10 September 2020

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

Interim results

Sportech, an international betting technology business, announces its interim results for the six months ended 30 June 2020 (‘H1 2020’ or the ‘period’).

Summary

The Group made a good start to H1 2020, however, as previously announced, COVID-19 had a material impact on performance due to the Group’s reliance on sporting events to generate revenue. Owing to the focus on operational efficiency and cash generation, and online growth across all business units during the period, the Group’s net cash position reduced by a relatively modest £1.4 million from the end of February 2020, ending the period with a net cash position of £9.6 million.

As the Group moves through the rest of the financial year, profitability and cash generation will continue to be our key metrics. It is difficult to provide meaningful guidance on the future outlook given uncertainty around the timing of when sporting events will return in full and the potential impact of further lockdowns. However, we remain confident in the quality of the Group’s products, our services, our strategy, and in the strength of our balance sheet to help us deliver on these in the medium term.

During the period the Group delivered the following notable achievements:

- Delivered significant business contract growth during the period
- Reduced Group capex by 44%
- Reduced exceptional costs materially
- Delivered 48% growth in online retail
- Delivered 23% growth in significant International Tote business and
- Delivered positive cash contribution from operating business

Despite the current global challenges we face, the business transformation continues with the following objectives:

- Build on recent achievements to deliver a less capital intensive business;
- Maximise the returns from the Tote business;
- Develop growth business units – Bump, Lottery, Tote International, and Solutions;
- Drive digital development initiatives, with associated cost efficiencies, across all divisions;
- Continue professional pursuit of a Sports Betting licence in Connecticut; and
- Evaluate and execute material corporate opportunities, delivering tangible investor returns.

£m’s	H1 2020	H1 2019 Constant Currency[5]	H1 2019 Reported Currency[5]
Revenue	20.2	33.0	32.6
Gross Profit	14.4	23.0	22.8
Contribution[1]	13.9	22.4	22.1
Adjusted EBITDA pre-Sports Betting Investment[2]	(1.1)	4.4	4.3
Adjusted EBITDA[3]	(1.2)	3.4	3.4
Loss before tax	(10.7)	(2.5)	(2.5)
Adjusted loss before tax[4]	(5.6)	(0.5)	(0.5)

1. Contribution is defined as gross profit, less marketing and distribution costs.
2. Excludes Sports Betting Investment during the period, amounting to £0.2 million (2019: £0.9 million), see note 4.
3. Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation, share option charges, impairments and exceptional items as reported in note 7 of the Interim Financial Statements.
4. Adjusted loss is the aggregate of Adjusted EBITDA, normalised share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles) and certain finance charges.
5. H1 2019 numbers have been corrected for an accounting error found and corrected in the 2019 full year financial statements in respect of the under accrual of interest payable on the uncertain tax positions, resulting in an increase in finance costs and accruals of £74k.

Richard McGuire, Chief Executive Officer of Sportech PLC, said: "2019 marked a year of operational improvement and a serious motivation to strengthen digital capabilities. 2020 began well, however, as a business primarily dependent on sporting events taking place, the impact of COVID-19 clearly affected performance. The Group enhanced and diversified its client base further through record new and extended client agreements during the period, providing a realistic prospect for incremental growth in 2021. The Board's focus remains absolute in creating tangible long-term value for shareholders".

For further information, please contact:

Sportech PLC Giles Vardey, Chairman Richard McGuire, Chief Executive Officer Thomas Hearne, Chief Financial Officer	Tel: + 44 (0) 117 902 9000
Peel Hunt *(Corporate Broker to Sportech)* George Sellar / Andrew Clark	Tel: +44 (0) 20 7418 8900
Buchanan *(Financial PR adviser to Sportech)* Henry Harrison-Topham / Mark Court / Jamie Hooper	Tel: +44 (0) 20 7466 5000

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

Interim results for the six months ended 30 June 2020

Group Overview

Sportech PLC is an international betting technology business providing and operating betting technology solutions 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 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 under 35 licences across 36 states. The Group has invested over US$60 million in the last five years in the successful expansion of its Venues business, in 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.

Group Overview

£'000	Revenue		EBITDA	
	H1 2020	H1 2019[1]	H1 2020	H1 2019[1]
Racing and Digital	13,086	18,028	1,395	3,732
Venues	7,231	15,222	(1,266)	1,444
Intercompany eliminations and corporate costs	(146)	(294)	(1,194)	(816)
	20,171	32,956	(1,065)	4,360
Sports Betting Investment	-	-	(157)	(917)
Total at constant currency	20,171	32,956	(1,222)	3,443
Exchange rate impact	-	(323)	-	(42)
Total reported	20,171	32,633	(1,222)	3,401

1. 2019 numbers are at constant currency.

Sportech Racing and Digital

Sportech Racing and Digital provides betting technologies and services to 287 racetrack, off-track betting network, casino, lottery, and online pari-mutuel operator customers, plus an additional 147 commingling customers, in 38 countries and 36 US states. It has an estimated 29,000 betting terminals, 30 white-label betting websites, and 19 white-label mobile apps deployed worldwide and systems that annually process US$12.3 billion in betting handle.

Sportech Racing and Digital revenues reduced by 27% as most sporting events ceased during the majority of the period. A few international racetracks continued to provide some content, resulting in an opportune shift to online wagering, creating further margin growth opportunities as the division navigated through the current challenging environment. Decisive cost management was initiated in March 2020, however the division continued to develop and invest in progressing its technology. Enhancing international commingling of Tote pools remains a core focus for the Group, supporting client ambitions. Sportech's Quantum™ System software and its global service network delivered a seamless and successful Tote Superpool launch with UK Tote, Ascot Racecourse and The Hong Kong Jockey Club.

During the period the Group also extended and expanded its contracts with a number of key partners including UK Tote Group, Penn National Gaming, Emerald Downs, Macau Jockey Club and Monmouth Park in New Jersey.

The division also progressed its terminal software project, completing development of a flexible new terminal software platform, and identifying and demonstrating an impressive new terminal hardware line that will streamline capex, improve efficiency, and provide an innovative and engaging end user experience.

Bump 50:50

Sportech's Bump 50:50 raffle business provides the technologies and services that allow sports team foundations and non-profit organisations to provide 50:50 and progressive raffles, generating significant funds for their charitable missions.

Despite a sharp fall in revenue due to COVID-19, in H1 2020 Bump 50:50 successfully added clients at an unprecedented rate. An additional 35 new clients have signed to-date in 2020, an increase of 35% this year, including the NFL® Tennessee Titans and Florida Panthers, and the MLB® Texas Rangers. Of the new clients, 28 are non-profit organisations seeking stable online fundraising opportunities for their worthwhile foundations.

An additional 15 Bump 50:50 clients renewed or expanded their contracts during the period, including the NFL® Tampa Bay Buccaneers, MLB® Chicago Cubs, and NBA® Portland Trailblazers. Others, including the NASCAR Foundation and the NHL® Chicago Blackhawks, added online raffle and progressive jackpot platforms to their existing raffle contracts.

