Where there is a loss attributable to owners of the Company, the earnings per share is not diluted.

	2019	2018		
	Total £000	**Restated Continuing £000**	**Discontinued £000**	**Restated Total £000**
(Loss)/profit attributable to the owners of the Company	**(14,464)**	(4,681)	1,822	(2,859)
Weighted average number of ordinary shares in issue ('000)	**188,543**	186,393	186,393	186,393
Dilutive potential ordinary shares	**N/A**	N/A	N/A	N/A
Total potential ordinary shares	**188,543**	186,393	186,393	186,393
Diluted (loss)/earnings per share	**(7.7)p**	(2.5)p	1.0p	(1.5)p

The number of potentially dilutive shares not taken into account in respect of the VCP is 5 million, this represents the limit on the number of shares which can settle any vesting of the 2017 VCP. In addition, in 2018 there were 2,037,000 share options outstanding under the PSP which were not considered dilutive.

c) Adjusted

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

	2019			2018		
	Adjusted loss after tax £000	**Weighted average number of shares £000**	**Per share amount Pence**	Adjusted Profit after tax £000	Weighted average number of shares £000	Per share amount Pence
Basic adjusted EPS	**(641)**	**188,543**	**(0.3)p**	484	186,393	0.3p
Diluted adjusted EPS	**(641)**	**188,543**	**(0.3)p**	484	186,393	0.3p

K. Goodwill

Goodwill brought forward arose on a historic acquisition made by the Group of eBet Online, Inc. in December 2012 of £5.5m. The goodwill is in the Sportech Racing division. The goodwill was impaired in full in 2016 following an impairment review.

Goodwill arose during the year on the acquisition of Lot.to Systems Limited on 1 February 2019. The goodwill is in the Sportech Racing division and is attributable to the knowledge and expertise of the workforce.

Movements in the Group's goodwill are shown below:

	2019			2018
	eBet Online £000	Lot.to Systems £000	Total £000	eBet Online £000
Cost				
At 1 January	5,548	—	5,548	5,548
Addition – Lot.to Systems Limited	—	604	604	—
At 31 December 2019	5,548	604	6,152	5,548
Accumulated impairment charges				
At 1 January and 31 December	(5,548)	—	(5,548)	(5,548)
Closing net book value	**—**	**604**	**604**	**—**

L. Intangible fixed assets

2019	Customer contracts and relationships £000	Software £000	Licences £000	Other £000	Total £000
Cost					
At 1 January 2019	862	32,870	16,874	2,792	53,398
Additions	—	2,480	—	168	2,648
Acquired with subsidiary	—	1,377	150	—	1,527
Transferred from property, plant and equipment	—	831	—	—	831
At 31 December 2019	862	37,558	17,024	2,960	58,404
Accumulated amortisation					
At 1 January 2019	862	26,992	13,133	3,609	44,596
Charge for year	—	2,946	45	106	3,097
At 31 December 2019	862	29,938	13,178	3,715	47,693
Exchange differences at 1 January 2019	—	1,447	2,225	1,077	4,749
Movement in the year	—	(289)	(236)	—	(525)
Exchange differences at 31 December 2019	—	1,158	1,989	1,077	4,224
Net book amount at 31 December 2019	—	**8,778**	**5,835**	**322**	**14,935**

Of the amounts capitalised in the year in continuing operations, £2,034k arose from capitalising staff costs for development expenditure (2018: £2,923k). Amortisation has been included within operating costs. The Group undertook a review of its assets registers during the year and concluded that certain transfers between asset categories was required in order to correctly define the nature of each asset and the associated accumulated depreciation.

Impairment - Licences

The Group holds a licence in perpetuity to offer pari-mutuel off-track betting in the State of Connecticut in the US for its Venues division. This asset has a book value in USD at the reporting date, prior to any impairment that may be considered necessary, of £5,730k ($7,569k, 2018: £5,966k, $7,569k). Given this licence is in perpetuity, the book value of the asset is not amortised and the useful economic life allocated to the asset is indefinite.

