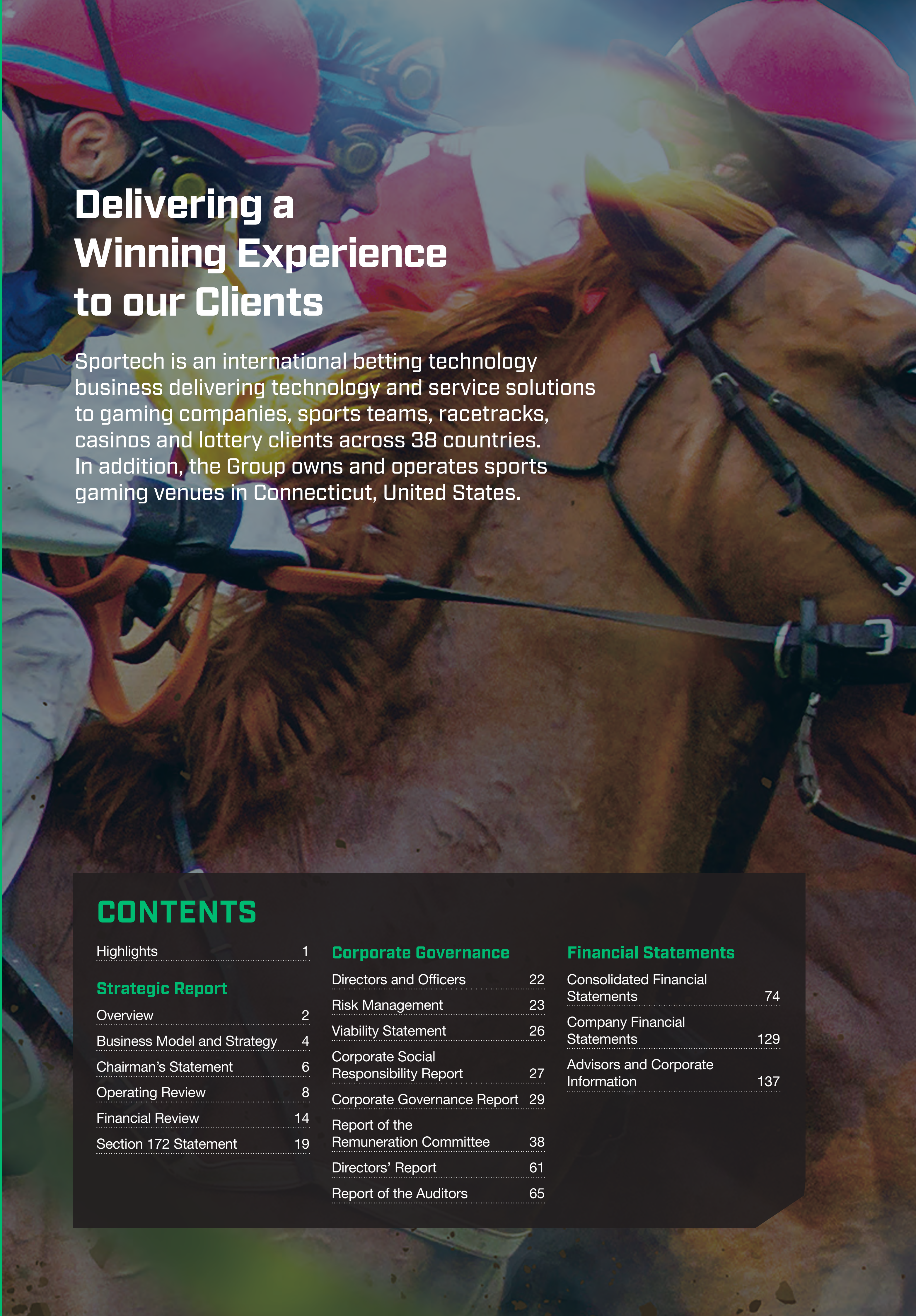
Sportech PLC

An International Betting Technology Business

Annual Report and Accounts 2019



Delivering a Winning Experience to our Clients

Sportech is an international betting technology business delivering technology and service solutions to gaming companies, sports teams, racetracks, casinos and lottery clients across 38 countries. In addition, the Group owns and operates sports gaming venues in Connecticut, United States.

CONTENTS

STRATEGIC REPORT
HIGHLIGHTS

REVENUE

£64.8m

2019 £64.8m
2018 £63.5m

GROSS PROFIT

£46.9m

2019 £ 46.9m
2018 £45.8m

ADJUSTED EBITDA

£7.5m

2019 £7.5m
2018 £6.5m

LOSS BEFORE TAX

£[8.4]m

2019 £[8.4]m
2018 £[2.7]m

FINANCIAL HIGHLIGHTS

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

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

GROUP DEVELOPMENTS

- Accountability: bolstered senior management team with emphasis on accountability and delivery.
- Tote: enhanced international Tote technology position resulted in service revenue growth.
- Digital: strengthened digital capability across all businesses post Lot.to acquisition and integration.
- Venues: Challenging operational leverage being tackled via cost management, asset review and strategic initiatives. Critical focus in Connecticut; seeking to extend current licensing to include Sports Betting.
- Bump 50:50: Record revenue growth, however investment for future growth impacted unit EBITDA contribution.

