

For immediate release

01 April 2021

**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 2020.

	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	2020 £'000	2020 £'000	2020 £'000	2019 £'000	2019 £'000	2019 £'000
Revenue	19,966	25,755	45,721	33,571	31,212	64,783
Gross Profit	10,534	23,531	34,065	18,343	28,544	46,887
Adjusted <sup>1</sup> EBITDA pre sports betting investment	(2,037)	4,632	2,595	3,422	5,891	9,313
Adjusted <sup>1</sup> EBITDA	(2,298)	4,632	2,334	1,649	5,891	7,540
Adjusted <sup>1</sup> (loss)/profit before tax	(5,177)	(810)	(5,987)	(2,040)	1,235	(805)
(Loss)/profit before tax	(10,567)	(2,034)	(12,601)	(9,661)	1,231	(8,430)
(Loss)/profit for the year	(10,270)	(2,562)	(12,832)	(15,454)	990	(14,464)

1. Adjusted profit measures exclude the effects of expenditure Management believes should be added back (separately disclosed items) and share option charges; see note D of this announcement.

## Financial Overview

### Continuing operations:

- Revenues fell 41% to £20.0 million due to COVID-19 restrictions on trading.
- Adjusted EBITDA loss of £2.3 million (2019: profit of £1.6 million), management having taken action to mitigate COVID-19 impact.
- Adjusted loss before tax increased to £5.2 million (2019: £2.0 million).

### Discontinued operations:

- Revenues fell 17% to £25.8 million due to COVID-19 restrictions on trading.
- Adjusted EBITDA fell to £4.6 million (2019: £5.9 million); management having taken action to mitigate COVID-19 impact.
- Adjusted loss before tax was £0.8 million (2019: profit of £1.2 million).

### Group:

- Statutory loss for the year was £12.8 million (2019: £14.5 million).
- Cash net of customer balances and including cash held by assets held for sale was £16.8 million (2019: £13.0 million). This includes the £6.2 million deposit from BetMakers Technology Group Ltd.
- Capex related to continuing operations was £0.4 million (2019: £0.4 million) and discontinued operations was £2.0 million (2019: £3.4 million).

## Group Developments

- **Corporate:** Executed agreements to sell (a) Global Tote Business with proposed transaction to BetMakers Technology Group Ltd; (b) Bump 50:50, and (c) to dispose of a freehold property in New Haven, Connecticut. In aggregate providing estimated net cash of £36.1 million upon completion from these transactions, all three expected to complete in H1 2021.
- **Tote:** Delivered further growth within international Tote pool commingling, and executed contract extensions with key international partners. Completed an integration with Lottery providers to facilitate betting on racing through Lottery points of sale and successfully launched new terminal software to

deliver cost and capital efficiencies. Completed delivery of a new digital platform to UK Tote Group and launched a new mobile betting option. All of this ultimately supported the proposed sale of the business in December 2020.

- **Bump 50:50:** Continued record-setting client acquisition, with emphasis on online raffles and non-sports charities, ultimately resulting in a sale of the business, announced February 2021.
- **Venues:** COVID-19 severely impacted the business resulting in a 28% decline in total retail betting handle versus 2019, mitigated to an extent by a 72% growth in online handle. The required focus on cost management continued. The Group is engaging with the Governor's office following statements that appear to deny Sportech equal rights to a Connecticut State Sports Betting licence. Legal opinions have been sought and provided to the Connecticut Administration. The Board will appraise shareholders as events develop.
- **Lottery:** Working with core partner to deliver online growth opportunity.
- **Other:** Reduced Group capex by 37% and materially reduced separately disclosed items.

#### **Strategic objectives for 2021 include:**

1. Deliver significant capital return(s) to shareholders.
2. Strategically position to play our part in the State of Connecticut's expanded gaming initiative.
3. Evaluate and execute further corporate opportunities, delivering tangible investor returns.
4. Materially reduce the corporate cost base.
5. Assess organic and complimentary growth opportunities that deliver superior returns.

#### **Richard McGuire, Chief Executive Officer of Sportech, said:**

"COVID-19 created unprecedented challenging conditions for our businesses and the industries we serve. We continue to take the necessary actions to safeguard the Group and to progress our strategic agenda. In line with this, the Group took steps to generate tangible investor returns by exiting certain businesses and assets, advancing the sale of the Racing and Digital division's Global Tote Business to BetMakers, the sale of the Bump 50:50 raffle business to Canadian Bank Note, and the disposal of a freehold property in Connecticut.

"Despite the challenging global environment, our performance in 2020 was better than initially forecast in March 2020, with Sportech delivering on key 2020 performance metrics, namely cash generation from operational activities, effective capex management, and delivery of a more efficient lower operational cost base going forward, resulting in only a modest cash outflow since the outbreak of COVID-19.

"We continue to evaluate further investment prospects within the Connecticut Venues business to support potential expanded gaming opportunities. Management and personnel in our US headquarters in Connecticut remain fully motivated to be part of that state's expanded gaming solution.

"I am encouraged by the resilience shown by the business in facing the challenges of 2020. My gratitude goes to those dedicated professionals who will be transferring to new owners in 2021 and my thoughts remain with the families of those colleagues we lost to this pandemic."

#### **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 is available as required for analyst and investor meetings; requests should be made via 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 in highly regulated markets worldwide 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.

## **2020 Operating Review**

2020 was a year of challenge and change as Sportech collectively sought to navigate the well documented issues the pandemic brought. In 2019, the Group initiated a focus on accountability and relocated investment capital to digital opportunities across all business lines; this strategy supported the Group during 2020.

COVID-19 restrictions had a material impact on performance due to the Group's reliance on sporting events to generate revenue. The Group was, in prior years, seriously exposed to sporting events occurring, sporting stadia, bars and restaurants being open, and personnel and customers enjoying travel freedom. As we all know, that changed dramatically in early 2020 and the Board took immediate action to protect all stakeholder interests.

The Group structure was tested, and decisive steps were taken to ensure continued commitment to our clients and the safety of our personnel, and to protect the Group's asset base. A focus on operational efficiency, cash generation and online growth across all business units during the period resulted in the Group's adjusted cash (i.e. excluding customer cash) increasing from £13.0 million at 31 December 2019 to £16.8 million at 31 December 2020. This includes the BetMakers' non-refundable initial deposit (£6.2 million). It also includes adjusted cash (i.e. excluding customer cash) of £5.5 million held within discontinued operations which will remain within the Group following completion of the disposals, subject to adjustments for debt-like items and working capital.

The Group's 2020 strategy included the evaluation and execution of material corporate opportunities, delivering tangible investor returns. During 2020 and into 2021, in line with strategy, the Group agreed certain sales to generate tangible investor returns, whilst continuing to evaluate further investment prospects within the Connecticut Venues business to support potential expanded gaming opportunities. Progress with the sale of Racing and Digital's Global Tote Business to BetMakers is progressing as is the transition of the Bump 50:50 business to Canadian Bank Note Limited.

These two transactions and the sale of the Group's New Haven property are expected to close in H1 2021. The estimated aggregate net cash from corporate transactions is £36.1 million and the Board will continue to engage with shareholders to assess the optimal use of capital.

During 2020, the Board received unsolicited interest from a potential suitor to acquire the entire Group. The Board shared certain information with the party as part of a focused due diligence exercise. However, having considered the full terms and conditions of their final proposal, the Board concluded that it did not adequately value the businesses and prospects of Sportech, in the light of both the execution risk attached and the Group's strategy to deliver tangible shareholder value.

It is notable that the dedication and successes delivered by management and personnel within the Global Tote Business and Bump 50:50 in driving their respective businesses attracted the attention of numerous suitors during 2020, resulting in acceptable valuations for each and positioning the Group well to deliver on its strategic objectives during 2021.

During 2020, capital and net cash position became more crucial metrics than EBITDA. The Group continued to focus on core performance metrics, including a 37% capex reduction and a 77% reduction in separately disclosed items (excluding those related to agreed disposals), and repositioned itself to create a significant liquidity base to take advantage of growth opportunities within existing and complimentary business lines, whilst delivering the clear prospect of returning capital to investors.

As the Group transitions into 2021, opportunity conversion, profitability and capital repatriation will continue to be 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, management remain confident in the quality of the Group's products, our services and our strategy, and in the strength of the Company balance sheet to help deliver in the medium term.

During 2020 the Group delivered the following notable achievements:

- Delivered significant business contract growth during the period.
- Reduced Group capex by 37%.
- Materially reduced separately disclosed items.

- Delivered 43% growth from Connecticut online retail initiative.
- Delivered 26% growth from International commingling Tote handle.

In 2020, Sportech had two operating divisions: (1) Racing and Digital (including Lotteries and Bump 50:50) and (2) Venues. In recent months the Group has agreed sales for the Global Tote and Bump 50:50 parts of Racing and Digital. This has made way for a new division, Sportech Lotteries, which remains in the continuing Group. We will highlight below some of the achievements from those businesses held for sale before we delve a little deeper into Venues and the Lotteries business.

### **Racing and Digital - Global Tote**

Sportech's 'Racing and Digital - Global Tote' is a leading supplier of technology and services to the global horseracing betting industry, with systems that processed an estimated US\$9 billion in 2020 betting handle for clients across 35 countries.

#### **Developments during the year:**

- Introduced new digital terminal software suite for teller ePOS, self-service, mobile and roaming teller, supporting a more flexible hardware strategy to deliver cost efficiencies and reduction in capital intensive investment. The division also progressed its terminal project, identifying and demonstrating an impressive new terminal hardware line that will not only streamline capex and improve efficiency, but will also provide an innovative and engaging end user experience.
- The Tote Superpool combined the betting pools on Royal Ascot races generated by UK Tote Group with Tote betting from global outlets and the Royal Ascot pools hosted by the Hong Kong Jockey Club. Despite no on-track contribution to the pools as a result of COVID-19 restrictions, the 2020 Tote Superpool generated £137 million in handle, up from £92 million in 2019. This year, Sportech facilitated the expansion of Superpools to all 36 races.
- Extended commingling and core Tote services agreements with UK Tote Group.
- Completed a key integration project for Danske Spil, providing expansion of horseracing wagers via their network of SG lottery terminals, leading to further wagering footprint expansion.
- Extended contract and deployed Tote Service Layer for Finnish client Veikkaus who will utilize Sportech's platform to offer horseracing wagering alongside Sports Betting and Lottery from 4,500 points of sale, a significant increase of 3,500 over the current level of 1,000.
- Joined the World Tote Association.
- Successfully launched Tote betting services for live races held at the historic Central Moscow Hippodrome for client Pari Engineering Rus. Prior to launching Tote for live racing, Sportech provided services to Pari Engineering Rus for the operation of their OTB locations and for commingling into international pools.
- Brought the popular French Quinté+ pool to Denmark through Danske Spil's DanToto off-track betting venues, web and mobile channels.

### **BUMP 50:50**

Bump 50:50's electronic raffle technology and service solution helps foundations maximise their charitable fundraising efforts with 50:50 and progressive jackpot 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.