As required by IAS 36, an impairment test has been carried out as at 31 December 2019. In testing for impairment, other assets used solely to generate cash flows in the Venues CGU are also included (post impairment identified in the year), totalling £8,756k, $11,567k (2018: £15,180k, $19,261k).

The recoverable amount of the asset has been determined based on a value-in-use calculation. The key base case assumptions made in calculating the value-in-use were:

- EBITDA forecasts assume year-on-year handle decline in the core operating business of 8.0% in 2020 and 5.0% per annum thereafter and 1.0% decline into perpetuity;
- 9.9% increase in online handle in 2020, 3% in 2021, 2% in 2022 and 2023 and 2% into perpetuity;
- Handle at our Stamford venue is assumed to remain flat through the period to 2023 and into perpetuity;
- a 3.1% increase in core F&B revenues, which excludes the Stamford venue, in 2020 and then declines of 6.0% in 2021, 0.9% in 2022 and 2023 and thereafter stable revenues into perpetuity;
- F&B revenues at the Stamford venue are forecasted to increase by 12.6% in 2020 and remain flat thereafter to 2023 and then grow by 2% into perpetuity;
- capital expenditure was included in the cash flows at management's best estimate of industry norm for reinvestment in retail outlets of the kind under review; and
- a post-tax discount rate of 9.5% (2018: 9.1%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU. The pre-tax discount rate was 13.3% (2018: 12.0%).

The above assumptions are together considered by management to be the most likely trading performance outcome for the CGU, having taken into account past experience and knowledge of the future trading environment.

Following the impairment review, the recoverable amount of those assets was deemed to be £15,137k and accordingly no impairment was identified (2018: no impairment).

The below assumptions represent a reasonable downside case for sensitivity purposes and value the CGU at £5,214k, being an impairment of £9,272k to the carrying value of the licence and other assets used solely to generate cash flows in the CGU. This would reduce the carrying value of the intangible to £nil and result in an impairment to the carrying value of the property, plant and equipment used in the CGU of £3,542k.

- in 2020, extra income from enforcement of online exclusivity in Connecticut is only realised to 50% of expectation;
- core handle remains the same in 2020 but declines by a further 5% each year from 2021 to 2023, but remains at 1% decline into perpetuity;
- opex savings in the plan are not achieved and restructuring savings are only 50% achieved; and
- Stamford food and beverage revenue remains flat at 2019 levels through to 2023 but continues to grow 2% into perpetuity.

For information, if a 1% increase in the post-tax discount rate to 10.5% was used in the Base Case model this would lead to an impairment of £888k or an impairment of £9,697k in the downside case.

2018	**Customer contracts and relationships £000**	**Software £000**	**Licenses £000**	**Other £000**	**Total £000**
Cost					
At 1 January 2018	862	29,893	16,874	2,663	50,292
Additions	—	2,977	—	129	3,106
At 31 December 2018	862	32,870	16,874	2,792	53,398
Accumulated amortisation					
At 1 January 2018	862	25,142	13,133	3,542	42,679
Charge for year - continuing operations	—	1,850	—	67	1,917
At 31 December 2018	862	26,992	13,133	3,609	44,596
Exchange differences at 1 January 2018	—	1,075	1,862	1,079	4,016
Movement in the year	—	372	363	(2)	733
Exchange differences at 31 December 2018	—	1,447	2,225	1,077	4,749
Net book amount at 31 December 2018	—	7,325	5,966	260	13,551