Overview
Sportech at a glance

We continue to progress our strategic agenda focused on driving further development of our Group platforms following 2019 growth opportunity investments, whilst managing the inherent cost base. Despite the challenging retail environment and excluding some cost measures taken to reposition the Group, our performance in 2019 was as expected. In particular, we have recorded positive progress with key performance metrics beyond, the typically focused, EBITDA measure; namely cash generation from operational activities, capex reductions and delivery of a lower operational cost base going forward.

Trading in the early months of 2020 started satisfactorily, however given the uncertainty as to how the current COVID-19 situation will develop it is difficult to provide accurate guidance with any certainty for the full-year. The situation remains highly uncertain, but clearly COVID-19 will have a significant impact on our business given certain of our businesses are dependent on sporting events continuing, even if behind closed doors. On Sunday 15 March 2020, we took the precautionary action to close our Connecticut retail venues for an initial period through to the end of April 2020.

Understandably, the period of disruption is uncertain, but having strengthened our online capabilities during 2019 we are better positioned to deliver a broader service wherever possible.

In this period of concern and uncertainty, we initiated a Sportech COVID-19 response task force and continue to work closely with our clients and our staff to ensure, as best we can, a combination of continuity where permissible and precautionary safety measures.

Richard McGuire
Chief Executive Officer

Sportech Racing and Digital and Bump 50:50

Prominent supplier of technology solutions to the global regulated betting industry and of electronic raffles and lotteries to sports and entertainment affiliated charitable organisations.

Sportech seeks to enhance its strong global position in Tote betting by leveraging its heritage, gaming licences, technology, client relationships, and investment. It further seeks to promote its enhanced Lottery and additional gaming solutions in newly-liberalising markets. It also seeks to continue expanding its Bump 50:50 client base of non-sport, as well as sport-related, charitable foundations seeking innovative digital fundraising platforms.

Division Information

Sportech's proprietary betting solutions process US$12.3 billion in handle annually for licensed Tote and Lottery clients in 38 countries. Bump 50:50 systems generated charitable proceeds of US$21.0 million for its charity partners in 2019 and by year's end had a total of 100 clients.

Locations

Atlanta, Athlone, Bristol UK, Chester UK, Connecticut, New Jersey, Singapore and Toronto.

	2019	2018*
Revenue (£m)	36.5	35.0
Adjusted EBITDA (£m)	8.6	9.0
Racing And Digital Clients	434	440
Bump 50:50 Clients	100	75
Capital Expenditure (£m)	3.6	4.6

* *2018 restated for IFRS 16 (EBITDA increased by £431k) and at constant currency for comparative purposes. IFRS 16 transition requires that prior year numbers are not restated. The above figures for IFRS adjustments are for comparability purposes only. They represent the 2019 lease rentals which would have been operating costs in 2019 if IFRS 16 had not been adopted, translated at 2019 exchange rates. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share option charges.*

Sportech Venues

Operator of legal pari-mutuel betting in the State of Connecticut under an exclusive and in perpetuity licence.

Division Information

The Division offers online, mobile, call centre and in-venue retail betting in 15 venues located across major population centres in Connecticut and is well positioned to offer legal online and in-venue Sports Betting in Connecticut should the State progress appropriate licensing. In addition to 15 retail venues, web, mobile and phone betting in Connecticut, Sportech has the licensing to expand to 24 venues in the State.

	2019	2018*
Revenue (£m)	28.8	31.7
Adjusted EBITDA (£m)	2.2	2.9
Venues Connecticut	15	16
Capital Expenditure (£m)	0.2	0.4

* 2018 restated for IFRS 16 (EBITDA increased by £1,400k) and constant currency for comparative purposes. IFRS 16 transition requires that prior year numbers are not restated. The above figures for IFRS adjustments are for comparability purposes only. They represent the 2019 lease rentals which would have been operating costs in 2019 if IFRS 16 had not been adopted, translated at 2019 exchange rates. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share option charges.

Business Model and Strategy

THE GROUP'S STRATEGIC AIMS FOR 2020 INCLUDE:

1. Maintain and develop Sportech's core Tote business, providing leading technologies and services to our global client base via an enhanced operational platform.
2. Develop key growth business units including:
   - Sportech Solutions
   - Bump 50:50
   - Lottery
3. Drive digital development initiatives with associated cost efficiencies across all divisions.
4. Continued professional pursuit of Sports Betting licensing of Connecticut Venues business.
5. Evaluate and execute material corporate opportunities delivering tangible investor returns.

Sportech is an international betting technology business, which provides and operates betting technology solutions for some of the world's best-known gaming companies, sports teams, racetracks, casinos and lottery clients, as well as owning and operating its own gaming venues in Connecticut.