#### **Developments during the year:**

In 2020, Bump 50:50 built on previous successes and further expanded into non-sports markets, with new raffle variations and the introduction of online potential across several states, which continued to deliver growth opportunities and future revenue diversification.

The leadership team was further strengthened, and Bump 50:50 assembled an unmatched group of specialists who, combined, bring decades of direct experience in the sports, raffle and non-profit fundraising sectors. This team has been pivotal to the growth of Bump 50:50; its dedication to client service and product innovation aligned with the highest level of integrity continues to deliver impressive results and stronger client relationships.

Digital progress continued with the deployment of new contactless payment technology; Paysafe and Bump 50:50 brought to market the charitable raffle space's first fully integrated contactless payments solution. As fans return to stadiums, Bump 50:50's partners will enable the safe in-person purchase of raffle tickets using card tap-and-pay technology.

Significant client growth, core new licences and initial success with online progressive jackpots resulted in various parties approaching the Group to acquire the unit, resulting in the announced sale in Q1 2021.

## 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	Constant currency	
	2020	2019
Wagering revenue	15,596	24,217
Food and beverage revenue	1,472	4,348
Total revenue	17,068	28,565
Contribution	8,133	13,858
<i>Contribution margin</i>	47.7%	48.5%
Adjusted operating expenses	(9,218)	(11,631)
Adjusted EBITDA	(1,085)	2,227
Capex	29	199

### Developments during the year:

COVID-19 shuttered most racing and sporting events, and the Division's retail properties, for almost six months. Sportech Venues sustained pared back operations and continued to offer limited content through digital platforms. To protect employees and customers, the business voluntarily closed in-person betting at the Connecticut venues; this was followed immediately by a State-mandated closure.

Management diverted full attention to digital and online services, deploying new digital marketing and CRM tools which increased Connecticut retail online handle by 43%, but could not compensate sufficiently for venue closures. Including non-Connecticut retail clients, online retail handle increased 72%, with online representing 33% of total retail handle in 2020. Restaurants and in-person venues remain capacity limited and some venues in smaller locations were permanently closed as result of the impact of COVID-19 on the business and coinciding lease maturities.

During the shortened 2020 legislative session in Connecticut, management campaigned vigorously in support of expanded gaming 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, and targeted public relations. Management and employees also attended 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 expanded gaming legislation in the abbreviated 2020 legislative session, due primarily to disputed 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 during the 2021 legislative session which adjourns on 9 June 2021. Our online campaign can be found at [www.sportsbettingforct.com](http://www.sportsbettingforct.com). The Group is engaging with the Governor's office following statements that appear to deny Sportech equal rights to a Connecticut State Sports Betting licence. Legal opinions have been sought and provided to the Administration and the Board will appraise shareholders as events develop.

The business entered into an agreement to sell a freehold property in New Haven, Connecticut. When concluded, the proceeds will create further investment capital for the Connecticut business, specifically for pursuing Group strategy in appropriate positioning of Sportech interests within the Governor's announced expanded gaming initiative and will also further strengthen Group liquidity. The Company has commenced a search for an appropriate new location for the New Haven retail branch and North American HQ offices.

### Looking forward

Managing a physical retail operation is clearly challenging in this environment. The Group remains 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 2021.

Sportech's position on the expansion of Gaming in Connecticut and our credentials as a viable partner to deliver legal Sports Betting in the State, were well established through our lobbying and communication efforts in recent years. The Group intensified these efforts during the Connecticut General Assembly's 2021 legislative session, which commenced in January, as expanded gaming in the State is being developed. The Group continues to work with the State's legislators and established licensed gaming operators to seek a solution to deliver a comprehensive legal and regulatory framework for expanded gaming initiatives in 2021 and beyond.

Being part of the Connecticut gaming expansion initiative remains a key priority in 2021. It remains a complex situation, however we are fully engaged in working with all parties to seek an appropriate solution and have prepared investment capital to protect our position and play our role in Connecticut State gaming expansion.

## SPORTECH LOTTERIES

Sportech has been providing draw-based Lottery platforms and services for over 24 years. In 2019, the Group acquired Lot.to Systems Limited, which had an iLottery, CRM, and games management platform, to complement our successful draw based games. The Group is pursuing opportunities with private and national lotteries, drawing on the Sportech brand and legacy along with our new range of products and digital expertise to offer enhanced Lottery capabilities.

£'000	Constant currency	
	2020	2019
Services revenue	2,898	4,745
Contribution	2,082	3,520
<i>Contribution margin</i>	<i>71.8%</i>	<i>74.2%</i>
Adjusted operating expenses	(1,107)	(825)
Adjusted EBITDA	975	2,695
Capex	351	130

### Developments during the year

It was a challenging year for the unit as the current core Lottery revenue stream is predominantly sales via physical retail outlets, the vast majority of which closed for several months during 2020 due to the COVID-19 outbreak. Revenues declined 39% versus 2019, however a return to some semblance of normality in Q4 saw revenues versus Q4-2019 only 5% lower.

The Group joined the North American Association of State and Provincial Lotteries, 'NASPL'.

The Board will continue to evaluate further investment in partnership opportunities, build on our core foundations, and further enhance our product suite through collaboration and digital innovation.

### GROUP OUTLOOK

There is little doubt that the pandemic tested our organisation, however Sportech employees are professionals who work with incredible passion and purpose and the Board continues to be inspired by their dedication to improve in every area.

Providing a long-term projection with any degree of certainty in this environment is challenging and unrealistic, however having negotiated several corporate transactions during the last 12 months, when completed, the Group will have reduced investors' risk and simplified the structure and the opportunities ahead.

During 2019 and 2020, Sportech enhanced its global credentials and expanded the reach of Quantum™ System, providing 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 changed the way we approached terminal hardware and capital investment going forward. This strategic map ultimately resulted in certain businesses becoming attractive acquisitions for others and, in line with our strategy of delivering tangible returns to shareholders, we progressed that interest to the deals announced.

The Group continues to make 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.

The 2021 management team will reduce in number as we complete corporate transactions, however an emphasis on accountability and ownership culture will prevail.

### A summary of our strategic objectives for 2021 includes:

1. Deliver significant capital return(s) to shareholders.
2. Strategically position to play our part in the State of Connecticut's expanded gaming initiative.
3. Evaluate and execute further corporate opportunities, delivering tangible investor returns.
4. Materially reduce the corporate cost base.
5. Assess organic and complimentary growth opportunities that deliver superior returns.

I am encouraged by the resilience shown by the business in facing the challenges of 2020. My gratitude goes to those dedicated professionals who will be transferring to new owners in 2021 and my thoughts remain with the families of those colleagues we lost to this pandemic.

The Board and management remain fully engaged and focused on protecting shareholder value and managing opportunity effectively and responsibly through these turbulent times.

**Richard McGuire**  
**Chief Executive Officer**  
 31 March 2021

### Financial Review

#### Income Statement - Detailed View

		<b>Restated Reported<sup>2</sup></b>	<b>Constant Currency</b>
<b>£'000</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
Service revenue	<b>18,494</b>	29,176	28,962
F&B revenue	<b>1,472</b>	4,395	4,348
Total revenues	<b>19,966</b>	33,571	33,310
Cost of sales	<b>(9,432)</b>	(15,228)	(15,108)
Gross profits	<b>10,534</b>	18,343	18,202
Marketing and distribution costs	<b>(319)</b>	(839)	(824)
Contribution	<b>10,215</b>	17,504	17,378
<i>Contribution margin %</i>	<b>51.2%</b>	52.1%	52.2%
Adjusted operating expenses (net) <sup>3</sup>	<b>(12,513)</b>	(15,855)	(15,734)
Impact of FX on reported earnings	-	-	5
<b>Adjusted EBITDA</b>	<b>(2,298)</b>	1,649	1,649
Separately disclosed items (net)	<b>(229)</b>	(1,003)	
<i>Non-cash items:</i>			
Share option charges - normal	<b>(347)</b>	(676)	
Share option charges - accelerated	-	(746)	
Depreciation net of profit on sale	<b>(1,793)</b>	(2,413)	
Impairment of property, plant and equipment and right-of-use asset	<b>(4,349)</b>	(5,020)	
Amortisation	<b>(485)</b>	(250)	
Amortisation of acquired intangibles	<b>(509)</b>	(467)	
Total - non-cash items	<b>(7,483)</b>	(9,572)	
<b>LBIT</b>	<b>(10,010)</b>	(8,926)	
Net finance charges	<b>(557)</b>	(735)	
LBT	<b>(10,567)</b>	(9,661)	
Taxation	<b>297</b>	(5,793)	
Result after taxation - continuing operations	<b>(10,270)</b>	(15,454)	
Result after taxation - discontinued operations	<b>(2,562)</b>	990	
<b>Loss for the year</b>	<b>(12,832)</b>	(14,464)	
Adjusted loss before tax for the year from continuing operations <sup>1</sup>	<b>(5,177)</b>	(2,040)	

- Adjusted loss 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).
- The 2019 reported results are restated to exclude discontinued operations, the results of which are aggregated and shown as discontinued operations below result after taxation - continuing operations.
- Adjusted operating expenses exclude depreciation, amortisation, impairments, share option charges and separately disclosed items.

## Revenues

		<b>Restated Reported</b>	<b>Constant Currency</b>
<b>£'000</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
Lotteries service revenue	<b>2,898</b>	4,745	4,745
Total Sportech Lotteries	<b>2,898</b>	4,745	4,745
Venues wagering revenue	<b>15,596</b>	24,431	24,217
Venues F&B revenue	<b>1,472</b>	4,395	4,348
Total Sportech Venues	<b>17,068</b>	28,826	28,565
Total revenues	<b>19,966</b>	33,571	33,310

Revenue from continuing operations was down 40% on a constant currency basis. In Sportech Lotteries, our customer in the Dominican Republic did not run draws during April, May or June 2020 due to restrictions on opening hours of shops and kiosks, and experienced curfew restrictions in other times of the year. In Venues, our land-based operation was shuttered for over three months and following reopening had venue capacity restrictions imposed, causing revenue reductions. Our online offering remained open throughout 2020 and customers migrated from in person to online wagering, bolstering revenue slightly. Recovery commenced in H2 2020 but with suppressed trading conditions.

## Adjusted EBITDA

		<b>Restated reported</b>	<b>Constant currency</b>
<b>£'000</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
Sportech Lotteries	<b>975</b>	2,695	2,695
Sportech Venues	<b>(1,085)</b>	2,228	2,227
Central costs	<b>(1,927)</b>	(1,501)	(1,522)
Adjusted EBITDA before sports betting investment	<b>(2,037)</b>	3,422	3,400
Sports betting investment	<b>(261)</b>	(1,773)	(1,756)
Adjusted EBITDA	<b>(2,298)</b>	1,649	1,644

Revenue reductions impacted EBITDA although mitigating actions were taken, such as use of furlough schemes, rent abatement requests and general freeze on operating expenses to the extent possible. During

the COVID-19 lockdowns, the Group did maintain employee health benefits for furloughed staff. The increase in central costs was a result of the change in focus of staff away from Sports Betting to COVID-19 operations management, and increased legal costs related to agreements with staff and landlords.