As highlighted in 2019, Bump 50:50's expansion into non-sports markets, with new raffle variations and the introduction of online potential across several states, continues to deliver growth opportunities and future revenue diversification as we navigate through the current COVID-19 challenge. Senior management restructuring took place, with long term expertise maintained and promoted, resulting in strategic improvements and focus on broader growth initiatives.

Lottery

The acquisition of the technology platforms and talent of Lot.to Systems and the integration of these assets into Sportech's organisation was completed in 2019, resulting in further expansion of the Group's B2B lottery capabilities with a key mobile component and robust administrative, CRM and marketing tools. Sportech's international lottery business, however, did not escape the impact of COVID-19, with existing clients closing operations for the majority of H1 2020.

£'000	**H1 2020**	**H1 2019 Constant Currency**	**H1 2019 Reported Currency**
Sales revenue	440	1,010	1,007
Service revenue	12,646	17,018	16,930
Total revenue	13,086	18,028	17,937
Contribution	10,673	14,931	14,834
Contribution margin	82%	83%	83%
Adjusted operating expenses	(9,278)	(11,199)	(11,108)
Adjusted EBITDA	**1,395**	**3,732**	**3,726**
Intangible assets capex	797	1,406	1,389
Tangible assets capex	496	815	810
Total capex	**1,293**	**2,221**	**2,199**

Sportech Venues

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

This division's retail operations were severely challenged during the period. All retail outlets closed in March 2020 due to COVID-19. Some remain closed today, in line with precautionary safety measures. Gross handle declined 50% during the period year over year, however H1 2019 included all major Triple Crown races and the important Kentucky Derby and Preakness events have been postponed to September and October 2020, respectively. Food and Beverage sales were devastated during the period, obviously, following the bar and restaurant closures and loss of special event bookings.

The Board addressed this in part with immediate cost control actions, the advanced execution of our estate planning, and a variety of strategic initiatives. The business leases twelve properties across the State of Connecticut and meaningful negotiations with all landlords resulted in a variety of updated agreements. The progressed sale of one of our freehold premises and relocation to a more viable unit faded in late March 2020 as the commercial real estate market stagnated.

The Group continues to develop its online pari-mutuel betting presence with a rebranded MyWinners.com to support new customer acquisition campaigns in Connecticut, delivering growth opportunities. Online handle from the Group's retail platforms increased 48% during H1 2020, versus 2019.

The Group continues to engage in a comprehensive and sustained campaign regarding Sports Betting licensing within Connecticut and made significant progress elevating Sportech's profile as a key participant in any State Sports Betting solution. Sportech continues to be a proactive supporter of legislation to grant Sports Betting licensing to current in-state gaming operators. In March 2020, the Governor announced support for a bill providing Sports Betting licensing to each existing gaming operator, including Sportech, however challenges from the two Tribal casinos, and a core focus on tackling COVID-19 challenges, understandably, has shifted new gaming legislation from officials' immediate focus.

£'000	**H1 2020**	**H1 2019 Constant Currency**	**H1 2019 Reported Currency**
F&B – Stamford	299	973	961
F&B – Other	508	1,315	1,294
F&B – Total	807	2,288	2,255
Wagering revenue	6,424	12,934	12,735
Total revenue	7,231	15,222	14,990
Contribution	3,244	7,387	7,275
Contribution margin	45%	49%	49%
Adjusted operating expenses	(4,510)	(5,943)	(5,866)
Adjusted EBITDA	**(1,266)**	**1,444**	**1,409**
Total capex	**29**	**156**	**153**

Corporate Costs

Overall, corporate costs and Sports Betting investment expenditure, together, reduced by £0.4 million. Non-exceptional corporate costs increased by £0.4 million to £1.2 million as a result of the redirection of employees to managing the COVID-19 response from working on the Sports Betting project, as the legislative process ended part way through the period without a conclusion on Sports Betting licence issuance.

Depreciation and Amortisation

The Group's normal depreciation and amortisation charge increased from £3.5 million (constant currency) to £4.1 million following capitalisation at the end of 2019 of projects under construction from prior periods.

Impairments and Reassessment of Lease Assumptions

Prior to 30 June 2020, the Board took the decision to reassess the assumption in relation to the Stamford venue lease. Previously, the Board's assumption was that the Group would continue to operate in the Stamford location through the full term of the lease (to May 2035). The Board now believes it appropriate to model a scenario that the break clause may be exercised in June 2025 and as such the lease liability has been reassessed and reduced by £2.23 million during the period to 30 June 2020, the right-of-use asset in relation to the lease also being reduced by this amount.

In addition, having reflected lower cash flow forecasts for Stamford at the year end, and the further heightened impact of the pandemic on this venue, the Board has considered the carrying value of the property, plant and equipment within the Stamford venue (being the leasehold improvements and fixtures and fittings), as well as the balance of the right-of-use asset in relation to the lease, and has concluded that the assets should be impaired in full as the forecast cashflow generation from the venue does not support the carrying value, giving rise to an impairment charge of £2.52 million to property plant and equipment and of £1.83 million to the of right-of-use asset.

The Group will continue to operate the venue in order to evaluate the ultimate use or value extraction from the legacy investment.

Exceptional Costs

The Group had exceptional administration costs of £0.2 million (2019: £0.7 million). H1 2020 items include redundancy payments and staff exits, dilapidation reserves against leased properties and the closure of certain non-core and expensive businesses.

Exceptional cash outflows reduced from £1.5 million to £0.3 million, H1 2020 payments being mainly a legal settlement on a leased property in Connecticut, accrued for in 2019.

As noted below, management are totally focussed on extricating the Group from historical expensive strategies and therefore anticipate further reductions in exceptional costs in 2021.

Net Finance Costs

The Group has no debt. The Group has net finance costs of £0.5 million (H1 2019: £0.4 million), being £0.2 million interest accrued on potential tax liabilities payable, £0.2 million interest on lease liabilities and £0.1 million foreign exchange loss on financial assets and liabilities denominated in foreign currency.

Taxation

Taxation is provided based on management's best estimate of the expected weighted average annual taxation rate for the full year. The estimated weighted average annual tax rate for the year ended 31 December 2020 is 0% (2019: 19.7%). The movement is a result of a change in mix of profits/(losses) in jurisdictions with varying tax rates and the non-recognition of deferred tax on losses in certain jurisdictions due to expectation of non-recovery.

The Group continues to hold a tax provision of £5.05 million (30 June 2019: £4.90 million – restated, 31 December 2019: £4.97 million) for tax potentially due on the 2016 Spot the Ball refund (including interest). Further provisions are held totalling £0.47 million (30 June 2019: £0.45 million – restated, 31 December 2019: £0.46 million) for other uncertain tax positions.