The Group focuses on regulated markets worldwide and seeks to achieve long-term shareholder returns by further enhancing its global position in Tote betting and by promoting its enhanced Lottery and additional gaming solutions to take advantage of liberalising markets. The Group achieves this by leveraging Sportech's heritage, gaming licences, technologies, client relationships, and prior investment. Sportech also seeks to further expand its client base of non-sport, as well as sport-related, charitable foundations seeking innovative digital fundraising platforms.

Sportech has leveraged IP and talent secured from the acquisition of Lot.to Systems to enhance its digital pari mutuel betting platforms, user experience design, enhanced terminal software and integrated CRM tools – and to strengthen its management leadership.

The Group strengthened its position as the independent global leader in the delivery of complex international pari mutuel pool commingling solutions. Sportech continues to pursue new opportunities to expand upon the strength of its global commingling solution to facilitate new events such as the inaugural 2019 Ascot World Pool and anticipate delivering further 2020 World Pools with our UK Tote Group and Hong Kong Jockey Club partners.

Sportech remains committed to aggressively pursuing improved diversification opportunities through expansion of its gaming licences in the State of Connecticut, growth in non-sports charities with its Bump 50:50 raffle business and the development of Sportech Solutions, the Group's innovative new bespoke business solutions unit. Sportech is equally committed to engaging its digital, user experience and software development expertise to elevate the user experience, driving variable revenue growth.

The Group maintains its international focus with clients in 38 countries and the majority of operations in the US (Connecticut, Georgia, New Jersey), the UK (Bristol, Chester), Ireland (Athlone), and Canada (Toronto). Most of the Group's underlying earnings are now in USD and Euro. The Group does not currently hedge against its USD or Euro earnings, but reports exchange differences.

RACING AND DIGITAL

Sportech Racing and Digital is a leading supplier of technology and services to the global horseracing betting industry, with systems that process US$12.3 billion in betting handle annually for clients across 38 countries.

The Division's proprietary Quantum™ System software, used by many of the world's Tote operators, and its Global Quantum™ Data and Operations Centre together form the foundation from which Sportech pursues growth initiatives including international expansion and growth in global commingling.

The Division is also the largest independent provider of 'white label' web and mobile betting platforms in North America, with 30 clients in the USA, Latin America, Europe and Asia. The Division's digital technology capabilities, and the extension of competitive digital technologies to support the long-term reduction in capital and operational costs, is enhanced with the 2019 expansion of the Group's digital development assets.

BUMP 50:50

Included within Racing and Digital reporting, Bump 50:50 is the rapidly-growing sports raffle business.

Bump 50:50 supplies in-stadia, web and mobile electronic lotteries to some of North America's best-known major league sports teams, collegiate sports organisations, and entertainment venues. In 2019 Bump 50:50 began to acquire clients from the non-sport philanthropy segment with deployments of its online raffles. As of 31 December 2019, Bump 50:50 has 100 clients in the US and Canada, across 17 US states and Canadian provinces.

Bump 50:50's strategy includes continued client acquisition activities in the sports charity segment, further expansion into the philanthropic charity segment, the leveraging of web and mobile platforms to drive organic growth, and product diversification to reach new markets.

VENUES

Sportech Venues operates all legal betting on horseracing, greyhound racing and Jai alai under an exclusive and in perpetuity licence in the State of Connecticut. It offers omni-channel betting entertainment through 15 existing locations, web, mobile and phone, and holds the right to expand to up to 24 locations.

In late 2019, the Group secured legislative support to enforce its pari-mutuel betting licence prohibition against out-of-state betting operators accepting online bets on horseracing from Connecticut residents.

The Group and senior management are engaged in actively pursuing a Sports Betting licence to complement its existing Tote wagering platform across the State. Sportech's Venues business is regulated and ready to deliver Sports Betting to its Connecticut consumers as this Division seeks a resolution to the challenges facing all Connecticut gaming operators in promoting equal licensing to each State partner.

The Venues Division continues to pursue strategies to deliver a return on the significant capital invested in developing venues that appeal to a wider clientele and on upgrades to our digital platforms.

LOTTERY

Sportech has been providing draw-based lottery platforms and services for over 23 years. In 2019, the Group acquired Lot.to systems – an iLottery, CRM, and games management platform – to complement our successful draw based games. The Group are 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.

Chairman's Statement

I am pleased to address you as Sportech PLC's Chairman of the Board. It has been both challenging and invigorating to be at the helm of the Board at this transformational time for the Company and for the industries and markets we serve.

2019 saw changes at the Executive and Board level with Richard McGuire's appointment as Chief Executive Officer and my appointment as Chairman of the Board. The Group also initiated changes at the senior management level with the appointment of a new Chief Technology Officer and with the addition of a Chief Operations Officer and Chief Commercial Officer to drive focus and accountability. We have been conducting a search for an additional Independent Non-Executive Director following my appointment to Chairman, who will also replace me as Remuneration and Nomination Committee Chair. We intend to make an announcement to the market in the near future on an appointment.

The Group began 2019 with a clear agenda to assess business performance, challenge sales margins and processes, pursue new opportunities in our core Racing and Digital, Sportech Venues, and Bump 50:50 businesses, expand our Lottery business, and seek to secure licensed US opportunities in Sports Betting. There are many encouraging signs across all divisions that we are collectively challenging the status quo and making the right moves to propel the business forward.