Sports Betting investment represents the time and cost the Group has incurred 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. In 2020, it includes lobbying in Connecticut and other external costs only. In 2019 these costs were lobbying costs, additional staff costs, travel and consultants, and also included an allocation of senior management time; £699k external, £1,074k internal, being payroll and travel, of which £482k was in respect of Executive Directors.

## Discontinued operations

On 24 December 2020 Sportech PLC shareholders approved the disposal of the Global Tote Business, being the Group's B2B Racing and Digital division, excluding its Bump 50:50 business, Lottery operations and retail racing website for a purchase price of £30.9 million. An initial payment of £6.18 million was received from the acquirer, BetMakers Technology Group Ltd ("BetMakers"), on 29 December 2020. This receipt is unconditional and non-refundable.

In January 2021, the Group signed a purchase and sale agreement to sell the Bump 50:50 business after completing months of negotiations with the buyer, Canadian Bank Note Company Limited.

In accordance with IFRS 5, these businesses have been treated as assets held for sale. As at the balance sheet date, the sales were deemed to be highly probable, and the disposals signal a departure from major business lines in which the Group previously operated. Accordingly, they have also been treated as discontinued operations in these financial statements.

Completion of the disposal of the Tote business is conditional upon (a) BetMakers having received regulatory approval or waivers in a form acceptable to the purchaser (acting reasonably) in respect of each of the licences, authorisations, approvals and permits held by the Disposal Group, which are necessary for the continued operation of the business; and (b) no material adverse change having occurred in the period between the date of the agreement and the earlier of (a) completion, and (b) 30 April 2021.

Completion of the Bump 50:50 sale is the earlier of the buyer receiving regulatory approval or waivers in a form acceptable to the purchaser (acting reasonably) in respect of each of the licences, authorisations, approvals and permits held by Bump or 31 July 2021, whichever comes first.

The table below shows the results of the discontinued operations.

	<b>Global Tote Group</b>	<b>Bump 50:50</b>	<b>Total</b>	<b>Global Tote Group</b>	<b>Bump 50:50</b>	<b>Total</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revenue	<b>25,052</b>	<b>703</b>	<b>25,755</b>	29,210	2,002	31,212
Costs	<b>(19,525)</b>	<b>(1,598)</b>	<b>(21,123)</b>	(23,618)	(1,703)	(25,321)
Adjusted EBITDA	<b>5,527</b>	<b>(895)</b>	<b>4,632</b>	5,592	299	5,891
Depreciation and amortisation	<b>(5,083)</b>	<b>(291)</b>	<b>(5,374)</b>	(4,323)	(241)	(4,564)
Profit on disposal of assets	-	-	-	1	-	1
Separately disclosed items	<b>(1,159)</b>	<b>(65)</b>	<b>(1,224)</b>	(137)	-	(137)
Finance costs	<b>(113)</b>	<b>45</b>	<b>(68)</b>	16	24	40
Loss before tax	<b>(828)</b>	<b>(1,206)</b>	<b>(2,034)</b>	1,149	82	1,231
Taxation	<b>(528)</b>	-	<b>(528)</b>	(241)	-	(241)
Loss after tax	<b>(1,356)</b>	<b>(1,206)</b>	<b>(2,562)</b>	908	82	990

Revenue performance was down on 2019 due to forced closure of many racetracks and OTB's in the early months of the COVID-19 pandemic. Our racing customers were not required to pay our monthly service fees and our variable revenue was severely hit. During this time the Group furloughed a significant number of its Racing employees to reduce the potential impact of COVID-19. Our digital offerings, however, did well as a few tracks remained open during the pandemic and continued to grow. Once racing had resumed, our Global Tote Business recovered and maintained a reduced cost base, improving EBITDA performance. Bump 50:50 was unable to generate in-stadia revenues from ticket sales due to crowds being banned from attending sporting events across North America. Bump 50:50 continues to be impacted but is maintaining some revenues via online 50:50, the introduction of a new online-only progressive jackpot raffle product, and significant gains in non-profit charity clients that do not rely on sporting events.

In addition to the discontinued operations above, the Board agreed final terms for the disposal of our New Haven freehold property in Connecticut, USA for consideration of circa £4.4 million (US\$6.0 million). The sale and purchase agreement includes a leaseback clause, whereby Sportech shall lease back the property for a period not to exceed 18 months from the date of closing. The lease will have a monthly rental of circa £37k (US\$50k) per month.

As such, the net book value of the land and buildings at the property of £1.2 million has been classified as held for sale and separately disclosed outside of property, plant and equipment within assets held for sale.



## Separately disclosed items

<b>£'000</b>		<b>Restated Reported</b>
	<b>2020</b>	<b>2019</b>
<b>Continuing operations</b>		
<b>Included in operating costs:</b>		
Restructuring and redundancy costs	-	87
Onerous contract provisions and other losses resulting from exit from Californian operations	-	(184)
Losses from Striders Sports Bar (S&S JV)	-	249
UK defined pension scheme buy-out	<b>2</b>	570
Acquisition costs - Lot.to Systems Limited	-	51
Costs in relation to Spot the Ball VAT refund (note b)	<b>44</b>	15
Costs in relation to legacy tax disputes (net of provision release)	-	(152)
One off start-up costs of new ventures, including new venue builds and joint ventures	-	266
Corporate activity costs (note a)	<b>118</b>	81
Costs in relation to exiting the Group's interests in India (note c)	<b>65</b>	20
	<b>229</b>	<b>1,003</b>
<b>Discontinued operations</b>		
Included in operating costs (note d)	<b>1,224</b>	137
<b>Included in finance costs</b>		
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2016 and interest paid on VAT settlement	<b>233</b>	151
	<b>1,686</b>	<b>1,291</b>

The Group continues to focus on resolving legacy issues and reducing ongoing separately disclosed items. The majority of separately disclosed items in 2020 have related to the corporate activity including the ultimate agreed disposals of the Global Tote Business, Bump 50:50, and our New Haven freehold property.

### **Corporate activity costs (note a)**

Costs incurred during the year in relation to the approach by Standard General LLP to acquire the entire equity of Sportech PLC and other corporate activity.

### **Costs in relation to the STB refund (note b)**

Advice continues to be received in relation to the corporate tax filings in relation to the Spot the Ball VAT refund in 2016.

### **Costs in relation to the Group's interests in India (note c)**

The Group has been required to defend a claim for costs from the joint venture partner in India and is also incurring costs in relation to dissolving the holding company of the joint venture in Mauritius, the issue is ongoing.

### **Costs within discontinued operations (note d)**

Mainly legal, accounting and tax advice plus other costs directly incurred in relation to the disposal of the Global Tote Business and the disposal of Bump 50:50. Costs exclude bonuses for Group employees amounting to approximately £1.1m, which are conditional and payable on completion of the transaction. Any costs for work to be undertaken by advisors in 2021 are also excluded.

## **Taxation**

The current tax credit for the year was £719k being mainly a prior year adjustment for overpaid tax in the UK in relation to the tax paid on the Football Pools trade and assets disposed of in 2017 net of withholding taxes paid in the US from overseas contracts. The deferred tax charge for the year was £950k; relating to the 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 £4k and unrecognised gross timing differences of £35,745k, being tax losses carried forward. The Board expects the losses to be utilised against profits on disposal of the discontinued operations in the US, however accounting prevents the anticipation of such utilisation in the recognition of deferred tax assets unless there is sufficient certainty over the availability of future suitable taxable profits.

Tax paid in the year of £686k in continuing operations is mainly withholding taxes in the US, a further £343k was paid by discontinued operations.

The Group's current tax liability includes a provision for uncertain tax liabilities of £4.6 million in relation to

corporation tax on the 2016 VAT refund. The Group is working with HMRC to resolve the issue. The Group had a current tax receivable balance of £1.4 million as at 31 December 2020 in relation to an overpayment from prior years. The refund was received in February 2021.

The Group's deferred tax asset of £4k represents timing differences expected to reverse within five years. The Group has a deferred tax liability of £94k at 31 December 2020 which is deferred tax recorded against intangibles recognised on the acquisition of Lot.to Systems Limited in 2019.

## Cash flow

The Group's cash flow for the year is as follows (including discontinued operations):

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Adjusted EBITDA - continuing operations	<b>(2,298)</b>	1,649
Adjusted EBITDA - discontinued operations	<b>4,632</b>	5,891
Total Adjusted EBITDA	<b>2,334</b>	7,540
Payment of lease liabilities including interest	<b>(1,655)</b>	(1,879)
EBITDA after lease payments	<b>679</b>	5,661
Add:		
Sportech Racing BV Sale	-	236
Initial payment from BetMakers Group	<b>6,180</b>	-
Less:		
Other Acquisition, disposal, and JV items	<b>(500)</b>	(913)
Capitalised software	<b>(1,650)</b>	(2,648)
Property plant and equipment (net of proceeds from sales)	<b>(753)</b>	(1,168)
Separately disclosed items (net)	<b>(484)</b>	(1,731)
Working capital and other	<b>1,552</b>	545
Tax paid and interest, net	<b>(1,100)</b>	(1,318)
FX impact	<b>(72)</b>	(407)
Net cash flows in year	<b>3,852</b>	(1,743)
Opening cash, excluding customer balances	<b>12,985</b>	14,728
Closing cash, excluding customer balances	<b>16,837</b>	12,985

Cash inflow, excluding movement in customer balances in the year was £3,852k. An initial, unconditional, non-refundable payment from BetMakers Technology Group Ltd was received on 29 December 2020 turning the cash outflow for the year into a cash inflow.

Cash outflow for the year of £2,328k (excluding BetMakers' Initial payment) was similar to prior year despite the COVID-19 pandemic and restricted trading conditions, due to tight cost control, use of Government employment support facilities and effective working capital management.

**Thomas Hearne**  
**Chief Financial Officer**  
**31 March 2021**

## Consolidated Income Statement for the year ended 31 December 2020

		Restated
	<b>2020</b>	2019
	<b>£000</b>	£000
Revenue	<b>E 19,966</b>	33,571
Cost of sales	<b>E (9,432)</b>	(15,228)
<b>Gross profit</b>	<b>E 10,534</b>	18,343
Marketing and distribution costs	<b>E (319)</b>	(839)
<b>Contribution</b>	<b>E 10,215</b>	17,504
Operating costs	<b>D (20,225)</b>	(26,430)
<b>Operating loss</b>	<b>(10,010)</b>	(8,926)
Finance costs	<b>G (568)</b>	(787)
Finance income	<b>G 11</b>	52
<b>Loss before tax from continuing operations</b>	<b>(10,567)</b>	(9,661)
Tax - continuing operations	<b>H 297</b>	(5,793)
<b>Loss for the year - continuing operations</b>	<b>(10,270)</b>	(15,454)
(Loss)/profit after tax from discontinued operations	<b>(2,562)</b>	990
<b>Loss for the year</b>	<b>(12,832)</b>	(14,464)
<b>Attributable to:</b>		
Owners of the Company	<b>(12,832)</b>	(14,464)

**Basic (loss)/earnings per share attributable to owners of the Company**

From continuing operations	J	<b>(5.4)p</b>	(8.2)p
From discontinued operations	J	<b>(1.4)p</b>	0.5p
Total	J	<b>(6.8)p</b>	(7.7)p

**Diluted (loss)/earnings per share attributable to owners of the Company**

From continuing operations	J	<b>(5.4)p</b>	(8.2)p
From discontinued operations	J	<b>(1.4)p</b>	0.5p
Total	J	<b>(6.8)p</b>	(7.7)p

**Adjusted loss per share attributable to owners of the Company**

Basic	J	<b>(2.2)p</b>	(0.9)p
Diluted	J	<b>(2.2)p</b>	(0.9)p

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.