M. Property, plant and equipment

2019	Short leasehold land and buildings £000	Long leasehold and owned land buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost						
At 1 January 2019	246	16,249	10,952	5,323	1,016	33,786
Additions	—	—	931	200	38	1,169
Acquired with subsidiary	—	—	—	1	—	1
Disposal	—	—	(29)	—	(709)	(738)
Transfer	53	25	(69)	(101)	(271)	(363)
At 31 December 2019	299	16,274	11,785	5,423	74	33,855
Accumulated depreciation						
At 1 January 2019	139	5,517	2,231	3,788	709	12,384
Charge for year	23	549	2,058	575	—	3,205
Disposal	—	—	(29)	—	(709)	(738)
Transfer	—	72	—	(138)	—	(66)
Impairment	—	5,020	—	—	—	5,020
At 31 December 2019	162	11,158	4,260	4,225	—	19,805
Exchange differences at 1 January 2019	36	2,326	1,470	494	609	4,935
Movement in the year	(7)	(352)	(272)	(69)	(609)	(1,309)
Exchange differences at 31 December	29	1,974	1,198	425	—	3,626
Net book amount at 31 December 2019	**166**	**7,090**	**8,723**	**1,623**	**74**	**17,676**

Proceeds from assets disposed of were £1k, generating a profit on sale of £1k. Depreciation charges have been included in operating costs. The Group undertook a review of its assets registers during the year and concluded that certain transfers between asset categories was required in order to correctly define the nature of each asset and the associated accumulated depreciation.

Impairment

Management considered that indicators of impairment of assets at the Stamford sports bar venue in Connecticut, USA had arisen during the year, based on its trading performance, and therefore an impairment test was carried out to determine the value-in-use of the assets at the venue. The carrying value of the assets at 31 December 2019, prior to any impairment, was £7,460k ($9,854k). The following key assumptions were made in the value-in-use calculation, which were also used in the impairment test for the Venues CGU (note L):

- Handle is assumed to remain flat through the period at 2019 levels to 2023 and into perpetuity;
- F&B revenues are forecasted to increase by 12.6% in 2020 and remain flat thereafter to 2023 and then grow by 2% into perpetuity;
- capital expenditure is included in the cash flows at management's best estimate of industry norm for reinvestment in similar retail outlets; and
- a post-tax discount rate of 9.5% (2018: 9.1%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU.

Following the impairment review, the recoverable amount of those assets was deemed to be £2,582k ($3,411k) and accordingly an impairment of £5,020k ($6,443k) was identified and has been charged to the income statement within operating costs.

The below assumptions represent a reasonable possible change in assumptions used for a downside case and value the assets at £1,809k ($2,390k), being a further impairment of £773k ($1,021k), to the carrying value of the assets.

– Food and beverage revenue growth remains flat at 2019 levels until 2023 but continues to grow 2% into perpetuity.

2018	**Short leasehold land and buildings £000**	**Long leasehold and owned land buildings £000**	**Plant and machinery £000**	**Fixtures and fittings £000**	**Assets in the course of construction £000**	**Total £000**
Cost						
At 1 January 2018	246	16,018	9,867	5,095	643	31,869
Additions	—	—	1,058	2	867	1,927
Disposals	—	—	(10)	—	—	(10)
Transfer	—	231	37	226	(494)	—
At 31 December 2018	246	16,249	10,952	5,323	1,016	33,786
Accumulated depreciation						
At 1 January 2018	119	5,005	472	3,229	709	9,534
Charge for year	20	512	1,769	559	—	2,860
Disposals - discontinued operations	—	—	(10)	—	—	(10)
At 31 December 2018	139	5,517	2,231	3,788	709	12,384
Exchange differences at 1 January 2018	27	1,538	992	377	436	3,370
Movement in the year	9	788	478	117	173	1,565
Exchange differences at 31 December	36	2,326	1,470	494	609	4,935
Net book amount at 31 December 2018	143	13,058	10,191	2,029	916	26,337

N. Right-of-use assets

2019	**Short leasehold land and buildings**	**Long leasehold and owned**	**Vehicles £000**	**Fixtures and**	**Total**
Cost					
At 1 January 2019 – on transition to IFRS 16	2,685	4,987	237	26	7,935
Additions	26	—	—	14	40
At 31 December 2019	**2,711**	**4,987**	**237**	**40**	**7,975**
Accumulated depreciation					
Charge for year	941	341	97	13	1,392
At 31 December 2019	941	341	97	13	1,392
Exchange differences arising during the year	(74)	(189)	(6)	(2)	(271)
Net book amount at 31 December 2019	**1,696**	**4,457**	**134**	**25**	**6,312**

Depreciation charges have been included in operating costs.