In the first half of 2019 Sportech concentrated on costs and processes; identifying strategies for doing things more efficiently and effectively and eliminating certain legacy issues.

On a constant currency basis, full year Group revenue declined 1.8% to £64.8 million; a 4.3% increase in revenue in Racing and Digital was offset by an 8.9% decline in our Venues business. Adjusted[1] EBITDA declined in both divisions; Racing and Digital by 4.7% to £8.6 million and Venues by 22.1% to £2.2 million. Central costs were reduced by 26.6% to £1.5 million meaning Adjusted EBITDA pre Sports Betting investment fell by 5.2% to £9.3 million (prior year bases have been adjusted for lease accounting changes in the year to ensure comparability). The Venues performance was consistent with the interims release and illustrates the operational leverage risk and challenges faced from local states enabling Sports Betting operations, whilst Connecticut decides.

1. *Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share option charges.*

We are determined that our collective efforts are concentrated on those business areas where we can make significant progress and deliver long term returns. In 2019, we therefore focused our efforts to channel resources to areas where the prospects were the most promising.

We completed the transaction to acquire Lot.to Systems Limited ("Lot.to"), a UK-regulated iGaming platform, and its team. Integration of this business was completed in 2019 and the newly-combined technology teams took steps to immediately support the transformation of the Group's user experience software platforms.

Our core Racing and Digital team are focused on identifying new opportunities as we continue to improve and develop our Quantum™ System, including expanding our global commingling services and delivery of ground breaking initiatives like the Ascot World Pool. The team are also executing updates to product 'look and feel' to deliver on our promise of an elevated user experience.

Our Bump 50:50 team continued to score impressive year-over-year growth, adding 27 new clients from the world of sport and philanthropy and reaching the milestone of 100 clients by the end of 2019. The Bump strategy to enter the non-sports related charity market with leading digital platforms gained traction in 2019 and this has continued into 2020. The Bump team are identifying and pursuing opportunities for diversification with new raffle products that are being introduced beginning in 2020.

Our Connecticut Venues continue to confront a complicated and challenging marketplace. Many surrounding and nearby states now have legal online and retail Sports Betting and as local players travel the relatively short distances from Connecticut to legal Sports Betting states, they take their horse race betting dollars with them. There is also continued competition from illegal out-of-state online pari-mutuel betting operators that have continued operating unchecked throughout much of 2019.

We did deliver a victory against those illegal out-of-state online operators with the passage of legislation that closed a loophole they had been exploiting to deliver unregulated and untaxed betting in Connecticut. We are now taking steps to recapture market share lost to these illegal operators, working with the State to ensure that bad actors are brought into compliance.

The 2019 Connecticut legislative session did not deliver legal Sports Betting for the State, despite the diligent efforts of our team in Connecticut and targeted lobbying, public relations and marketing activities; however we did not lose the battle in 2019. We continue into 2020 to fight for common sense Sports Betting legislation that grants online and retail Sports Betting licences to existing gaming operators in the State, including Sportech. We will keep shareholders apprised of developments in this legislative session, which ends in May 2020.

The Group's risk management strategy considers risks arising from each area of the business and principal risks to the Group are described in detail in the "Risk Management" section of the Annual Report. As in 2019, the Group views the potential risks associated with "Brexit" to be immaterial to the business due to the global, primarily North American, focus of our business operations and our client base. We are monitoring and evaluating the global COVID-19 outbreak (as announced to the market by RNS on 18 March 2020) and its potential impact on our businesses, particularly in the US where we have consumer venues and the majority of our employees. We shall keep the market and shareholders appraised of any developments.

Looking to 2020, we are intent across the Group on building our technology resources to affirm our status amongst the best in our industry. We continue to examine our technical infrastructure in the light of a fast-changing marketplace and our progress on launching more leveraged digital capabilities across our businesses is a vital part of our response to those changes.

After a period of cost constraint and control, we are looking for revenue growth in core businesses and to potential growth in areas such as Sports Betting, international Tote and Bump 50:50 where we seek licences, new clients and mutually beneficial partnerships. We continue to challenge our strategy to ensure we are not missing any opportunities in our fast moving global B2B market. While determined to be flexible and open to new ways of doing things in such an environment, we see our place as a specialist provider of leading-edge services across the globe, working with high quality partners where appropriate. This is the best route for us to add value to our clients and to increase the value of our business.