Prior year comparatives have been adjusted for discontinued operations.

**Consolidated Statement of Comprehensive Income for the year ended 31 December 2020**

	2020	2019
	£000	£000
Loss for the year	<b>(12,832)</b>	(14,464)
<b>Other comprehensive (expense)/income:</b>		
<i>Items that will not be reclassified to profit and loss</i>		
Actuarial loss on retirement benefit liability	<b>(344)</b>	(399)
Deferred tax on movement on retirement benefit liability	<b>88</b>	117
	<b>(256)</b>	(282)
<i>Items that may be subsequently reclassified to profit and loss</i>		
Currency translation differences	<b>(77)</b>	(1,682)
<b>Total other comprehensive expense for the year, net of tax</b>	<b>(333)</b>	(1,964)
<b>Total comprehensive expense for the year</b>	<b>(13,165)</b>	(16,428)
<b>Attributable to:</b>		
Owners of the Company	<b>(13,165)</b>	(16,428)

**Consolidated Balance Sheet As at 31 December 2020**

	Note	2020	2019
		£000	£000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	K	<b>604</b>	604
Intangible fixed assets	L	<b>7,343</b>	14,935
Property, plant and equipment	M	<b>5,077</b>	17,676
Right-of-use assets	N	<b>1,133</b>	6,312
Trade and other receivables	O	<b>156</b>	499
Deferred tax assets	P	<b>4</b>	990
Total non-current assets		<b>14,317</b>	41,016
<b>Current assets</b>			
Trade and other receivables	O	<b>1,517</b>	7,603
Inventories	Q	<b>120</b>	2,616
Current tax receivable	H	<b>1,442</b>	-
Cash and cash equivalents	R	<b>11,821</b>	15,565
		<b>14,900</b>	25,784
Assets classified as held for sale	I	<b>27,671</b>	-
Total current assets		<b>42,571</b>	25,784
<b>TOTAL ASSETS</b>		<b>56,888</b>	66,800
<b>LIABILITIES</b>			

<b>Current liabilities</b>		
Trade and other payables	<b>S</b>	<b>(14,104)</b> (12,853)
Provisions	<b>T</b>	<b>(321)</b> (579)
Lease liabilities	<b>U</b>	<b>(823)</b> (843)
Financial liabilities		- (500)
Current tax liabilities	<b>H</b>	<b>(4,700)</b> (4,880)
Deferred tax liabilities	<b>P</b>	<b>(94)</b> (89)
		<b>(20,042)</b> (19,744)
Liabilities directly associated with assets classified as held for sale	<b>I</b>	<b>(7,507)</b> -
Total current liabilities		<b>(27,549)</b> (19,744)
<b>Net current assets</b>		<b>15,022</b> 6,040
<b>Non-current liabilities</b>		
Retirement benefit liability		- (1,079)
Lease liabilities	<b>U</b>	<b>(3,059)</b> (6,881)
Deferred tax liabilities	<b>P</b>	- (93)
Provisions	<b>T</b>	<b>(1,121)</b> (1,026)
Total non-current liabilities		<b>(4,180)</b> (9,079)
<b>TOTAL LIABILITIES</b>		<b>(31,729)</b> (28,823)
<b>NET ASSETS</b>		<b>25,159</b> 37,977
<b>EQUITY</b>		
Ordinary shares	<b>V</b>	<b>37,750</b> 37,750
Other reserves		<b>16,539</b> 16,872
Retained earnings		<b>(29,130)</b> (16,645)
<b>TOTAL EQUITY</b>		<b>25,159</b> 37,977

### Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Other reserves					Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000	Retained earnings £000	
At 1 January 2020	37,750	10,312	(382)	6,942	(16,645)	37,977
<b>Comprehensive (expense)/income</b>						
Loss for the year	-	-	-	-	(12,832)	(12,832)
<b>Other comprehensive items</b>						
Actuarial loss on defined benefit pension liability*	-	-	(256)	-	-	(256)
Currency translation differences	-	-	-	(77)	-	(77)
Total other comprehensive items	-	-	(256)	(77)	-	(333)
Total comprehensive items	-	-	(256)	(77)	(12,832)	(13,165)
<b>Transactions with owners</b>						
Share option charge	-	-	-	-	347	347
Total transactions with owners	-	-	-	-	347	347
Total changes in equity	-	-	(256)	(77)	(12,485)	(12,818)
<b>At 31 December 2020</b>	<b>37,750</b>	<b>10,312</b>	<b>(638)</b>	<b>6,865</b>	<b>(29,130)</b>	<b>25,159</b>

\* Net of deferred tax.

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

	Other reserves					Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000	Retained earnings £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	-	-	-	-	(1,442)	(1,442)

of tax						
Restated at 1 January 2019	37,350	10,312	(414)	8,537	(3,516)	52,269
<b>Comprehensive (expense)/income</b>						
Loss for the year	-	-	-	-	(14,464)	(14,464)
<b>Other comprehensive items</b>						
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)
<b>Transactions with owners</b>						
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)
<b>At 31 December 2019</b>	<b>37,750</b>	<b>10,312</b>	<b>(382)</b>	<b>6,942</b>	<b>(16,645)</b>	<b>37,977</b>

\* Net of deferred tax.

### Consolidated Statement of cash flows for the year ended 31 December 2020

	Note	2020 £000	2019 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations, before separately disclosed items	W	3,928	7,478
Interest received		13	62
Interest paid		(84)	(24)
Tax paid	H	(1,029)	(1,356)
Net cash generated from operating activities before separately disclosed items		2,828	6,160
Cash inflows - separately disclosed items		-	90
Cash outflows - separately disclosed items	F	(484)	(1,821)
Cash generated from operations		2,344	4,429
<b>Cash flows from investing activities</b>			
Investment in joint ventures and associates		-	(184)
Disposal of Sportech Racing BV (net of transaction costs)		-	236
Consideration paid for Lot.to Systems Limited, net of cash acquired		(500)	(729)
Receipt of Initial Payment for disposal of Global Tote Business		6,180	-
Proceeds from sale of property, plant and equipment	M	-	1
Investment in intangible fixed assets	L	(1,650)	(2,648)
Purchase of property, plant and equipment	M	(753)	(1,169)
Net cash generated from/(used in) investing activities		3,277	(4,493)
<b>Cash flows used in financing activities</b>			
Principal paid on lease liabilities	U	(1,316)	(1,399)
Interest paid on lease liabilities		(339)	(480)
Cash used in financing activities		(1,655)	(1,879)
<b>Net increase/(decrease) in cash and cash equivalents</b>		3,966	(1,943)
Effect of foreign exchange on cash and cash equivalents		(72)	(407)
Cash and cash equivalents at the beginning of the year	R	15,565	17,915
<b>Cash and cash equivalents at the end of the year</b>	R	19,459	15,565
<b>Less cash held by assets held for sale</b>		(7,638)	-
<b>Group cash and cash equivalents at the end of the year</b>		11,821	15,565
<b>Represented by:</b>			
<b>Cash and cash equivalents</b>	R	11,821	15,565
Less customer funds - continuing operations	R	(465)	(2,580)
Adjusted net cash at the end of the year	R	11,356	12,985

## For the year ended 31 December 2020

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 2020 were approved by the Board of Directors on 31 March 2021. The financial information set out in this announcement does not constitute statutory financial statements for the years ended 31 December 2020 and 2019 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 2020 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the 'Group'). The principal activities of the Group are the provision of pari-mutuel betting (B2C) and the supply of wagering technology solutions (B2B). On 2 December 2020 the Group agreed the disposal of its supply of wagering technology solutions group, the "Global Tote Business" and on 31 January 2021 agreed the disposal of its Bump 50:50 operation (see note I).

### B. Going concern

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. Following the completion of agreed disposals in 2021, the Group will realise significant cash, the Board will continue to engage with shareholders to assess the optimal use of capital.

### 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 2019 financial statements.
- b. As noted above, the consolidated financial statements have been extracted from the statutory financial statements which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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. 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 (separately disclosed 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 separately disclosed 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:

		2020	Restated 2019
	Note	£000	£000
Operating costs per income statement		<b>(20,225)</b>	(26,430)
Add back:			
Sports betting investment		<b>261</b>	1,773
Depreciation	M,N	<b>1,793</b>	2,413
Amortisation, excluding acquired intangible assets	L	<b>485</b>	250
Amortisation of acquired intangible assets	L	<b>509</b>	467
Impairment of property, plant and equipment and right-of-use assets		<b>4,349</b>	5,020
Share option charge, excluding acceleration of charge for departing management		<b>347</b>	676
Accelerated IFRS 2 charge for departing management		-	746
Separately disclosed items	F	<b>229</b>	1,003

Adjusted operating costs, pre sports betting investment **(12,252)** (14,082)

Adjusted EBITDA is calculated as below.

	2020	Restated 2019
	£000	£000
Revenue	<b>19,966</b>	33,571
Cost of sales	<b>(9,432)</b>	(15,228)
Gross profit	<b>10,534</b>	18,343
Marketing and distribution costs	<b>(319)</b>	(839)
Contribution	<b>10,215</b>	17,504
Adjusted operating income and costs (pre sports betting investment)	<b>(12,252)</b>	(14,082)
Adjusted EBITDA pre sports betting investment	<b>(2,037)</b>	3,422
Sports betting investment	<b>(261)</b>	(1,773)
Adjusted EBITDA	<b>(2,298)</b>	1,649

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 and consultants, and also in prior year, included an allocation of senior management time and travel. Of these costs, £261k (2019: £699k) were external costs and £nil (2019: £1,074k) were internal (payroll and travel, of which £nil was in respect of Executive Directors (2019: £482k)).

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.

	2020	Restated 2019
	£000	£000
From continuing operations:		
Adjusted EBITDA	<b>(2,298)</b>	1,649
Share option charge, excluding acceleration of charge for departing management	<b>(347)</b>	(676)
Depreciation	<b>(1,793)</b>	(2,413)
Amortisation (excluding amortisation of acquired intangibles)	<b>(485)</b>	(250)
Net finance costs (excluding certain finance costs - note G)	<b>(254)</b>	(350)
Adjusted loss before tax	<b>(5,177)</b>	(2,040)
Tax at 20.2% (2019: 19.9%)	<b>1,045</b>	405
Adjusted loss after tax	<b>(4,132)</b>	(1,635)

Adjusted loss before tax from continuing operations prior to Sports Betting investment of £261k (2019: £1,773k) is £4,916k (2019: £267k).