Net Cash/Net Current Assets

The Group held cash balances of £9.6 million, excluding customer balances (31 December 2019: £13.0 million). The Group managed to maintain marginally positive cash generation from operations in the half year, despite economy shutdowns, although a decrease from prior year of £2.7 million. Capex spend was reduced by £1.1 million, exceptional cash outflows were reduced by £1.2 million and lease payments were reduced by £0.1 million.

Capital Expenditure

Capital expenditure in the period was £1.3 million (H1 2019: £2.4 million). The £1.1 million reduction comprises £0.6 million on intangible assets and £0.5 million on property plant and equipment.

Shareholders' Funds

Shareholders fund decreased by £8.2 million from 31 December 2019 to £29.8 million as a result of the loss in the period offset by foreign exchange gains.

Going Concern

After making reasonable enquiries and forecasting the Group's cash flows with reasonable downside assumptions applied, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The Directors have not included in the downside model any assumption of a further local or more widespread "lockdown" as a result of a second wave of COVID-19 cases or a new pandemic arising. Under this scenario the Directors will take all actions necessary (as evidenced in H1 2020) and make use of all government support available to ensure the Company and the Group continues in operational existence.

Outlook

Effective cost management, and driving online growth opportunities during this challenging period, remain priorities for management. Developing online capabilities across existing and new business lines forms the operational roadmap for the second half and management remain determined to extricate the Group from historical expensive strategies. Profitability and cash remain the Group's key focus and the Group is trading within the Board's expectations with regards to these measures. However, with no clarity around the timing of spectator sporting events anticipated in the near future, financial forecasting remains fluid. The Board are focused on creating shareholder value from these levels.

Venues

The relentless professional pursuit of a Sports Betting licence in Connecticut remains core, to support investment and jobs. The Group will update the market with developments of its real estate portfolio and will confirm at the year-end progress made in monetising the Group's exclusive pari-mutuel licence.

Racing and Digital

Enhancing the Group's core Quantum™ System Tote will continue in H2 2020, leading to an expansion of Sportech's global footprint and elevation of service to its clients, as the Board simultaneously explores new avenues for digital growth and streamlined capex. Acquired CRM, administrative, and reporting tools are being integrated with the Group's Tote and digital platforms to deliver enhanced capabilities to clients.

The investment in Bump 50:50 has provided success in extending the unit's range of products, including a new progressive jackpot raffle, to a broader client base. Under new management, the team continue to expand the client base with a clear focus on delivering secure, stable digital platform opportunities.

Lottery

A critical part of the Group going forward, the Board will continue to invest in partnership opportunities, build on our core foundations, and further enhance our product suite through partnerships and digital innovation.

The Board acknowledge with gratitude the hard work and dedication of our team members worldwide as we all continue to deal with the challenges of COVID-19.

Interim consolidated income statement
For the six months ended 30 June 2020

	Note	**Six months ended 30 June 2020 (Unaudited) £000**	Restated Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Revenue		**20,171**	32,633	64,783
Cost of sales	6	**(5,742)**	(9,798)	(17,896)
Gross profit		**14,429**	22,835	46,887
Marketing and distribution costs	6	**(512)**	(726)	(1,472)
Contribution		**13,917**	22,109	45,415
Operating costs	4, 6	**(24,167)**	(24,186)	(53,240)
Other income		**—**	—	90
Operating loss		**(10,250)**	(2,077)	(7,735)
Finance costs	8	**(479)**	(472)	(758)
Finance income	8	**13**	34	63
Loss before taxation		**(10,716)**	(2,515)	(8,430)
Taxation	9	**(4)**	482	(6,034)
Loss for the period		**(10,720)**	(2,033)	(14,464)
Attributable to:				
Owners of the Company		**(10,720)**	(2,033)	(14,464)
Loss per share attributable to owners of the Company:				
Basic	10	**(5.7)p**	(1.1)p	(7.7)p
Diluted	10	**(5.7)p**	(1.1)p	(7.7)p
Adjusted loss per share attributable to owners of the Company:				
Basic	10	**(3.1)p**	(0.2)p	(0.3)p
Diluted	10	**(3.1)p**	(0.2)p	(0.3)p

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

Interim consolidated statement of comprehensive income
For the six months ended 30 June 2020

	Six months ended 30 June 2020 (Unaudited) £000	Restated Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Loss for the period	**(10,720)**	(2,033)	(14,464)
Other comprehensive expense:			
Items that will not be reclassified to profit and loss			
Actuarial loss on retirement benefit liability	**—**	—	(399)
UK defined benefit pension scheme “buy-in” insurance contract purchased	**—**	(234)	—
Deferred tax on movement on retirement benefit liability	**—**	—	117
	—	(234)	(282)
Items that may be subsequently reclassified to profit and loss			
Currency translation differences	**2,444**	(211)	(1,682)
Total other comprehensive income/(expense) for the period, net of tax	**2,444**	(445)	(1,964)
Total comprehensive expense for the period	**(8,276)**	(2,478)	(16,428)
Attributable to:			
Owners of the Company	**(8,276)**	(2,478)	(16,428)

Interim consolidated statement of changes in equity
For the six months ended 30 June 2020

Six months ended 30 June 2020	Ordinary shares £000	Other reserves: Capital redemption reserve £000	Other reserves: Other reserve £000	Other reserves: Foreign exchange reserve £000	Retained earnings £000	Total £000
At 1 January 2020 (audited)	37,750	10,312	(382)	6,942	(16,645)	37,977
Comprehensive income/(expense)						
Loss for the period	—	—	—	—	(10,720)	(10,720)
Other comprehensive items						
Currency translation differences	—	—	—	2,444	—	2,444
Total comprehensive items	—	—	—	2,444	(10,720)	(8,276)
Transactions with owners						
Share option charge	—	—	—	—	112	112
Total transactions with owners	—	—	—	—	112	112
Total changes in equity	—	—	—	2,444	(10,608)	(8,164)
At 30 June 2020 (unaudited)	**37,750**	**10,312**	**(382)**	**9,386**	**(27,253)**	**29,813**

Restated

Six months ended 30 June 2019	Ordinary shares £000	Other reserves: Capital redemption reserve £000	Other reserves: Other reserve £000	Other reserves: Foreign exchange reserve £000	Retained earnings £000	Total £000
At 1 January 2019 (audited)	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*	—	—	—	—	(1,442)	(1,442)
Restated at 1 January 2019	37,350	10,312	(414)	8,537	(3,516)	52,269
Comprehensive expense						
Loss for the period	—	—	—	—	(2,033)	(2,033)
Other comprehensive items						
Currency translation differences	—	—	—	(211)	—	(211)
UK defined benefit pension scheme “buy-in” insurance contract purchased	—	—	(234)	—	—	(234)
Total comprehensive items	—	—	(234)	(211)	(2,033)	(2,478)
Transactions with owners						
Share option charge	—	—	—	—	1,073	1,073
Shares issued in relation to the acquisition of Lot.to Systems Limited	400	—	314	—	—	714
Total transactions with owners	400	—	314	—	1,073	1,787
Total changes in equity	400	—	80	(211)	(960)	(691)
At 30 June 2019 (unaudited)	**37,750**	**10,312**	**(334)**	**8,326**	**(4,476)**	**51,578**

* Net of deferred tax.