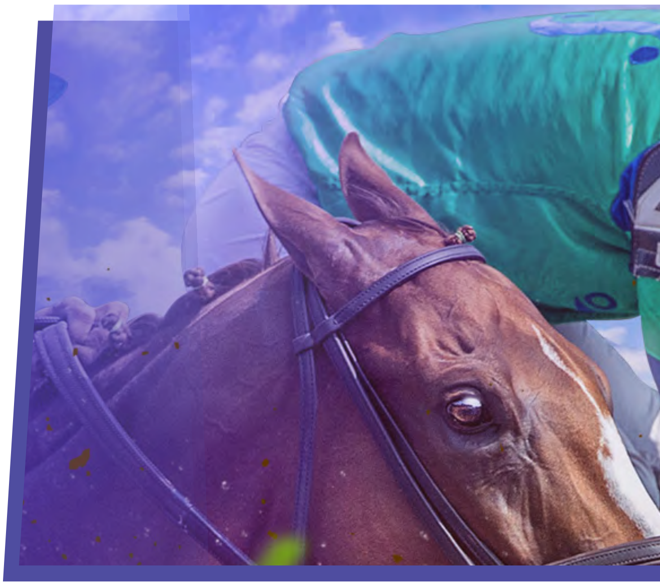
On behalf of all the shareholders, I extend thanks to our clients and customers worldwide who place their trust in Sportech and to our employees who work diligently to deliver on Management's promise of transformation, innovation and an unparalleled user experience.

The Group enters 2020 with continued determination to challenge every assumption across all divisions and business functions to ensure that we are operating at our best; with an entrepreneurial spirit, a drive for efficiency, and an ambition for excellence in technology and service.

Giles Vardey
Chairman of the Board

18 March 2020

Operating Review



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

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

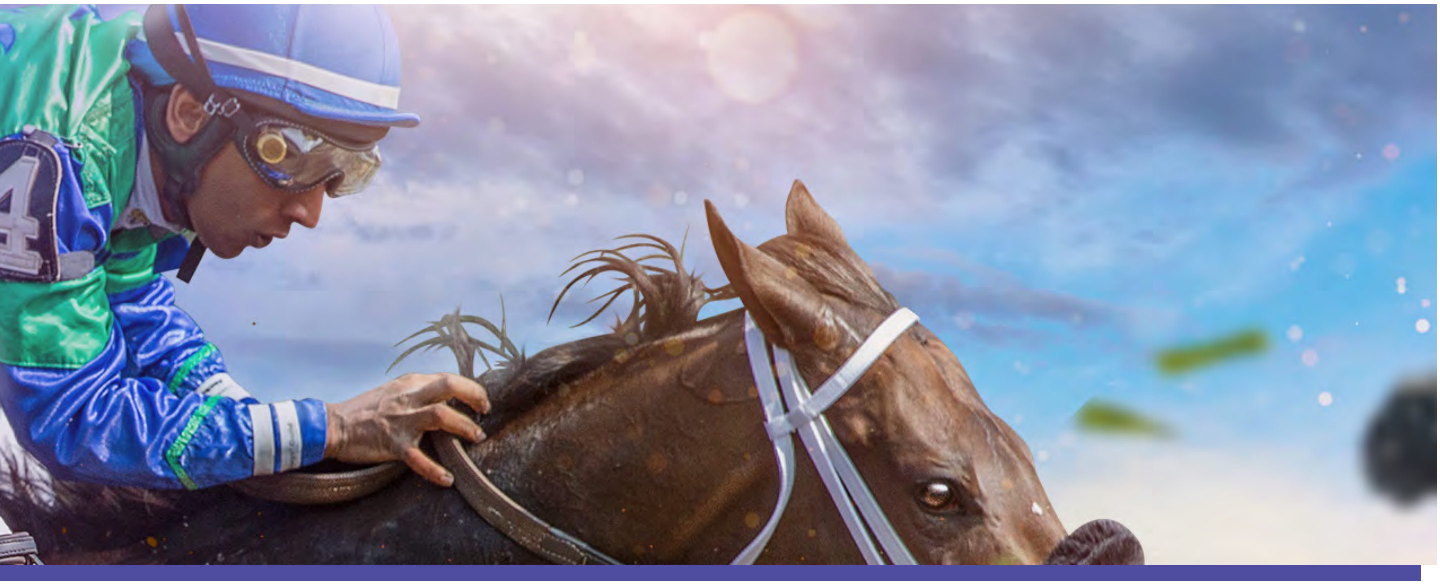
2019 was a challenging period, resulting in a modest 1.8% decline in revenue performance and a 5.2% decline in Adjusted EBITDA on a constant currency basis before Sports Betting costs. This predominantly related to our investments to reposition the Bump 50:50 business for digital and subscription growth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

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

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

We set out the Group's strategic aims for 2020 on page 4 and Management are dedicated and motivated to deliver tangible investor returns during the year ahead, whilst ensuring our capital is directed toward serious growth opportunities.

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



SPORTECH RACING AND DIGITAL

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

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

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

DEVELOPMENTS DURING THE YEAR

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

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

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

Operating Review continued

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

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

Looking forward

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

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

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

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

BUMP 50:50

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

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

Developments during the year

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

Bump 50:50 also increased its list of sports-related partner charities, signing new accounts with a number of Californian teams including the LA Dodgers, LA Chargers, San Francisco Giants, San Francisco 49ers, and San Diego Padres, as well as with other leading sports organisations including the Cincinnati Reds, Houston Texans, Penn State University, and the New York Giants.