	2020	2019
	£000	£000
From discontinued operations:		
Adjusted EBITDA	<b>4,632</b>	5,891
Depreciation	<b>(1,998)</b>	(2,184)
Amortisation	<b>(3,376)</b>	(2,380)
Net finance costs (excluding certain finance costs)	<b>(68)</b>	(92)
Adjusted (loss)/profit before tax	<b>(810)</b>	1,235
Tax at 71.3% (2019: 19.5%)	<b>577</b>	(241)
Adjusted (loss)/profit after tax	<b>(233)</b>	994

## E. Segmental reporting

### 2020

	Sportech Lotteries	Sportech Venues	Corporate costs	Group
	£000	£000	£000	£000
Revenue from food and beverage sales	-	1,472	-	1,472
Revenue from rendering of services	2,898	15,596	-	18,494
Total revenue	2,898	17,068	-	19,966
Cost of sales	(808)	(8,624)	-	(9,432)
Gross profit	2,090	8,444	-	10,534
Marketing and distribution costs	(8)	(311)	-	(319)
Contribution	2,082	8,133	-	10,215

Adjusted net operating costs (note D)	(1,107)	(9,218)	(1,927)	(12,252)
<b>Adjusted EBITDA (pre sports betting investment)</b>	<b>975</b>	<b>(1,085)</b>	<b>(1,927)</b>	<b>(2,037)</b>
Sports betting investment	-	(261)	-	(261)
<b>Adjusted EBITDA</b>	<b>975</b>	<b>(1,346)</b>	<b>(1,927)</b>	<b>(2,298)</b>
Share option charge	-	-	(347)	(347)
Depreciation	(182)	(1,595)	(16)	(1,793)
Amortisation (excluding amortisation of acquired intangible assets)	(235)	-	(250)	(485)
Segment result before amortisation of acquired intangibles	558	(2,941)	(2,540)	(4,923)
Amortisation of acquired intangibles	(509)	-	-	(509)
Impairment of property, plant and equipment and right-of-use assets	-	(4,349)	-	(4,349)
Separately disclosed items	-	(18)	(211)	(229)
Operating profit/(loss)	49	(7,308)	(2,751)	(10,010)
Net finance costs				(557)
Loss before taxation from continuing operations				(10,567)
Taxation				297
Loss for the year from continuing operations				(10,270)
Loss after tax from discontinued operations				(2,562)
Loss for the year				(12,832)

Discontinued operations were within the Sportech Racing and Digital division which existed in prior years and to 31 December 2020 prior to classification as discontinued. The remaining businesses in the former Racing and Digital division now form a new division "Sportech Lotteries".

	<b>Sportech Lotteries</b>	<b>Sportech Venues</b>	<b>Corporate costs</b>	<b>Assets held for sale</b>	<b>Group</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Segment assets (excluding investments and intercompany balances)	2,943	13,681	12,593	27,671	56,888
Segment liabilities (excluding intercompany balances)	(472)	(8,659)	(15,091)	(7,507)	(31,729)
<b>Other segment items - capital expenditure</b>					
Intangible assets (continuing operations)	230	-	-	-	230
Intangible assets (discontinued operations)	-	-	-	1,420	1,420
Property, plant and equipment (continuing operations)	121	29	-	-	150
Property, plant and equipment (discontinued operations)	-	-	-	603	603

## 2019

	<b>Sportech Lotteries</b>	<b>Sportech Venues</b>	<b>Corporate costs</b>	<b>Group</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Restated</b>				
Revenue from food and beverage sales	-	4,395	-	4,395
Revenue from rendering of services	4,745	24,431	-	29,176
Total revenue	4,745	28,826	-	33,571
Cost of sales	(1,210)	(14,018)	-	(15,228)
Gross profit	3,535	14,808	-	18,343
Marketing and distribution costs	(15)	(824)	-	(839)
Contribution	3,520	13,984	-	17,504
Adjusted net operating costs (note D)	(825)	(11,756)	(1,501)	(14,082)



<b>Adjusted EBITDA (pre sports betting investment)</b>	<b>2,695</b>	<b>2,228</b>	<b>(1,501)</b>	<b>3,422</b>
Sports betting investment	-	(1,773)	-	(1,773)
<b>Adjusted EBITDA</b>	<b>2,695</b>	<b>455</b>	<b>(1,501)</b>	<b>1,649</b>
Share option charge, excluding acceleration of charge for departing management	-	-	(676)	(676)
Depreciation	(212)	(2,169)	(32)	(2,413)
Amortisation (excluding amortisation of acquired intangible assets)	(8)	-	(242)	(250)
Segment result before amortisation of acquired intangibles	2,475	(1,714)	(2,451)	(1,690)
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)
Separately disclosed items (net)	-	(342)	(661)	(1,003)
Operating profit/(loss)	2,008	(7,076)	(3,858)	(8,926)
Net finance costs				(735)
Loss before taxation				(9,661)
Taxation				(5,793)
Loss for the year - continuing operations				(15,454)
Net profit from discontinued operations				990
Loss for the year				(14,464)

	<b>Sportech Racing and Digital £000</b>	<b>Sportech Venues £000</b>	<b>Corporate costs £000</b>	<b>Group £000</b>
Segment assets (excluding investments and intercompany balances)	35,187	22,991	8,622	66,800
Segment liabilities (excluding intercompany balances)	(7,892)	(11,909)	(9,022)	(28,823)
<b>Other segment items</b>				
Capital expenditure - Intangible assets:				
Continuing operations	130	-	46	176
Discontinued operations	2,472	-	-	2,472
Capital expenditure - Property, plant and equipment:				
Continuing operations	-	198	-	198
Discontinued operations	971	-	-	971

## F. Separately disclosed items

	<b>Note</b>	<b>2020 £000</b>	<b>Restated 2019 £000</b>
<b>Continuing operations</b>			
<b>Included in operating costs:</b>			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business		-	87
Onerous contract provisions and other losses resulting from exit from Californian operations		-	(184)
Losses from Striders Sports Bar (S&S JV)		-	249
Corporate activity costs	(a)	<b>118</b>	81
Costs in relation to the Spot the Ball VAT refund	(b)	<b>44</b>	15
Costs in relation to legacy tax disputes (net of provision release)		-	(152)
Lot.to Systems Limited acquisition costs		-	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	(c)	<b>65</b>	20
UK defined benefit pension scheme buy-out		<b>2</b>	570
		<b>229</b>	<b>1,003</b>

<b>Discontinued operations</b>	I	<b>1,224</b>	137
Total included in operating costs		<b>1,453</b>	1,140
<b>Included in finance costs:</b>			
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2017		<b>150</b>	151
Interest paid on VAT settlement reached in 2019		<b>83</b>	-
	G	<b>233</b>	151
Net separately disclosed items		<b>1,686</b>	1,291

#### (a) Corporate activity costs

Costs incurred during the year in relation to the approach by Standard General LLP to acquire the entire equity of Sportech PLC and other corporate activity.

#### (b) Costs in relation to the Sport the Ball refund

Advice continues to be received in relation to the corporate tax filings in relation to the Spot the Ball VAT refund in 2016.

#### (c) Costs in relation to exiting the Group's interests in India

The Group has been required to defend a claim for costs from the joint venture partner in India and is also incurring costs in relation to dissolving the holding company of the joint venture in Mauritius, the issue is ongoing.

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

	2020	Restated 2019
	£000	£000
<b>Continuing operations - cash outflows from separately disclosed items:</b>		
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	(18)	(661)
Expenses in relation to the UK defined benefit pension scheme "buy-out"	(2)	(336)
UK defined benefit pension scheme "buy-in" insurance contract purchased	-	(234)
Acquisition costs in relation to Lot.to Systems Limited	-	(51)
Costs in relation to the Spot the Ball VAT refund	-	(60)
Costs in relation to corporate activity	(127)	-
Costs in relation to legacy tax disputes	(17)	(68)
Transaction costs - disposal of Global Tote Business	(16)	-
One off start-up costs of new ventures, including new venue builds and joint ventures	(224)	-
Costs in relation to the Group's lease in Norco, California	-	(70)
Costs in relation to exiting the Group's interests in India	(65)	(20)
	<b>(469)</b>	(1,500)
Cash outflows from separately disclosed items - discontinued operations (net)	<b>(15)</b>	(231)
	<b>(484)</b>	(1,731)

#### G. Net finance costs

	2020	Restated 2019
	£000	£000
<b>Continuing operations</b>		
Finance costs:		
Interest accrued and paid on tax liabilities	(233)	(151)
Interest on lease obligations (note U)	(265)	(402)
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	(70)	(210)
Unwinding of interest on discounted provisions (note T)	-	(24)

Total finance costs	<b>(568)</b>	(787)
Finance income:		
Interest received on bank deposits	<b>11</b>	49
Interest on defined benefit pension obligation	-	3
Total finance income	<b>11</b>	52
Discontinued operations (note I)	<b>(68)</b>	40
Net finance costs	<b>(625)</b>	(695)

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

	2020	Restated 2019
	£000	£000
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	<b>(70)</b>	(210)
Interest accrued and paid tax liabilities	<b>(233)</b>	(151)
Unwinding of interest on discounted provisions (note T)	-	(24)
	<b>(303)</b>	(385)

## H. Taxation

The Group's tax charge from continuing and discontinuing operations comprises:

	2020	2019
	£000	£000
Current tax:		
Current tax on loss for the year	<b>1,176</b>	1,115
Adjustments in respect of prior years	<b>(1,895)</b>	136
Total current tax	<b>(719)</b>	1,251
Deferred tax:		
Origination and reversal of temporary differences	<b>169</b>	(1,509)
Change in rates	<b>(1)</b>	1
Adjustments in respect of prior years	<b>(204)</b>	104
Derecognition of previously recognised deferred tax assets	<b>986</b>	6,187
Total deferred tax	<b>950</b>	4,783
Total tax charge	<b>231</b>	6,034

	2020	2019
	£000	£000
Total tax (credit)/charge in continuing operations	<b>(297)</b>	5,793
Total tax charge in discontinued operations	<b>528</b>	241
Total tax charge	<b>231</b>	6,034

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:

	2020	2019
	£000	£000
Loss for the year	<b>(12,832)</b>	(14,464)
Total tax charge	<b>231</b>	6,034
Loss before tax	<b>(12,601)</b>	(8,430)
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	<b>(2,669)</b>	(1,762)
Tax effects of:		
- expenses not deductible for tax purposes net of income not taxable	<b>449</b>	1,382
- foreign taxes paid not provided for	<b>835</b>	-
- adjustments in respect of prior years - current tax	<b>(1,895)</b>	136
- adjustments in respect of prior years - deferred tax	<b>(204)</b>	104
- effect of change in rates	<b>(1)</b>	1
- deferred tax not recognised during the year	<b>2,730</b>	-
- deferred tax not previously provided	-	(14)
- derecognition of previously recognised deferred tax assets	<b>986</b>	6,187
Total tax charge	<b>231</b>	6,034

US deferred tax assets were revalued downwards by £986k in 2020 (2019: £6,187k, predominantly foreign

taxes paid in the Dominican Republic), following a review of recoverability. Group cash flow 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 17% to 19% based on enacted legislation. Deferred tax in the UK is provided at 19%. There are no changes expected in the US federal income tax rate from the current rate of 21%.