In 2019, in the full year results, the share option charge was included within retained earnings; this has been reflected in the above tables also. The reserves at 1 January 2019 were restated within the year end results 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 was a decrease of £223k. In addition, a transition adjustment to IFRIC 23 was also identified in the year end results (increase to opening reserves of £1,562k) and a further lease was identified for IFRS 16 accounting as well as a correction to deferred tax on transition to IFRS 16 (net decrease in adjustment for adoption of IFRS 16 to opening reserves of £457k from £985k debit to £1,442k debit). These adjustments are presented in the above table.

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

		Other reserves				
Year ended 31 December 2019	Ordinary shares £000	Capital redemption Reserve £000	Other reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
At 1 January 2019 (audited)	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	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 (audited)	37,750	10,312	(382)	6,942	(16,645)	37,977

* Net of deferred tax

Interim consolidated balance sheet

As at 30 June 2020

	Note	**As at 30 June 2020 (Unaudited) £000**	Restated As at 30 June 2019 (Unaudited) £000	As at 31 December 2019 (Audited) £000
ASSETS				
Non-current assets				
Goodwill		**604**	—	604
Intangible fixed assets	11	**14,665**	15,846	14,935
Property, plant and equipment	12	**15,184**	25,533	17,676
Right-of-use assets	13	**2,187**	7,179	6,312
Trade and other receivables	14	**465**	601	499
Deferred tax assets		**1,198**	6,124	990
		34,303	55,283	41,016
Current assets				
Trade and other receivables	14	**5,699**	10,637	7,603
Inventories		**2,694**	2,864	2,616
Cash and cash equivalents	15	**12,977**	14,888	15,565
		21,370	28,389	25,784
TOTAL ASSETS		**55,673**	83,672	66,800
LIABILITIES				
Current liabilities				
Trade and other payables	16	**(12,352)**	(14,944)	(12,853)
Provisions	17	**(466)**	(737)	(579)
Lease liabilities	19	**(1,132)**	(1,269)	(843)
Financial liabilities	20	**—**	(500)	(500)
Current tax liabilities		**(4,895)**	(4,954)	(4,880)
Deferred tax liabilities		**(89)**	—	(89)
		(18,934)	(22,404)	(19,744)
Net current assets		**2,436**	5,985	6,040
Non-current liabilities				
Retirement benefit liability		**(1,151)**	(898)	(1,079)
Lease liabilities	19	**(4,495)**	(7,511)	(6,881)
Deferred tax liabilities		**(48)**	—	(93)
Provisions	17	**(1,232)**	(1,281)	(1,026)
		(6,926)	(9,690)	(9,079)
TOTAL LIABILITIES		**(25,860)**	(32,094)	(28,823)
NET ASSETS		**29,813**	51,578	37,977
EQUITY				
Ordinary shares		**37,750**	37,750	37,750
Other reserves		**19,316**	18,304	16,872
Accumulated losses		**(27,253)**	(4,476)	(16,645)
TOTAL EQUITY		**29,813**	51,578	37,977

Company registration number: SC069140

Interim consolidated statement of cash flows
For the six months ended 30 June 2020

	Note	**Six months ended 30 June 2020 (Unaudited) £000**	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Cash flows from operating activities				
Cash generated from operations, before exceptional items	18	**102**	2,819	7,478
Interest received		**13**	34	62
Interest paid		**(83)**	—	(24)
Tax paid		**(263)**	(393)	(1,356)
Net cash (used in)/generated from operating activities before exceptional items		**(231)**	2,460	6,160
Exceptional cash inflows	7	**—**	—	90
Exceptional cash outflows	7	**(283)**	(1,469)	(1,821)
Net cash flows from operating activities		**(514)**	991	4,429
Cash flows from investing activities				
Investment in joint ventures and associates	21	**—**	(230)	(184)
Disposal of Sportech Racing BV (net of transaction costs)		**—**	235	236
Purchase of Lot.to Systems Limited, net of cash acquired		**(500)**	(729)	(729)
Proceeds from sale of property, plant and equipment		**—**	—	1
Investment in intangible fixed assets	11	**(798)**	(1,401)	(2,648)
Purchase of property, plant and equipment	12	**(525)**	(963)	(1,169)
Net cash used in investing activities		**(1,823)**	(3,088)	(4,493)
Cash flows from financing activities				
Payment of lease liabilities	19	**(759)**	(889)	(1,879)
Net cash used in financing activities		**(759)**	(889)	(1,879)
Net decrease in cash and cash equivalents		**(3,096)**	(2,986)	(1,943)
Effect of foreign exchange on cash and cash equivalents		**508**	(41)	(407)
Net cash and cash equivalents at the beginning of the period	15	**15,565**	17,915	17,915
Group cash and cash equivalents at the end of the period	15	**12,977**	14,888	15,565
Represented by:				
Cash and cash equivalents	15	**12,977**	14,888	15,565
Less customer funds	15	**(3,399)**	(3,093)	(2,580)
Adjusted net cash at the end of the period	15	**9,578**	11,795	12,985

Notes to the consolidated interim financial statements
For the six months ended 30 June 2020

1. General information

Sportech PLC (the "Company") is a company domiciled in the UK and listed on the London Stock Exchange. The Company's registered office is Collins House, Rutland Square, Edinburgh, Midlothian, Scotland EH1 2AA. The condensed consolidated interim financial statements of the Company as at and for the period ended 30 June 2020 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the "Group"). The Company's accounting interim reference date is 30 June 2020. The principal activities of the Group are the provision of pari-mutuel betting (B2C) and the supply of wagering technology solutions (B2B).

The condensed consolidated interim financial statements were approved for issue on 9 September 2020.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 20 March 2020 and delivered to the Registrar of Companies. The Report of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

a. These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 *'Interim Financial Reporting'* as adopted by the European Union. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with IFRSs as adopted by the European Union.

b. After making reasonable enquiries and forecasting the Group's cash flows with reasonable downside assumptions applied, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The Directors have not included in the downside model any assumption of a further local or more widespread "lockdown" as a result of a second wave of COVID-19 cases or a new pandemic arising. Under this scenario the Directors will take all actions necessary (as evidenced in H1 2020) and make use of all government support available to ensure the Company and the Group continues in operational existence.

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

d. The principal risks and uncertainties for the Group remain the same as those detailed on pages 24 and 25 of the 2019 Sportech PLC Annual Report and Accounts, where descriptions of mitigating activities carried out by the Group are also outlined. Those risks are regulation, product popularity, technological changes, client concentration and industry competition, foreign exchange, and failure to implement Sports Betting strategy.

The Directors have identified a further risk since the publication of the 2019 financial statements: The COVID-19 pandemic.