O. Trade and other receivables

	2019 £000	2018 £000
Non-current		
Trade receivables	**877**	1,041
Less provision for impairment of receivables	**(566)**	(589)
Trade receivables – net	**311**	452
Other receivables	**188**	215
Non-current trade and other receivables	**499**	667
Current		
Trade receivables	**5,712**	6,292
Less provision for impairment of receivables	**(309)**	(980)
Trade receivables – net	**5,403**	5,312
Other receivables	**834**	1,644
Accrued income	**363**	177
Prepayments	**1,003**	1,036
Current trade and other receivables	**7,603**	8,169
Total trade and other receivables	**8,102**	8,836

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

P. Deferred tax

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

	Note	Asset 2019 £000	Liability 2019 £000	Net 2019 £000	2018 £000
Net deferred tax asset at 1 January		**5,979**	**—**	**5,979**	6,406
Transition to IFRS 16		**(146)**	**—**	**(146)**	
Income statement (debit)/credit – continuing	H	**(4,872)**	**89**	**(4,783)**	(612)
Income statement debit – discontinued operations		**—**	**—**	**—**	(175)
Business combination	I	**—**	**(271)**	**(271)**	—
Tax credited/(debited) directly to other comprehensive income		**117**	**—**	**117**	(83)
Exchange differences		**(88)**	**—**	**(88)**	443
Net deferred tax asset at 31 December		**990**	**(182)**	**808**	5,979
Included in:					
Non-current assets		**990**	**—**	**990**	5,979
Current liabilities		**—**	**(89)**	**(89)**	—
Non-current liabilities		**—**	**(93)**	**(93)**	—
		990	**(182)**	**808**	5,979

Deferred tax assets

	Pension £000	Capital allowances £000	Losses and foreign tax	Other temporary differences £000	Total £000
At 1 January 2018	397	939	3,810	1,260	6,406
Income statement (charge)/credit	(112)	(161)	(712)	198	(787)
Tax debited directly to other comprehensive income	(83)	—	—	—	(83)
Currency translation differences	24	51	213	155	443
At 31 December 2018	226	829	3,311	1,613	5,979
Transition to IFRS 16	—	—	—	(146)	(146)
Income statement (charge)/credit	(341)	(808)	(3,236)	(487)	(4,872)
Tax credited directly to other comprehensive	117	—	—	—	117
Currency translation differences	(2)	12	(75)	(23)	(88)
At 31 December 2019	**—**	**33**	**—**	**957**	**990**

In addition to the deferred tax asset which has been recognised, the Group has not recognised further deferred tax assets on gross timing differences of: £26,143k (2018: £12,924k) arising from unutilised trading losses and carried forward foreign tax credits; £1,060k from pension timing differences; £6,230k from capital tax allowances versus accounting charges; and £3,019k from other short term timing differences. The Directors reviewed the recoverability of the deferred tax assets in the US during the year and did not consider there is sufficient certainty of future profits against which these losses/credits which could be offset due to expected future profit generation levels in this particular business units. The increase in the deferred tax assets not recognised is due to this derecognition.

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

All deferred tax is expected to unwind in more than one year's time.

Deferred tax liabilities

	Note	Other temporary differences £000	Total £000
At 1 January 2018 and 2019		—	—
Business combination	I	(271)	(271)
Income statement credit		89	89
At 31 December 2019		**(182)**	**(182)**

The deferred tax liability was recognised on the acquisition of Lot.to Systems Limited, in relation to intangible assets identified. £89k will unwind within one year and £93k in more than one year.