Included within the Group's current tax liabilities is a provision of £4.6m for an uncertain tax position in relation to the treatment of the gain included in the 2016 financial statements for the Spot the Ball VAT refund. Included in current tax receivable is £1.4m in relation to a refund, which was subsequently received in February 2021, for overpaid tax in relation to the disposal of The Football Pools trade and assets in June 2017.

An analysis of the current tax liabilities is as follows:

	Note	2020 £000	2019 £000
At 1 January		4,880	6,563
Release of provision - transition to IFRIC 23		-	(1,562)
		<b>4,880</b>	5,001
Charged to the income statement - continuing operations		<b>(1,012)</b>	1,073
Charged to the income statement - discontinued operations		293	178
Paid during the year - continuing operations		<b>(686)</b>	(1,232)
Paid during the year - discontinued operations		<b>(343)</b>	(124)
Acquired with subsidiary		-	3
Transferred to liabilities associated with assets held for sale	1	117	-
Foreign exchange movements		9	(19)
At 31 December		<b>3,258</b>	4,880
Included in:			
Current assets		<b>(1,442)</b>	-
Current liabilities		<b>4,700</b>	4,880
		<b>3,258</b>	4,880

## I. Discontinued operations and assets held for sale

The net assets at 31 December 2020 of the identified disposal groups and asset held for sale, which have been presented on the Group balance sheet as assets held for sale in current assets and liabilities directly associated with assets held for sale in current liabilities, are as follows:

	Note	Global Tote Group Note Ia £000	Bump (Worldwide) Inc. Note Ib £000	Sports Haven property Note Ic £000	Total £000
Intangible fixed assets	L	4,309	235	-	4,544
Property, plant and equipment	M	6,675	207	1,166	8,048
Right-of-use assets	N	833	-	-	833
Deferred tax assets	P	27	-	-	27
Trade and other receivables		3,718	71	-	3,789
Inventories		2,675	-	-	2,675
Income tax receivable	H	117	-	-	117
Cash and cash equivalents		7,514	124	-	7,638
Total assets held for sale		<b>25,868</b>	<b>637</b>	<b>1,166</b>	<b>27,671</b>
Trade and other payables		<b>(5,186)</b>	<b>(87)</b>	-	<b>(5,273)</b>
Provisions	T	<b>(7)</b>	-	-	<b>(7)</b>
Lease liabilities	U	<b>(998)</b>	-	-	<b>(998)</b>
Retirement benefit liability		<b>(1,229)</b>	-	-	<b>(1,229)</b>
Total liabilities directly associated with assets held for sale		<b>(7,420)</b>	<b>(87)</b>	-	<b>(7,507)</b>

### 1a) Global Tote Group

At 31 December 2020, the Board were of the view that the most probable route of realising future economic benefit through its Global Tote Business was through a sale rather than continuing to operate it as part of the Sportech Group.

On 1 December 2020, a sale and purchase agreement was signed, and Sportech PLC shareholders approved the disposal of the Global Tote Business, being the Group's B2B Racing and Digital division, excluding its Lottery operations and 123 Racing website, on 24 December 2020 for a total consideration of £30.9m (excluding debt and working capital adjustments). An initial payment of £6,180k was received from the acquirer, BetMakers Technology Group Ltd ("BetMakers"), on 29 December 2020, this receipt is unconditional and non-refundable.

In accordance with IFRS 5, this business has been treated as an asset held for sale. As at the balance sheet date, the sale was deemed to be highly probable, and the disposal will signal a departure from a major business line in which the Group previously operated. Accordingly, it has also been treated as a discontinued operation in these financial statements.

Completion of the disposal is conditional upon (a) BetMakers having received regulatory approval or waivers in a form acceptable to the Purchaser (acting reasonably) in respect of each of the licences, authorisations, approvals and permits held by the Disposal Group (including the Relevant US Licences), which are necessary for the continued operation of the Business; and (b) no material adverse change having occurred in the period between the date of this Agreement and the earlier of (a) Completion, and (b) 30 April 2021. As at the date of approval of these financial statements there have been no material adverse matters and regulatory approvals or waivers have progressed such that the Board consider the completion of the transaction to be virtually certain. The disposal group was previously included within the Racing and Digital segment.

A reconciliation of the net loss of discontinued operations is shown below.

	<b>2020</b>	2019
<b>Global Tote Group:</b>	<b>£000</b>	£000
Revenue	<b>25,052</b>	29,210
Cost of sales, marketing and distribution and adjusted operating expenses	<b>(19,525)</b>	(23,618)
Adjusted EBITDA	<b>5,527</b>	5,592
Depreciation and amortisation	<b>(5,083)</b>	(4,323)
Profit on disposal of property, plant and equipment	-	1
Separately disclosed items	<b>(1,159)</b>	(137)
Finance (costs)/income	<b>(113)</b>	16
(Loss)/profit before tax	<b>(828)</b>	1,149
Tax, excluding tax arising on disposal	<b>(528)</b>	(241)
(Loss)/profit after tax	<b>(1,356)</b>	908
Net cash flow from operating activities	<b>6,099</b>	3,963
Net cash flow from investing activities	<b>(1,905)</b>	(3,141)
Net cash flow from financing activities	<b>(436)</b>	(457)
Net increase in cash generated by the disposal group	<b>3,758</b>	365

Separately disclosed items incurred in the period were redundancy and restructuring costs in respect of a rationalisation of this business including a provision for dilapidation costs on an expiring lease (£155k) and disposal costs of £1,004k (2019: redundancy and restructuring, £227k and settlement from IP claim net of costs of £90k). Completion is expected during H1 2021.

### 1b) Bump (Worldwide) Inc. ("Bump")

At 31 December 2020, the Board were of the view that the most probable route of realising future economic benefit through its Bump business was through a sale rather than continuing to operate it as part of the Sportech Group.

The Group had advanced discussions with a potential buyer through 2020 and the Board was committed to disposing of Bump within 12 months. On 31 January 2021, a sale and purchase agreement was signed with Canada Bank Note Company, Limited ("CBN") for consideration of CAD\$10.0m (c.£5.7m), which includes a contingent CAD\$2.0m (c.£1.1m) earn out which is payable if 2022 revenues are CAD\$6.5m or greater.

In accordance with IFRS 5, this business has been treated as an asset held for sale. As at the balance sheet date, the sale was deemed to be highly probable, and the disposal will signal a departure from a major business line in which the Group previously operated. Accordingly, it has also been treated as a discontinued operation in these financial statements.

Completion of the disposal will occur on the earlier of CBN being satisfied that Bump has received the requisite waivers, new licences, consents for change in ownership of the company, or transfer (as applicable) with respect to the Gaming Licences designated as "required" in the SPA or 31 July 2021. The disposal group was previously included within the Racing and Digital segment.

A reconciliation of the net loss of discontinued operations is shown below.

	<b>2020</b>	2019
<b>Bump (Worldwide) Inc.:</b>	<b>£000</b>	£000
Revenue	<b>703</b>	2,002

Cost of sales, marketing and distribution and adjusted operating expenses	<b>(1,598)</b>	(1,703)
Adjusted EBITDA	<b>(895)</b>	299
Depreciation and amortisation	<b>(291)</b>	(241)
Separately disclosed items	<b>(65)</b>	-
Finance income	<b>45</b>	24
(Loss)/profit before tax	<b>(1,206)</b>	82
Tax, excluding tax arising on disposal	-	-
(Loss)/profit after tax	<b>(1,206)</b>	82
Net cash flow from operating activities	<b>(801)</b>	21
Net cash flow from investing activities	<b>(118)</b>	(302)
Net decrease in cash generated by the disposal group	<b>(919)</b>	(281)

Completion is expected during H1 2021 and at the latest 31 July 2021.

### 1c) Sports Haven land and building

At 31 December 2020, the Board were of the view that the most probable route of realising future economic benefit from its freehold property at 600 Long Wharf Drive, Connecticut, USA was through a sale rather than continuing to occupy it as part of the Venues Operating Segment.

An offer was received in H2 2020 and an SPA was signed between the parties on 13 November 2020 for Sportech to sell the property. Final terms were agreed in early 2021, for consideration of £4.4m (\$6.0m).

The SPA includes a leaseback clause, whereby Sportech shall lease back the property for a period not to exceed 18 months from the date of Closing. The lease will be triple net and have a monthly rental of \$50k per month.

The Board consider that the requirements of IFRS 5 have been met as at 31 December 2020, in particular that management are committed to a plan to sell, the asset is available for immediate sale, an active programme to locate a buyer is initiated, the sale is highly probable to complete within 12 months, the sale price is reasonable and actions required to complete the sale indicate it is unlikely the plan will significantly change or be withdrawn. As such, the land and buildings at 600 Long Wharf Drive, with net book value as at this date of £1,166k have been classified as Held for Sale and separately disclosed outside of property, plant and equipment within Assets held for sale. The asset had previously been included in the Sportech Venues segment.

### J. (Loss)/earnings per share

#### (a) Basic

Basic (loss)/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.

	2020			2019		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
(Loss)/profit attributable to the owners of the Company	<b>(10,270)</b>	<b>(2,562)</b>	<b>(12,832)</b>	(15,454)	990	(14,464)
Weighted average number of ordinary shares in issue ('000)	<b>188,751</b>	<b>188,751</b>	<b>188,751</b>	188,543	188,543	188,543
Basic (loss)/earnings per share	<b>(5.4)p</b>	<b>(1.4)p</b>	<b>(6.8)p</b>	(8.2)p	0.5p	(7.7)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.

	2020			2019		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
(Loss)/profit attributable to the owners of the Company	<b>(10,270)</b>	<b>(2,562)</b>	<b>(12,832)</b>	(15,454)	990	(14,464)
Weighted average number of						

ordinary shares in issue ('000)	<b>188,751</b>	<b>188,751</b>	<b>188,751</b>	188,543	188,543	188,543
Dilutive potential ordinary shares	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	N/A	N/A	N/A
Total potential ordinary shares	<b>188,751</b>	<b>188,751</b>	<b>188,751</b>	188,543	188,543	188,543
Basic (loss)/earnings per share	<b>(5.4)p</b>	<b>(1.4)p</b>	<b>(6.8)p</b>	(8.2)p	0.5p	(7.7)p

The number of potentially dilutive shares not taken into account in respect of the VCP is unlimited.