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

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

Looking forward

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

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

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

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

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

SPORTECH VENUES

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

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

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

Developments during the year

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

Operating Review continued

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

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

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

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

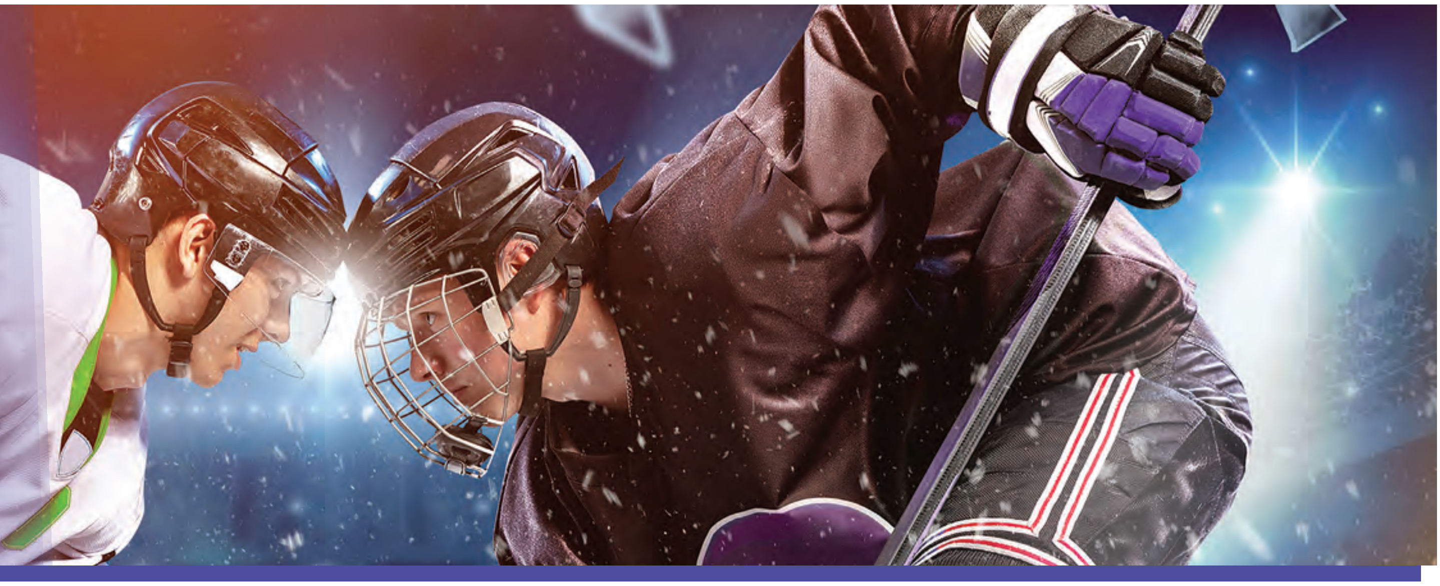
In 2019, Sportech closed one small underperforming venue with little impact on the overall business, as consumers moved to other locations or online. Management continues to identify other cost saving measures across the Division, including leasehold renegotiations and exploring options around our freehold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

Looking forward

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

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

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



OUTLOOK

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

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

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

A summary of our strategic objectives for 2020 include:

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

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

Richard McGuire
Chief Executive Officer

18 March 2020

Financial Review

INCOME STATEMENT – DETAILED VIEW

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

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

REVENUES

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

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

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

ADJUSTED EBITDA

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

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

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

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

Financial Review continued

ADOPTION AND IMPACT OF IFRS 16 *LEASES*

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

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

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

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

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

EXCEPTIONAL ITEMS

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

Redundancy and restructuring (note a)

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

Onerous contract provisions and other losses resulting from exit from Californian operations (note b)

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

UK defined pension scheme buy-out (note c)

The Trustees of the Sportech Pension Scheme entered into a contract with Just Retirement Limited ("Just") on 28 March 2019 to insure the liabilities of the scheme. The Trustees and Just completed a full buy-out and winding up of the scheme in December 2019. The policy cost was £2,450k which was paid utilising the assets in the scheme, which were valued at £2,216k and an additional cash payment from the Company of £234k. The Company also paid all administrative, actuarial and legal costs the scheme incurred in the process. The Group now has no further future obligations in relation to the scheme.

Costs in relation to STB refund and legacy tax disputes (note d)

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

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

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

Settlement received in relation to IP infringement, net of costs (note f)

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

TAXATION

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

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

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

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

Financial Review continued

CASHFLOW

The Group's cashflow for the year is as follows:

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

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

Thomas Hearne
Chief Financial Officer
18 March 2020

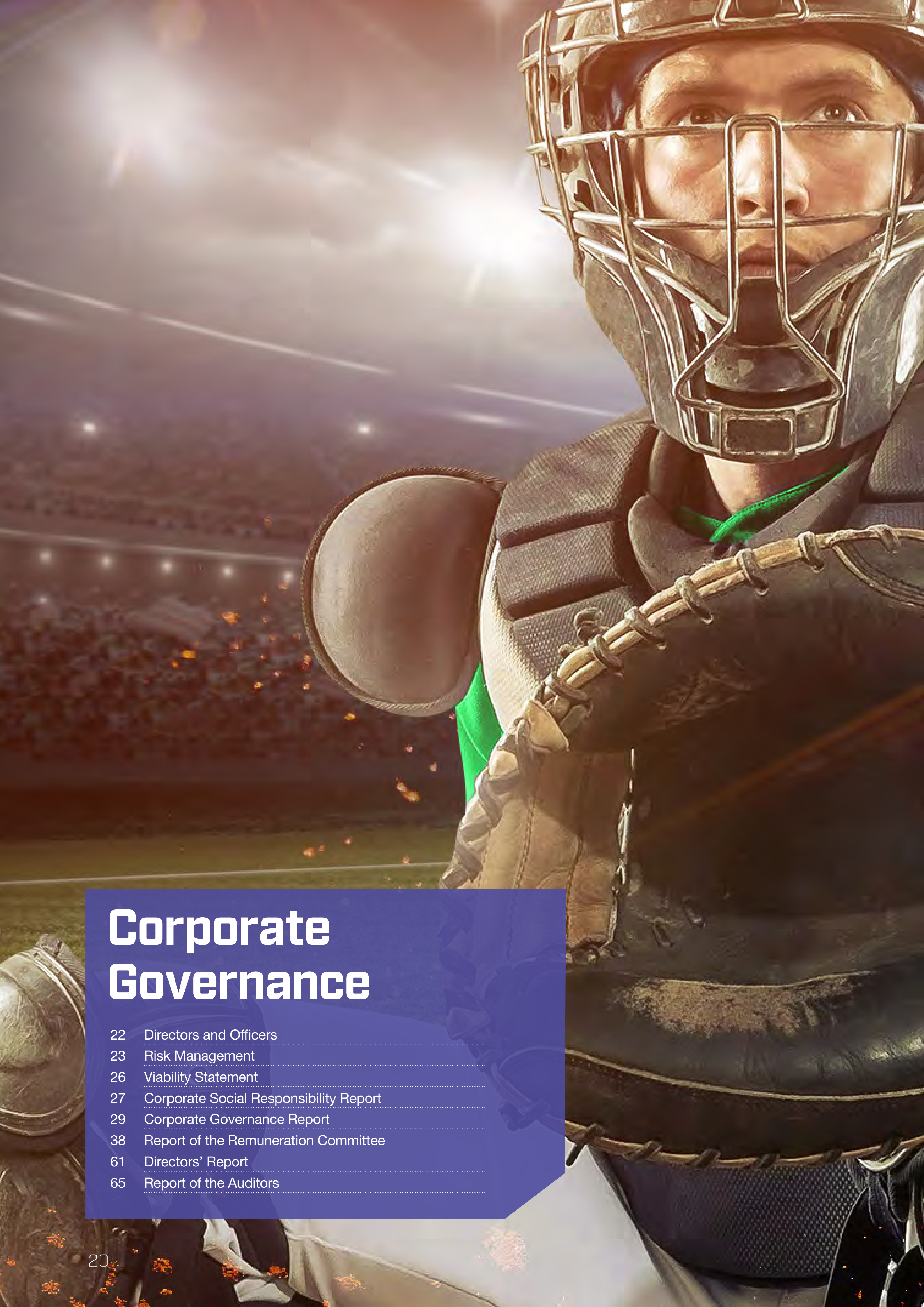
SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Group's employees, customers and suppliers and other stakeholders, and the impact of its activities on the community, the environment and the Group's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Group for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- Relations with key stakeholders such as employees, shareholders and suppliers are considered in more detail in the Corporate Responsibility Report on page 27.
- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Group is operating in line with good corporate practice, all Directors review all of the reports in the Annual Report as well as the scope and application of section 172. The Board is encouraged to reflect on how the Group engages with its stakeholders and opportunities for enhancement in the future and was considered at multiple Group board meetings during the year. As required, the Senior Legal Counsel and Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f).
- The Board regularly reviews the Group's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement by all of the Group's Directors with stakeholders themselves.
- The Board has enhanced its methods of engagement with the workforce. In that regard, the Chairman of the Board regularly reaches out to staff and management via a Board update and actively encourages dialogue and feedback. The Chair and Independent NED both visited US operations in 2019, meeting customers as well as employees in field operations, Venues and human resources. This helps the Board hear directly from staff on their approach to the "Challenge Everything" philosophy and open direct lines of communication.
- We aim to work responsibly with our stakeholders, including suppliers. The Board has recently reviewed its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies.

The key Board decisions made in the year are set out below:

Significant events/ decisions	Key s172 matter(s) affected	Actions and impact
Acquisition of Lot.to Systems	Shareholders, employees	• Shareholder consultation took place in accordance with regulatory requirements. • Employee talent management and retention programme was created and implemented.
Restructuring	Employees	• Decisions were made by the executive team in consultation with the Board after carefully considering employee impact. • Impacted departments were consulted in respect of changes to personnel and job descriptions.
Downturn in the Pari-mutuel sector	Customers	• Customers have been consulted in relation to how the Company's technology could be used to reduce overhead costs. • The Company's product offering is being updated and diversified to assist customers to generate more revenue from eCommerce.
Expansion of the product management department	Customers, employees	• Customer consultation in relation to the Company's roadmap has increased to ensure that products developed match customer needs. • The development teams have been consulted and trained to work with an expanded product management department.
Share option participation	Employees, shareholders	• VCP participation was widened to a broader base of managers. • A cap on the number of shares to be issued to satisfy any vesting of the VCP was implemented to protect shareholder dilution. • A new LTIP is being proposed with a view to enhancing employee participation.