Q. Inventories

	2019 £000	2018 £000
Work in progress	**70**	103
Spare parts	**2,329**	2,217
Finished goods	**217**	256
	2,616	2,576

R. Cash and cash equivalents

	2019 £000	2018 £000
Cash and short-term deposits	**12,985**	14,728
Customer funds	**2,580**	3,187
	15,565	17,915

S. Trade and other payables

	2019 £000	2018 £000
Trade payables	**6,083**	4,018
Other taxes and social security costs	**327**	113
Accruals	**3,519**	5,605
Deferred income	**344**	246
Player liability	**2,580**	3,187
	12,853	13,169

T. Provisions

	Onerous contracts £000	Other Provisions £000	Total £000
At 1 January 2018	2,514	112	2,626
Utilised during the year	(96)	—	(96)
Credit to the income statement – share of loss of JV	(291)	—	(291)
Expense discount interest to the income statement	22	—	22
Currency differences	143	7	150
At 31 December 2018	2,292	119	2,411
Derecognition on transition to IFRS 16	(214)	—	(214)
Utilised during the year	(247)	—	(247)
Credit to the income statement – share of loss of JV	(184)	—	(184)
Release to the income statement	—	(109)	(109)
Expense discount interest to the income statement	24	—	24
Currency differences	(74)	(2)	(76)
At 31 December 2019	**1,597**	**8**	**1,605**
Of which:			
Current provisions	579	—	579
Non-current provisions	1,018	8	1,026
	1,597	**8**	**1,605**

Provisions have been recognised where the Group has contractual obligations to provide services where the estimated unavoidable costs to carry out the obligation exceed the expected future economic benefits to be received.

The Group has a number of committed financial obligations with its joint venture in California. The amounts provided for represent management's best estimate based on scenario analysis of what the Group is expecting to pay to settle the liabilities. Management has estimated the expected liability for each site which is likely to be incurred. Actual liabilities could differ from management's expectations.

The release of these provisions, as costs are settled, will be credited to exceptional costs to net against the investments made in the JV which will be charged to the same line in the income statement.

On transition to IFRS 16, provisions for onerous leases have been derecognised and replaced by lease liabilities.

U. Lease liabilities

Maturity analysis – contractual undiscounted cashflows	2019 £000
Less than one year	1,685
Between 2 and 5 years	3,715
More than 5 years	5,423
Total	10,823

The weighted average incremental borrowing rate applied to the lease liabilities was 5.75%, lowest rate being 2.75% and highest rate of 8.45%.

Lease liabilities included in the balance sheet	2019 £000
Current	843
Non-current	6,881
Total	7,724

	2019 £000
At 1 January 2019 – on transition to IFRS 16	9,445
Interest charged to the income statement	480
Lease rentals paid	(1,879)
Movement as a result of foreign exchange	(322)
Total	7,724

V. Ordinary shares

Authorised, issued and fully paid ordinary shares of 20p each	2019 '000	2019 £000	2018 '000	2018 £000
At 1 January	**186,751**	**37,350**	185,614	37,123
New shares issued to satisfy vesting of PSP	**—**	**—**	1,137	227
New shares issued to satisfy acquisition of Lot.to Systems	**2,000**	**400**	—	—
At 31 December	**188,751**	**37,750**	186,751	37,350

W. Cash generated from operations

Reconciliation of loss before taxation to cash generated from operations, before exceptional items:

	Note	2019	Restated 2018
Loss before tax – continuing operations		**(8,430)**	(2,662)
Adjustments for:			
Net exceptional items (included in operating costs/income)	F	**1,140**	3,453
Depreciation and amortisation	L,M,N	**7,694**	4,777
Profit on sale of property, plant and equipment	M	**(1)**	
Impairment of assets	M	**5,020**	—
Net finance costs/(income)	G	**695**	(250)
Share option expense		**1,422**	1,222
Employers' taxes paid on options vested		**—**	(67)
Changes in working capital:			
Decrease in trade and other receivables		**734**	1,831
(Increase)/decrease in inventories		**(40)**	76
Decrease in trade and other payables		**(149)**	(2,805)
(Decrease)/increase in customer funds		**(607)**	315
Cash generated from operating activities, before exceptional items		**7,478**	5,890

- Ends -