The COVID-19 pandemic has had a global impact on our customers and our business.

For our service and sales revenue, we rely on our customers' racetracks and our Venues locations to be open. Most of our customers shut down their operations and suspended horse racing for some period of time during the pandemic, with a few notable exceptions. All North American sporting leagues also suspended operations and games from mid-March through the end of June.

The result was reduced tote fees and racing revenues in our Racing and Digital business, the closure of all of our venues in Connecticut (our online offering continued to trade), and the suspension of raffles almost entirely in our Bump 50:50 business.

Some of our customers started resuming operations in June 2020, and more were reopening in July and August. We began opening Venues locations in late July and early August, and sporting events are taking place, but generally without audiences.

Mitigation
The Board took decisive early action to manage the Group's cost base, cutting costs and effectively managing cash where possible. This included the furloughing of approximately 550 staff, mostly in field operations and at our Venues locations. We suspended all travel and closed all of our offices. We also suspended all rent payments on our office and Venues locations. Where available, the Group availed themselves of government programs to supplement employee wages and salaries. The Group remained in constant dialogue with customers and maintained digital operations. The remaining staff worked from home, mainly in field operations and our Quantum™ data centre, research and development, and finance and administrative functions.

A pandemic response team was put in place, comprising executive and senior management, who met regularly via online tools available to coordinate the Group response to the pandemic.

Our operations and human resource teams created employee portals for employee wellness and support during the pandemic and implemented “COVID-safe” reopening plans. Our online, mobile and phone betting platforms remained available throughout the crisis and saw significant growth.

The Group delivered a significant reduction in operational costs in H1 2020 to partially offset severe revenue declines, and we sought support from governments globally where available. Determined vigilance of the cost base will continue whilst operating efficiently and effectively during staggered reopening.

The Bump team had launched a new online progressive jackpot in early 2020, before the pandemic started, and has focused on sales initiatives and targeted growth from within the 'not for profit' charitable sector outside of sport.

Despite core divisions reopening, there remains uncertainty to when all businesses will return to full operational capacity. Management will continue to focus on delivering a compelling international product to our clients, resulting in additional long-term contracts, and ultimately providing core long term growth beyond the prevailing global situation.

The risk of a second wave which results in local or more widespread “lockdowns”, or a new pandemic, remains and management have the tools in place to react proportionately once again.

Mitigated rating: 8

3. Accounting policies

There are no new standards or amendments to standards or interpretations that are mandatory for the first time for the financial year beginning 1 January 2020 that would impact the Group financial statements. Therefore, all accounting policies applied in these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

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

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

IFRS 17 is not relevant to the Group.

4. Adjusted performance measures

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of expenditure management believe should be added back (exceptional items). The share option expense is also excluded given it is not directly linked to the operating performance of the divisions. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. The considered measure provides 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	**Six months ended 30 June 2020 (Unaudited) £000**	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Operating costs per income statement		**(24,167)**	(24,186)	(53,240)
Add back:				
Sports Betting investment		**157**	905	1,773
Depreciation	12,13	**2,153**	2,344	4,597
Amortisation, excluding acquired intangible assets	11	**1,941**	1,065	2,630
Amortisation of acquired intangible assets	11	**254**	314	467
Profit on sale of property, plant and equipment	12	**—**	—	(1)
Impairment of property, plant and equipment	12	**2,521**	—	5,020
Impairment of right-of-use asset	13	**1,827**	—	—
Share option charge, excluding acceleration of charge for departing management		**112**	324	676
Accelerated IFRS 2 charge for departing management		**—**	749	746
Exceptional items	7	**220**	682	1,230
Total adjusted net operating costs (pre Sports Betting investment)		**(14,982)**	(17,803)	(36,102)

Adjusted EBITDA is calculated as follows:

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Revenue	**20,171**	32,633	64,783
Cost of sales	**(5,742)**	(9,798)	(17,896)
Gross profit	**14,429**	22,835	46,887
Marketing and distribution costs	**(512)**	(726)	(1,472)
Contribution	**13,917**	22,109	45,415
Adjusted operating income and costs (pre Sports Betting investment)	**(14,982)**	(17,803)	(36,102)
Adjusted EBITDA pre Sports Betting investment	**(1,065)**	4,306	9,313
Sports Betting investment	**(157)**	(905)	(1,773)
Adjusted EBITDA	**(1,222)**	3,401	7,540

Sports Betting investment represents the time and cost the Group has incurred in 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. Of these costs, £157k were external costs and

£nil were internal (six months ended 30 June 2019: includes an allocation of senior management time, £335k were external and £570k were internal, of which £241k were Executive Director costs, year ended 31 December 2019: £699k were external costs and £1,074k were internal (£482k Executive Director costs)).

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

	Six months ended 30 June 2020 (Unaudited) Total £000	Six months ended 30 June 2019 (Unaudited) Total £000	Year ended 31 December 2020 (Audited) Total £000
Adjusted EBITDA	**(1,222)**	3,401	7,540
Share option charge, excluding acceleration of charge for departing management	**(112)**	(324)	(676)
Depreciation	**(2,153)**	(2,344)	(4,597)
Amortisation (excluding amortisation of acquired intangibles)	**(1,941)**	(1,065)	(2,630)
Net finance costs (excluding exceptional finance costs)	**(205)**	(213)	(442)
Adjusted loss before tax	**(5,633)**	(545)	(805)
Tax at (3.47)% (30 June 2019: 31.0%, 31 December 2019: 20.3%)	**(195)**	169	164
Adjusted loss after tax	**(5,828)**	(376)	(641)

5. Segmental reporting

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

The Group has identified its operating segments as outlined below:

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

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

	Six months ended 30 June 2020 (Unaudited)				
	Racing and Digital £000	Venues £000	Corporate costs £000	Inter-segment elimination £000	Group £000
Revenue from sale of goods	440	—	—	—	440
Revenue from Bump 50:50	395	—	—	—	395
Revenue from food and beverage sales	—	807	—	—	807
Revenue from rendering of services	12,251	6,424	—	(146)	18,529
Total revenue	**13,086**	**7,231**	—	**(146)**	**20,171**
Cost of sales	(2,190)	(3,698)	—	146	(5,742)
Gross profit	**10,896**	**3,533**	—	—	**14,429**
Marketing and distribution costs	(223)	(289)	—	—	(512)
Contribution	**10,673**	**3,244**	—	—	**13,917**
Adjusted operating costs	(9,278)	(4,510)	(1,194)	—	(14,982)
Adjusted EBITDA (pre Sports Betting investment)	**1,395**	**(1,266)**	**(1,194)**	—	**(1,065)**
Sport betting investment	—	(157)	—	—	(157)
Adjusted EBITDA	**1,395**	**(1,423)**	**(1,194)**	—	**(1,222)**
Share option charge, excluding acceleration of charge for departing management	—	—	(112)	—	(112)
Depreciation	(1,141)	(1,005)	(7)	—	(2,153)
Amortisation (excluding amortisation of acquired intangibles)	(1,809)	—	(132)	—	(1,941)
Segment result	**(1,555)**	**(2,428)**	**(1,445)**	—	**(5,428)**
Amortisation of acquired intangibles	(254)	—	—	—	(254)
Impairment of property, plant and equipment	—	(2,521)	—	—	(2,521)
Impairment of right-of-use asset	—	(1,827)	—	—	(1,827)
Exceptional costs	(147)	(18)	(55)	—	(220)
Operating loss	**(1,956)**	**(6,794)**	**(1,500)**	—	**(10,250)**
Net finance costs					(466)
Loss before taxation					**(10,716)**
Taxation					(4)
Loss for the period from continuing operations					**(10,720)**
Other segment items					
Capital expenditure – intangible fixed assets	797	—	1	—	798
Capital expenditure – property, plant and equipment	496	29	—	—	525