### (c) Adjusted

Adjusted EPS is calculated by dividing the adjusted loss 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.

	2020			2019		
	Adjusted loss after tax £000	Weighted average number of shares £000	Per share amount Pence	Adjusted loss after tax £000	Weighted average number of shares £000	Per share amount Pence
<b>Continuing operations</b>						
Basic adjusted EPS	<b>(4,132)</b>	<b>188,751</b>	<b>(2.2)p</b>	(1,635)	188,543	(0.9)p
Diluted adjusted EPS	<b>(4,132)</b>	<b>188,751</b>	<b>(2.2)p</b>	(1,635)	188,543	(0.9)p

## K. Goodwill

Goodwill cost brought forward arose on two acquisitions i) eBet Online, Inc. in December 2012 of £5.5m "eBet" and ii) Lot.to Systems Limited in February 2019 "Lot.to". The eBet goodwill was impaired in full in 2016 following an impairment review. This fully impaired goodwill is in the Sportech Racing and Digital division and as at 31 December 2020 was transferred to assets held for sale. The Lot.to goodwill is in the Sportech Lotteries division within continuing operations and is attributable to the knowledge and expertise of the workforce.

Movements in the Group's goodwill are shown below:

	2020			2019		
	eBet £000	Lot.to £000	Total £000	eBet £000	Lot.to £000	Total £000
<b>Cost</b>						
At 1 January	5,548	604	6,152	5,548	-	5,548
Addition - Lot.to Systems Limited	-	-	-	-	604	604
Transferred to held for sale	(5,548)	-	(5,548)	-	-	-
At 31 December 2020	-	604	604	5,548	604	6,152
<b>Accumulated impairment charges</b>						
At 1 January	(5,548)	-	(5,548)	(5,548)	-	(5,548)
Transferred to held for sale	5,548	-	5,548	-	-	-
At 31 December 2020	-	-	-	(5,548)	-	(5,548)
<b>Closing net book value</b>	<b>-</b>	<b>604</b>	<b>604</b>	<b>-</b>	<b>604</b>	<b>604</b>

## L. Intangible fixed assets

2020	Customer contracts and relationships	Software	Licences	Other	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 January 2020	862	37,558	17,024	2,960	58,404
Additions - continuing operations	-	230	-	-	230

Additions - discontinued operations	-	1,366	-	54	1,420
Transferred to held for sale	(862)	(33,801)	(11,328)	(3,014)	(49,005)
<b>At 31 December 2020</b>	-	5,353	5,696	-	11,049
<b>Accumulated amortisation</b>					
At 1 January 2020	862	29,938	13,178	3,715	47,693
Charge for year - continuing operations	-	944	50	-	994
Charge for year - discontinued operations	-	3,376	-	-	3,376
Transferred to held for sale	(862)	(30,664)	(12,349)	(3,715)	(47,590)
<b>At 31 December 2020</b>	-	3,594	879	-	4,473
Exchange differences at 1 January 2020	-	1,158	1,989	1,077	4,224
Movement in the year	-	(74)	(201)	(53)	(328)
Transferred to held for sale	-	(1,084)	(1,021)	(1,024)	(3,129)
Exchange differences at 31 December 2020	-	-	767	-	767
<b>Net book amount at 31 December 2020</b>	-	<b>1,759</b>	<b>5,584</b>	-	<b>7,343</b>

Of the amounts capitalised in the year in continuing operations, £230k arose from capitalising staff costs for development expenditure (2019: £130k). Of the amounts capitalised in the year in discontinued operations, £1,420k arose from capitalising staff costs for development expenditure (2019: £1,904k). Amortisation has been included within operating costs.

### 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 £5,545k (\$7,569k, 2019: £5,730k, \$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 2020. In testing for impairment, other assets used solely to generate cash flows in the Venues CGU are also included, totalling £9,876k, \$13,479k (2019: £8,756k, \$11,567k).

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 5% in 2021 and 1% per annum thereafter and 1% decline into perpetuity;
- 3% increase in online handle in 2021, 5% in 2022, 2% in 2023 and 2024 and 2% into perpetuity;
- 61% increase in handle at our Stamford venue in 2021, 5% in 2022 and handle is assumed to remain flat thereafter and into perpetuity (handle is assumed to be transferrable to other nearby venues or to online when the lease expires in May 2025);
- a 90% increase in core F&B revenues, which excludes the Stamford venue, in 2021 reflecting recovery from COVID-19 restrictions, a 5% increase in 2022 and thereafter stable revenues into perpetuity;
- F&B revenues at the Stamford venue are forecasted to increase by 93% in 2021, again reflecting recovery from COVID-19 restrictions, to increase a further 50% in 2022 and 32% in 2023 and remain flat thereafter to the expiry of the lease in May 2025;
- 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 10.5% (2019: 9.5%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU. The pre-tax discount rate was 14.7% (2019: 13.3%).

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 £10,967k and accordingly no impairment was identified (2019: no impairment).

The below assumptions represent a reasonable downside case for sensitivity purposes. This would reduce the carrying value of the trading assets in the business to £nil, being an impairment of £787k. The perpetual licence's net realisable value is considered to be in excess of its carrying value of £5,545k and therefore no impairment arises. The net realisable value of the freehold property in Bradley, Connecticut is also considered to be in excess of its carrying value of £3,543k and therefore similarly no impairment arises.

- In 2021, extra income from enforcement of online exclusivity in Connecticut is only realised at 2020



levels;

- Opex savings in the plan are not achieved and restructuring savings not achieved;
- Stamford's handle remains at 2019 levels;
- Online handle growth reduced to 1% per annum and into perpetuity; and
- Stamford food and beverage achieves breakeven margin only through to the end of the lease.

For information, if a 2% increase in the post-tax discount rate to 12.5% was used in the Base Case model this would lead to an impairment of £170k.

	Customer contracts and relationships	Software	Licences	Other	Total
	£000	£000	£000	£000	£000
<b>2019</b>					
<b>Cost</b>					
At 1 January 2019	862	32,870	16,874	2,792	53,398
Additions - continuing operations	-	176	-	-	176
Additions - discontinued operations	-	2,304	-	168	2,472
Acquired with subsidiary	-	1,377	150	-	1,527
Transferred from property, plant and equipment	-	831	-	-	831
<b>At 31 December 2019</b>	<b>862</b>	<b>37,558</b>	<b>17,024</b>	<b>2,960</b>	<b>58,404</b>
<b>Accumulated amortisation</b>					
At 1 January 2019	862	26,992	13,133	3,609	44,596
Charge for year - continuing operations	-	672	45	-	717
Charge for year - discontinued operations	-	2,274	-	106	2,380
<b>At 31 December 2019</b>	<b>862</b>	<b>29,938</b>	<b>13,178</b>	<b>3,715</b>	<b>47,693</b>
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
<b>Net book amount at 31 December 2019</b>	<b>-</b>	<b>8,778</b>	<b>5,835</b>	<b>322</b>	<b>14,935</b>

## M. Property, plant and equipment

**2020**

	Short leasehold land and buildings	Long leasehold and owned land and buildings	Plant and machinery	Fixtures and fittings	Assets in the course of construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 January 2020	299	16,274	11,785	5,423	74	33,855
Additions - continuing operations	-	-	121	-	29	150
Additions - discontinued operations	-	-	589	-	14	603
Transferred to held for sale	(215)	(7,965)	(9,473)	(1,870)	(86)	(19,609)
<b>At 31 December 2020</b>	<b>84</b>	<b>8,309</b>	<b>3,022</b>	<b>3,553</b>	<b>31</b>	<b>14,999</b>
<b>Accumulated depreciation</b>						
At 1 January 2020	162	11,158	4,260	4,225	-	19,805
Charge for year - continuing operations	-	401	203	382	-	986
Charge for year - discontinued operations	1	39	1,570	8	-	1,618
Transferred to held for sale	(79)	(8,790)	(4,520)	(1,974)	-	(15,363)
Impairment	-	1,888	-	633	-	2,521
<b>At 31 December</b>						

<b>2020</b>	<b>84</b>	<b>4,696</b>	<b>1,513</b>	<b>3,274</b>	<b>9,567</b>
Exchange differences at 1 January 2020	29	1,974	1,198	425	- 3,626
Movement in the year	-	(27)	(24)	(126)	(2) (179)
Transferred to held for sale	(29)	(1,825)	(1,846)	(104)	2 (3,802)
Exchange differences at 31 December	-	<b>122</b>	<b>(672)</b>	<b>195</b>	- <b>(355)</b>
<b>Net book amount at 31 December 2020</b>	-	<b>3,735</b>	<b>837</b>	<b>474</b>	<b>31 5,077</b>

Depreciation charges have been included in operating costs.

### Impairment

Management considered that indicators of impairment of assets at the Stamford sports bar venue in Connecticut, USA had arisen during the six months to 30 June 2020 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 was 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.

No further indicators of impairment of property, plant and equipment arose in the second half of the year.

### 2019

	Short leasehold land and buildings £000	Long leasehold and owned land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
<b>Cost</b>						
At 1 January 2019	246	16,249	10,952	5,323	1,016	33,786
Additions - continuing operations	-	-	-	198	-	198
Additions - discontinued operations	-	-	931	2	38	971
Acquired with subsidiary	-	-	-	1	-	1
Disposal	-	-	(29)	-	(709)	(738)
Transfer	53	25	(6)	(101)	(271)	(363)
<b>At 31 December 2019</b>	<b>299</b>	<b>16,274</b>	<b>11,785</b>	<b>5,423</b>	<b>74</b>	<b>33,855</b>
<b>Accumulated depreciation</b>						
At 1 January 2019	139	5,517	2,231	3,788	709	12,384
Charge for year - continuing operations	2	549	255	565	-	1,371
Charge for year - discontinued operations	21	-	1,803	10	-	1,834
Disposal	-	-	(29)	-	(709)	(738)
Transfer	-	72	-	(138)	-	(66)
Impairment	-	5,020	-	-	-	5,020
<b>At 31 December 2019</b>	<b>162</b>	<b>11,158</b>	<b>4,260</b>	<b>4,225</b>	<b>-</b>	<b>19,805</b>
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 2019	29	1,974	1,198	425	-	3,626
<b>Net book amount at 31 December 2019</b>	<b>166</b>	<b>7,090</b>	<b>8,723</b>	<b>1,623</b>	<b>74</b>	<b>17,676</b>

The Group undertook a review of its asset 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.

The impairment in 2019 arose on assets are the Stamford Sports bar in Connecticut, USA, based on its trading performance. The carrying value of the assets following an impairment being charged to the income statement of £5,020k was £2,582k.