Restated	Six months ended 30 June 2019 (Unaudited)				
	Racing and Digital	Venues	Corporate costs	Inter-segment elimination	Group
	£000	£000	£000	£000	£000
Revenue from sale of goods	1,007	—	—	—	1,007
Revenue from Bump 50:50	808	—	—	—	808
Revenue from food and beverage sales	—	2,255	—	—	2,255
Revenue from rendering of services	16,122	12,735	—	(294)	28,563
Total revenue	17,937	14,990	—	(294)	32,633
Cost of sales	(2,793)	(7,299)	—	294	(9,798)
Gross profit	15,144	7,691	—	—	22,835
Marketing and distribution costs	(310)	(416)	—	—	(726)
Contribution	14,834	7,275	—	—	22,109
Adjusted operating costs	(11,108)	(5,866)	(829)	—	(17,803)
Adjusted EBITDA (pre Sports Betting investment)	**3,726**	**1,409**	**(829)**	**—**	**4,306**
Sport betting investment	—	(905)	—	—	(905)
Adjusted EBITDA	**3,726**	**504**	**(829)**	**—**	**3,401**
Share option charge, excluding acceleration of charge for departing management	—	—	(324)	—	(324)
Depreciation	(1,206)	(1,128)	(10)	—	(2,344)
Amortisation (excluding amortisation of acquired intangibles)	(1,001)	—	(64)	—	(1,065)
Segment result before amortisation of acquired intangibles	1,519	(624)	(1,227)	—	(332)
Acceleration of IFRS 2 charge for departing management	—	—	(749)	—	(749)
Amortisation of acquired intangibles	(314)	—	—	—	(314)
Exceptional costs	(352)	(52)	(278)	—	(682)
Operating profit/(loss)	853	(676)	(2,254)	—	(2,077)
Net finance costs					(438)
Loss before taxation					(2,515)
Taxation					482
Loss for the period					(2,033)
Other segment items					
Capital expenditure – intangible fixed assets	1,389	—	12	—	1,401
Capital expenditure – property, plant and equipment	810	153	—	—	963

	Year ended 31 December 2019 (Audited)				
	Racing and Digital £000	Venues £000	Corporate costs £000	Inter-segment elimination £000	Group £000
Revenue from sale of goods	1,420	—	—	—	1,420
Revenue from Bump 50:50	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	(22,845)	(11,756)	(1,501)	—	(36,102)
Adjusted EBITDA (pre Sports Betting investment)	**8,586**	**2,228**	**(1,501)**	—	**9,313**
Sport 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	(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)
Net exceptional costs	(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 period					(14,464)
Other segment items					
Capital expenditure – intangible fixed assets	2,602	—	46	—	2,648
Capital expenditure – property, plant and equipment	971	198	—	—	1,169

6. Expenses by nature

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Cost of sales			
Tote and track fees	**3,054**	5,856	11,124
F&B consumables	**285**	665	1,326
Betting and gaming duties	**321**	400	824
Repairs and maintenance cost of sales	**149**	196	346
Ticket paper	**251**	467	871
Programs	**69**	259	498
Outsourced service costs	**787**	1,000	1,846
Cost of inventories sold, including provision for obsolete inventory	**826**	955	1,061
Total cost of sales	**5,742**	9,798	17,896
Marketing and distribution costs			
Marketing	**390**	525	1,084
Vehicle costs	**36**	65	132
Freight	**86**	136	256
Total marketing and distribution costs	**512**	726	1,472
Operating costs			
Staff costs – gross, excluding share option charges	**10,586**	14,155	28,052
Less amounts capitalised	**(641)**	(1,389)	(2,034)
Staff costs - net	**9,945**	12,766	26,018
Property costs	**1,493**	1,930	3,612
IT & communications	**618**	671	1,341
Professional fees	**2,377**	2,356	4,833
Travel and entertaining	**225**	624	1,242
Banking transaction costs and FX	**151**	154	264
Provision for impairment of receivables	**227**	—	32
Other costs	**103**	207	533
Adjusted operating costs	**15,139**	18,708	37,875
Share option charge, excluding exceptional accelerated charges	**112**	324	676
Acceleration of IFRS 2 charge for departing management	**—**	749	746
Depreciation	**2,153**	2,344	4,597
Profit on sale of property, plant and equipment	**—**	—	(1)
Amortisation, excluding amortisation of acquired intangibles	**1,941**	1,065	2,630
Amortisation of acquired intangibles	**254**	314	467
Impairment of property, plant and equipment	**2,521**	—	5,020
Impairment of right-of-use asset	**1,827**	—	—
Exceptional costs	**220**	682	1,230
Total operating costs	**24,167**	24,186	53,240

7. Exceptional items

	Note	Six months ended 30 June 2020 (Unaudited) £000	Restated Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Included in operating costs:				
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business		**25**	287	314
Expenses in relation to the UK defined benefit pension scheme "buy-in"		**—**	105	—
Investment in S&S JV (immediately impaired)		**—**	230	249
Release of onerous contract provisions provided in relation to exit from California operations – offsetting investment above		**—**	(179)	(184)
Corporate activity		**7**	—	81
Costs in relation to the Spot the Ball VAT refund		**—**	—	15
Costs in relation to legacy tax disputes		**—**	37	(152)
Lot.to Systems acquisition costs		**—**	52	51
One off start-up costs of new ventures, including new venue builds and joint ventures		**—**	—	266
Costs in relation to exiting the Group's interests in India		**44**	18	20
UK defined benefit pension scheme buy-out		**—**	—	570
Dilapidation costs		**144**	—	—
Legal costs in relation to intellectual property infringement lawsuit		**—**	132	—
		220	682	1,230
Included in other income:				
Settlement received in relation to IP infringement law suit, net of costs		**—**	—	(90)
Included in finance costs:				
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date	8	**183**	74	151
Total exceptional items (net)		**403**	756	1,291

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

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Exceptional cash outflows:			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	**(3)**	(846)	(982)
Expenses in relation to the UK defined benefit pension scheme "buy-in"	**—**	(105)	(336)
UK defined benefit pension scheme "buy-in" insurance contract purchased	**—**	(234)	(234)
Acquisition costs in relation to Lot.to Systems Limited	**—**	(52)	(51)
Spot the Ball bonus paid to former Director and associated legal fees	**—**	—	—
Costs in relation to the Spot the Ball VAT refund	**—**	(45)	(60)
Costs in relation to legacy tax disputes	**—**	(37)	(68)
Costs in relation to the Group's lease in Norco, California	**(32)**	—	(70)
Costs in relation to exiting the Group's interests in India	**(44)**	(18)	(20)
Corporate activity	**(7)**	—	—
One off start-up costs of new ventures, including new venue builds and joint ventures	**(197)**	—	—
Legal costs in relation to intellectual property infringement lawsuit	**—**	(132)	—
Total exceptional cash outflows	**(283)**	(1,469)	(1,821)
Exceptional cash inflows:			
Settlement received in relation to IP infringement law suit, net of costs	—	—	90
Total exceptional cash inflows	—	—	90

8. Net finance costs

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Finance costs:			
Interest accrued on corporation tax liabilities	**(183)**	(74)	(151)
Interest on lease liabilities	**(218)**	(247)	(480)
Interest on defined benefit pension obligation	**—**	—	(25)
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	**(78)**	(139)	(78)
Unwinding of interest on discounted provisions	**—**	(12)	(24)
Total finance costs	**(479)**	(472)	(758)
Finance income:			
Interest received on bank deposits	**13**	34	63
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	**—**	—	—
Total finance income	**13**	34	63
Net finance costs	**(466)**	(438)	(695)

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

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	**(78)**	(139)	(78)
Interest accrued on corporation tax liabilities	**(183)**	(74)	(151)
Unwinding of interest on discounted provisions	**—**	(12)	(24)
	(261)	(225)	(253)

9. Taxation

Taxation is provided based on management's best estimate of the expected weighted average annual taxation rate for the full year. The estimated weighted average annual tax rate for the year ended 31 December 2020 is 0% (2019: 19.7%). The movement is a result of a change in mix of profits/(losses) in jurisdictions with varying tax rates and the non-recognition of deferred tax on losses in certain jurisdictions due to expectation of non-recovery.

The Group continues to hold a tax provision of £5,047k (30 June 2019: £4,897k – restated, 31 December 2019: £4,972k) for tax potentially due on the 2016 Spot the Ball refund (including interest). Further provisions are held totalling £469k (30 June 2019: £454k – restated, 31 December 2019: £462k) for other uncertain tax positions.

10. Earnings per share

	Six months ended 30 June 2020 (Unaudited)	Restated Six months ended 30 June 2019 (Unaudited	Year ended 31 December 2019 (Audited)
Basic EPS			
Loss for the period (£000)	**(10,720)**	(2,033)	(14,464)
Weighted average no of shares ('000)	**188,751**	188,331	188,543
Basic EPS	**(5.7)p**	(1.1)p	(7.7)p

	Six months ended 30 June 2020 (Unaudited)	Restated Six months ended 30 June 2019 (Unaudited	Year ended 31 December 2019 (Audited)
Diluted EPS			
Loss for the period (£000)	**(10,720)**	(2,033)	(14,464)
Weighted average no of shares ('000)	**188,751**	188,331	188,543
Dilutive potential ordinary shares ('000)	**N/A**	N/A	N/A
Total potential ordinary shares ('000)	**188,751**	188,331	188,543
Diluted EPS	**(5.7)p**	(1.1)p	(7.7)p

Adjusted EPS

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

	Note	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	Year ended 31 December 2019 (Audited)
Adjusted loss after tax (£000)	4	**(5,828)**	(376)	(641)
Basic Adjusted EPS (pence)		**(3.1)p**	(0.2)p	(0.3)p
Diluted Adjusted EPS (pence)		**(3.1)p**	(0.2)p	(0.3)p

11. Intangible fixed assets

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
At 1 January	**14,935**	13,551	13,551
Additions	**798**	1,401	2,648
Additions – business combination	**—**	2,262	1,527
Transferred from property, plant and equipment	**—**	—	831
Amortisation charge for period	**(2,195)**	(1,379)	(3,097)
Movement as a result of foreign exchange	**1,127**	11	(525)
Net book amount at end of period	**14,665**	15,846	14,935

12. Property, plant and equipment

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
At 1 January	**17,676**	26,337	26,337
Additions	**525**	963	1,169
Additions – business combination	**—**	1	1
Transfers	**—**	—	(297)
Depreciation charge for period	**(1,495)**	(1,613)	(3,205)
Impairment	**(2,521)**	—	(5,020)
Movement as a result of foreign exchange	**999**	(155)	(1,309)
Net book amount at end of period	**15,184**	25,533	17,676

Impairment

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

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

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

13. Right-of-use assets

	Note	**Six months ended 30 June 2020 (Unaudited) £000**	Restated Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
At 1 January (2019 - on transition to IFRS 16)		**6,312**	7,935	7,935
Additions	**19**	**148**	—	40
Depreciation charge for period		**(658)**	(731)	(1,392)
Reassessment of lease assumptions – break clause	**19**	**(2,232)**	—	—
Impairment		**(1,827)**	—	—
Movement as a result of foreign exchange		**444**	(25)	(271)
Net book amount at end of period		**2,187**	7,179	6,312

Reassessment of lease assumption – break clause

Management had previously assumed that the break clause in the lease of the Stamford sports bar venue in Connecticut, USA would not be exercised, and that the venue would be occupied until the expiry of the lease in May 2035. On 30 June 2020, management took the decision that the most likely scenario was that the break clause would be exercised, and the lease terminated in June 2025. As a result, the lease liability has been remeasured resulting in a reduction in the liability (see note 19) and a corresponding reduction in the right-of-use asset.

Impairment

Management considered that indicators of impairment of the right-of-use assets of the Stamford sports bar lease in Connecticut, USA had arisen during the period, based on its trading performance, the likely recovery from forced closure during the COVID-19 pandemic and also changes to strategy in relation to closure of nearby venues. As a result, an impairment test was carried out to determine the value-in-use of the right-of-use asset in relation to the lease at the venue. The carrying value of the asset at 30 June 2020, prior to any impairment, was £1,827k. The following same key assumptions were made in the value-in-use calculation as were used in the impairment test of the property, plant and equipment at the venue (note 12).

Following the impairment review, the recoverable amount of those assets was deemed to be £nil and accordingly an impairment of £1,827k was identified and has been charged to the income statement within operating costs.