## N. Right-of-use assets

2020

	Short leasehold land and buildings £000	Long leasehold land and buildings £000	Vehicles £000	Plant & machinery £000	Fixtures and fittings £000	Total £000
<b>Cost</b>						
At 1 January 2020	2,711	4,987	237	-	40	7,975
Additions - continuing operations	304	-	29	-	13	346
Additions - discontinued operations	73	-	30	205	-	308
Transferred to held for sale	(504)	(630)	(267)	(205)	-	(1,606)
<b>At 31 December 2020</b>	<b>2,584</b>	<b>4,357</b>	<b>29</b>	<b>-</b>	<b>53</b>	<b>7,023</b>
<b>Accumulated depreciation</b>						
At 1 January 2020	941	341	97	-	13	1,392
Charge for year - continuing operations	658	133	2	-	14	807
Charge for year - discontinued operations	151	74	97	58	-	380
Reassessment of lease term	-	2,231	-	-	-	2,231
Impairment	-	1,828	-	-	-	1,828
Transferred to held for sale	(329)	(150)	(194)	(58)	-	(731)
<b>At 31 December 2020</b>	<b>1,421</b>	<b>4,457</b>	<b>2</b>	<b>-</b>	<b>27</b>	<b>5,907</b>
Exchange differences at 1 January 2020	(74)	(189)	(6)	-	(2)	(271)
Movement in the year	(18)	268	(1)	(3)	-	246
Transferred to held or sale	12	21	6	3	-	42
Exchange differences at 31 December 2020	(80)	100	(1)	-	(2)	17
<b>Net book amount at 31 December 2020</b>	<b>1,083</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>24</b>	<b>1,133</b>

Depreciation charges have been included in operating costs.

### 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 U) 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 to 30 June 2020, 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 M).

Following the impairment review, the recoverable amount of those assets was deemed to be £nil and accordingly an impairment of £1,828k was identified and has been charged to the income statement within operating costs.

**2019**

	Short leasehold land and buildings £000	Long leasehold land and buildings £000	Vehicles £000	Fixtures and fittings £000	Total £000
<b>Cost</b>					
At 1 January 2019 - on transition to IFRS 16	2,685	4,987	237	26	7,935
Additions - continuing operations	26	-	-	14	40
<b>At 31 December 2019</b>	<b>2,711</b>	<b>4,987</b>	<b>237</b>	<b>40</b>	<b>7,975</b>
<b>Accumulated depreciation</b>					
Charge for year - continuing operations	763	266	-	13	1,042
Charge for year - discontinued operations	178	75	97	-	350
<b>At 31 December 2019</b>	<b>941</b>	<b>341</b>	<b>97</b>	<b>13</b>	<b>1,392</b>
Exchange differences arising during the year	(74)	(189)	(6)	(2)	(271)
<b>Net book amount at 31 December 2019</b>	<b>1,696</b>	<b>4,457</b>	<b>134</b>	<b>25</b>	<b>6,312</b>

**O. Trade and other receivables**

	2020 £000	2019 £000
<b>Non-current</b>		
Trade receivables	-	877
Less provision for impairment of receivables	-	(566)
Trade receivables - net	-	311
Other receivables	<b>156</b>	188
Non-current trade and other receivables	<b>156</b>	499
<b>Current</b>		
Trade receivables	<b>778</b>	5,712
Less provision for impairment of receivables	<b>(111)</b>	(309)
Trade receivables - net	<b>667</b>	5,403
Other receivables	<b>62</b>	834
Accrued income	<b>292</b>	363
Prepayments	<b>496</b>	1,003
Current trade and other receivables	<b>1,517</b>	7,603
Total trade and other receivables	<b>1,673</b>	8,102

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 Liability		Net 2020 £000	2019 £000
		2020 £000	2020 £000		
Net deferred tax asset at 1 January		<b>990</b>	<b>(182)</b>	<b>808</b>	5,979
Transition to IFRS 16		-	-	-	(146)
Income statement (charge)/credit - continuing operations	H	<b>(803)</b>	<b>88</b>	<b>(715)</b>	(4,720)
Income statement charge - discontinued operations		<b>(235)</b>	-	<b>(235)</b>	(63)
Business combination		-	-	-	(271)
Tax credited directly to other comprehensive income		<b>88</b>	-	<b>88</b>	117
Deferred tax transferred to assets held for sale	I	<b>(27)</b>	-	<b>(27)</b>	-
Exchange differences		<b>(9)</b>	-	<b>(9)</b>	(88)
Net deferred tax asset at 31 December		<b>4</b>	<b>(94)</b>	<b>(90)</b>	808
Included in:					
Non-current assets		<b>4</b>	-	<b>4</b>	990
Current liabilities		-	<b>(94)</b>	<b>(94)</b>	(89)
Non-current liabilities		-	-	-	(93)
		<b>4</b>	<b>(94)</b>	<b>(90)</b>	808

## Deferred tax assets

	Pension allowances £000	Capital allowances £000	Losses and foreign tax credits £000	Other temporary differences £000	Total £000
At 1 January 2019	226	829	3,311	1,613	5,979
Transition to IFRS 16	-	-	-	(146)	(146)
Income statement charge - continuing operations	(277)	(809)	(3,236)	(487)	(4,809)
Income statement charge - discontinued operations	(64)	1	-	-	(63)
Tax credited directly to other comprehensive income	117	-	-	-	117
Currency translation differences	(2)	12	(75)	(23)	(88)
At 31 December 2019	-	33	-	957	990
Income statement charge - continuing operations	-	4	-	(807)	(803)
Income statement charge - discontinued operations	(88)	(5)	-	(142)	(235)
Tax credited directly to other comprehensive income	88	-	-	-	88
Transferred to assets held for sale	-	(27)	-	-	(27)
Currency translation differences	-	(1)	-	(8)	(9)
<b>At 31 December 2020</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>

In addition to the deferred tax asset which has been recognised, the Group has not recognised further deferred tax assets on gross timing differences in continuing operations of: £21,637k (2019: £26,143k) arising from unutilised trading losses and carried forward foreign tax credits; £6,123k (2019: £6,230k) from capital tax allowances versus accounting charges; and £7,985k (2019: £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. The Directors expect a significant proportion of the tax losses unprovided for to be utilised against profits on disposal of the discontinued operations in the US, however accounting prevents the anticipation of such utilisation in the recognition of deferred tax assets. 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

	Other temporary differences £000	Total £000
At 1 January 2019	-	-
Business combination	(271)	(271)
Income statement credit - continuing operations	89	89
At 1 January 2020	(182)	(182)
Income statement credit- continuing operations	88	88
<b>At 31 December 2020</b>	<b>(94)</b>	<b>(94)</b>

The deferred tax liability was recognised on the acquisition of Lot.to Systems Limited, in relation to intangible assets identified. All of the deferred tax liability is recorded in non-current liabilities.

## Q. Inventories

	2020 £000	2019 £000
Work in progress	-	70
Spare parts and raw materials including food and beverage	-	2,329
Finished goods	120	217
	<b>120</b>	<b>2,616</b>

## R. Cash and cash equivalents

	2020 £000	2019 £000
Cash and short-term deposits	11,356	12,985
Customer funds	465	2,580

**11,821** 15,565

## S. Trade and other payables

	<b>2020</b>	2019
	<b>£000</b>	£000
Trade payables	<b>3,581</b>	6,083
Other taxes and social security costs	<b>141</b>	327
Accruals	<b>3,737</b>	3,519
Deferred income	<b>6,180</b>	344
Player liability	<b>465</b>	2,580
	<b>14,104</b>	12,853

Deferred income in 2020 is consideration received in advance not yet recorded in income related to an Initial Payment received from BetMakers Technology Group Ltd for the potential acquisition of certain parts of the Racing and Digital division. The amount is unconditional and non-refundable and will be recognised in income on completion of the disposal.

## T. Provisions

	<b>Onerous contracts</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2019	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 - discontinued operations	-	(109)	(109)
Expense discount interest to the income statement	24	-	24
Currency differences	(74)	(2)	(76)
At 1 January 2020	1,597	8	1,605
Utilised during the year	(105)	-	(105)
Transferred to liabilities associated with assets held for sale	-	(7)	(7)
Currency differences	(50)	(1)	(51)
<b>At 31 December 2020</b>	<b>1,442</b>	<b>-</b>	<b>1,442</b>
<b>Of which:</b>			
Current provisions	321	-	321
Non-current provisions	1,121	-	1,121
	<b>1,442</b>	<b>-</b>	<b>1,442</b>

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 arising from leases associated 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 probability based scenario analysis showed a range of expected liability from £1.2 million to £2.0 million. On transition to IFRS 16, provisions for onerous leases were derecognised and replaced by lease liabilities.

## U. Lease liabilities

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	<b>1,085</b>	1,685
Between 2 and 5 years	<b>3,241</b>	3,715
More than 5 years	-	5,423
Total	<b>4,326</b>	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%.

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Lease liabilities included in the balance sheet</b>		
Current	<b>823</b>	843
Non-current	<b>3,059</b>	6,881
Total	<b>3,882</b>	7,724

	<b>2020</b>	2019
<b>Movement on lease liability during the year</b>		

	<b>£000</b>	£000
At 1 January (2019 - on transition to IFRS 16)	<b>7,724</b>	9,445
New leases entered into	<b>654</b>	-
Reassessment of lease term	<b>(2,231)</b>	-
Interest charged to the income statement - continuing operations	<b>265</b>	402
Interest charged to the income statement - discontinued operations	<b>74</b>	78
Lease rentals paid - continuing operations	<b>(1,219)</b>	(1,422)
Lease rentals paid - discontinued operations	<b>(436)</b>	(457)
Transferred to held for sale	<b>(998)</b>	-
Movement as a result of foreign exchange	<b>49</b>	(322)
At 31 December	<b>3,882</b>	7,724

## V. Ordinary shares

<b>Authorised, issued and fully paid ordinary shares of 20p each</b>	<b>2020</b>		<b>2019</b>	
	'000	£000	'000	£000
At 1 January	<b>188,751</b>	<b>37,750</b>	186,751	37,350
New shares issued to satisfy acquisition of Lot.to Systems Limited	-	-	2,000	400
At 31 December	<b>188,751</b>	<b>37,750</b>	188,751	37,750

## W. Cash generated from operations

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

	<b>Note</b>	<b>2020 £000</b>	2019 £000
Loss before tax - continuing operations		<b>(10,567)</b>	(9,661)
(Loss)/profit before tax - discontinued operations	I	<b>(2,034)</b>	1,231
Total loss before tax		<b>(12,601)</b>	(8,430)
<b>Adjustments for:</b>			
Separately disclosed items (included in operating costs)	F	<b>1,453</b>	1,140
Depreciation and amortisation	L,M,N	<b>8,161</b>	7,694
Profit on sale of property, plant and equipment	M	-	(1)
Impairment of assets	M,N	<b>4,349</b>	5,020
Net finance costs	G	<b>625</b>	695
Share option expense		<b>347</b>	1,422
<b>Changes in working capital:</b>			
Decrease in trade and other receivables		<b>2,791</b>	734
Increase in inventories		<b>(179)</b>	(40)
Decrease in trade and other payables		<b>(1,060)</b>	(149)
Increase/(decrease) in customer funds		<b>42</b>	(607)
Cash generated from operating activities, before separately disclosed items		<b>3,928</b>	7,478

- Ends -

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