14. Trade and other receivables

	As at 30 June 2020 (Unaudited) £000	As at 30 June 2019 (Unaudited) £000	As at 31 December 2019 (Audited) £000
Non-current			
Trade and other receivables	**465**	601	499
Current			
Trade and other receivables	**5,699**	10,637	7,603
Total trade and other receivables	**6,164**	11,238	8,102

15. Cash and cash equivalents

	Note	**As at 30 June 2020 (Unaudited) £000**	As at 30 June 2019 (Unaudited) £000	As at 31 December 2019 (Audited) £000
Cash and short-term deposits		**9,578**	11,795	12,985
Customer funds	16	**3,399**	3,093	2,580
Total cash and cash equivalents		**12,977**	14,888	15,565

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

16. Trade and other payables

	Note	**As at 30 June 2020 (Unaudited) £000**	Restated As at 30 June 2019 (Unaudited) £000	As at 31 December 2019 (Audited) £000
Trade payables		**1,948**	6,115	6,083
Other taxes and social security costs		**495**	331	327
Accruals		**5,610**	5,181	3,519
Deferred income		**900**	224	344
Player liability	15	**3,399**	3,093	2,580
Total trade and other payables		**12,352**	14,944	12,853

17. Provisions

	Six months ended 30 June 2020 (Unaudited) £000	Restated Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
At beginning of period	**1,605**	2,411	2,411
Derecognition on transition to IFRS 16	**—**	(214)	(214)
Utilised during the period	**(31)**	—	(247)
Release of discount interest to the income statement	**—**	12	24
Credit to income statement – share of loss of JV	**—**	(179)	(184)
Release to the income statement	**—**	—	(109)
Currency movements	**124**	(12)	(76)
Total provisions	**1,698**	2,018	1,605
Provisions are in relation to:			
Current provisions			
Onerous contracts	**466**	737	579
Non-current provisions			
Onerous contracts	**1,226**	1,163	1,018
Other	**6**	118	8
Total non-current provisions	**1,232**	1,281	1,026
Total provisions	**1,698**	2,018	1,605

18. Cash flow from operating activities

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

	Note	Six months ended 30 June 2020 (Unaudited) £000	Restated Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Loss before taxation		**(10,716)**	(2,515)	(8,430)
Adjustments for:				
Net exceptional items (included in operating costs/income)	7	**220**	682	1,140
Depreciation and amortisation	11,12,13	**4,348**	3,723	7,694
Profit on sale of property, plant and equipment		**—**	—	(1)
Impairment of assets	12, 13	**4,348**	—	5,020
Net finance charges	8	**466**	438	695
Share option expense		**112**	1,073	1,422
Changes in working capital:				
Decrease/(increase) in trade and other receivables		**1,938**	(2,240)	734
Decrease/(increase) in inventories		**78**	(306)	(40)
(Decrease)/increase in trade and other payables, excluding player liabilities		**(1,511)**	2,058	(149)
Increase/(decrease) in customer funds	15	**819**	(94)	(607)
Cash generated from operating activities, before exceptional items		**102**	2,819	7,478

19. Lease liabilities

Maturity analysis – contractual undiscounted cashflows	**As at 30 June 2020 (Unaudited) £000**	As at 30 June 2019 (Unaudited) £000	As at 31 December 2019 (Unaudited) £000
Less than one year	**1,591**	1,697	**1,685**
Between 2 and 5 years	**4,416**	4,071	**3,715**
More than 5 years	**279**	5,984	**5,423**
Total	**6,286**	11,752	**10,823**

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

Lease liabilities included in the balance sheet	**As at 30 June 2020 (Unaudited) £000**	Restated As at 30 June 2019 (Unaudited) £000	As at 31 December 2019 (Unaudited) £000
Current	**1,132**	1,269	843
Non-current	**4,495**	7,511	6,881
Total	**5,627**	8,780	7,724

Movement in lease liability during the period	Note	**6 months ended 30 June 2020 (Unaudited) £000**	Restated 6 months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Unaudited) £000
At 1 January		**7,724**	9,445	9,445
Interest charged to the income statement	**8**	**218**	247	480
New leases entered into	**13**	**148**	—	—
Reassessment of lease assumptions – break clause	**13**	**(2,232)**	—	—
Lease rentals paid		**(759)**	(889)	(1,879)
Movement as a result of foreign exchange		**528**	(23)	(322)
At period end		**5,627**	8,780	7,724

Reassessment of lease assumption – break clause

Management had previously assumed that the break clause in the lease of the Stamford sports bar venue in Connecticut, USA would not be exercised, and that the venue would be occupied until the expiry of the lease in May 2035. On 30 June 2020, management took the decision that the most likely scenario was that the break clause would be exercised, and the lease terminated in June 2025. As a result, the lease liability has been remeasured resulting in a reduction in the liability and a corresponding reduction in the right-of-use asset. The incremental borrowing rate was estimated at 4.00%.

20. Financial liabilities

	As at 30 June 2020 (Unaudited) £000	As at 30 June 2019 (Unaudited) £000	As at 31 December 2019 (Audited) £000
Amounts payable to former shareholder of Lot.to Systems Limited	**—**	500	500

The final instalment of the original £1,300k shareholder loan to Lot.to Systems Limited which was assumed by Sportech PLC on the acquisition of the whole of the share capital of Lot.to Systems Limited was paid on 2 January 2020.

21. Related party transactions

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

a. Key management compensation is disclosed below:

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Short-term employee benefits	**285**	623	1,067
Share-based payments	**51**	49	149
Accelerated IFRS 2 charge for departing management	—	755	706
Pay in lieu of notice	—	300	296
Post-employment benefits	—	2	2
Total	**336**	1,729	2,220

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

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
S&S Venues California, LLC	**—**	230	184

S&S Venues California, LLC	**Six months ended 30 June 2020 (Unaudited) £000**	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
At 1 January	**—**	—	—
Additions	**—**	230	184
Income statement items:			
Impairment	**—**	(121)	—
Share of loss after tax	**—**	(109)	(1,213)
Restriction of losses recognised	**—**	—	1,029
Net income statement expense	**—**	(230)	(184)
Total	**—**	—	—

The net income statement expense in prior year was charged to exceptional costs (see note 7), given the provision for onerous contracts in relation to this joint venture, has been released to exceptional costs, having been recorded through exceptional costs in 2017.

22. Contingencies

Contingent items

Tax

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

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

Corporation tax

Included within the Group's 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 Group has received assessments in respect of the Football Pools disposal amounting to additional tax payable of approximately £2m and has made provisions of £0.4m as detailed in note 9. Having taken appropriate external advice we believe the basis of these assessments is incorrect and that no further tax is payable.

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

Other contingent items

The Group is engaged in certain disputes in the ordinary course of business which could potentially lead to outflows greater than those provided for on the balance sheet. The maximum possible exposure considered to exist, in view of advice received from the Group's professional advisors, is up to £0.4m (2019: £0.6m). Management are of the view that the risk of those outflows arising is not probable and accordingly they are considered contingent items.

Statement of Directors' responsibilities

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

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report and Accounts.

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

On behalf of the Board

Richard McGuire	Tom Hearne
Chief Executive Officer	Chief Financial Officer
9 September 2020	9 September 2020