Corporate Governance

Directors and Officers

RICHARD MCGUIRE
Chief Executive Officer

Nationality and residence:	UK
Date appointed to the board:	August 2016
Date appointed Chief Executive:	July 2019

Richard has expertise in capital markets and the leisure and gaming industries and has held a number of non-executive directorships. Prior to joining Sportech, Richard was Chairman at Timeweave PLC, the joint owner of TurfTV. He also held the position of Non-Executive Director at Mitchells and Butlers PLC, one of the largest operators of restaurants and bars in the UK.

TOM HEARNE
Chief Financial Officer

Nationality and residence:	Canada
Date appointed to the board:	May 2018

Tom has extensive experience in the fields of digital technology and sports media, with a long track record of driving growth, increasing profitability, and executing successful M&A transactions. Prior to joining Sportech, Tom was CFO for theScore, a sports digital media focused company, and he has held multiple CFO and Director roles within numerous companies.

GILES VARDEY
Chairman of the Board, Chairman of the Remuneration Committee and the Nomination Committee

Nationality and residence:	UK
Date appointed to the board:	December 2017
Date appointed Chairman:	July 2019

Giles brings more than 35 years of business and boardroom experience, latterly in non-executive roles at public and private companies, including President and CEO of Fidelity Brokerage Services. He also held senior investment banking positions at firms including Salomon Brothers, County NatWest and Swiss Bank Corporation. His gaming industry experience includes the role of Non-Executive Chairman of Trident Gaming Limited from 2005 to 2008.

Committees: Remuneration Committee, Nomination Committee, Audit Committee

CHRIS RIGG
Independent Non-Executive Director, Senior Independent Director and Chairman of the Audit Committee

Nationality and residence:	UK
Date appointed to the board:	January 2019

Chris has considerable business and boardroom experience in executive roles at public and private companies. He has previously held both non-executive and executive directorships at quoted companies including Clinigen Group PLC and Quantum Pharma PLC. During his time at Quantum Pharma, Chris held a number of senior positions including Group Strategic Director, Chief Financial Officer, and Chief Executive Officer. Chris has now been appointed as Chief Executive Officer for Mandata.

Committees: Audit Committee, Remuneration Committee, Nomination Committee

Risk Management

IDENTIFYING RISK

The Group's risk management strategy is to consider risks arising from each area of the business through a top-down approach. This is considered the most appropriate approach given the Board is closely involved with the day-to-day activities of the trading entities and given the relatively small size and geographical spread of the Group.

MEASURING RISK

The Board established and approved a risk appetite statement in 2015, which has been distributed to the management teams of the operating segments. This statement, which has been reviewed by the Board during the year, provides guidance on the Group's appetite for risk across business areas and supports the management teams in determining the appropriate balance of risk and return within their businesses.

The Board assesses risk and formally updates the Group risk register annually. Risks are measured in relation to their mitigated likelihood and their prospective impact were they to arise, in accordance with the following risks matrix:

Risks matrix

Impact	Low	Medium	High
High	4	8	12
Medium-High	3	6	9
Medium-Low	2	4	6
Low	1	2	3
	Mitigated likelihood		

Principal risks to the Group are considered to be those risks identified by the Board as having an overall rating of six or higher or an impact of four despite the low level of mitigated likelihood.

EMERGING RISK

The Board considers emerging risks at each Board meeting through open discussion. The Board seeks to proactively deal with emerging risks by anticipating emerging risks and opportunities and responding by assessing threats that may develop into risks to the Group. The Board considers emerging risks at each Board meeting through open discussion and annually focuses on strategy including emerging risks and opportunities. The Board also formally assesses emerging risks annually in the dedicated Risk Management Board meeting. In addition, local senior management regular team meetings are encouraged to openly discuss emerging risks to their operating divisions and feedback to the Board. No new principal risks were identified during the year.

Risk Management continued

The table below shows the principal risks identified by the Board, an assessment of those risks including the potential impact of such risks and the mitigating activities that the Group carries out to reduce the likelihood and impact of such risks.

Risk area	Description	Mitigation	Mitigated rating
Regulatory	The Group holds numerous licences worldwide. The loss or inadvertent breach of any such licence could have a significant impact on the Group's ability to continue to trade within that and other jurisdictions and could result in fines and imprisonment of Group personal as well as impacting the Group's reputation. Data protection Sportech holds personal data of customers. If the Group's security systems and controls were breached the Group would be subject to fines, adverse media and reputational damage.	The Group's General Counsel oversees regulatory and legal compliance worldwide. The Group engages third-party specialist legal counsel as appropriate and specialist local advice is available as may be required. The Group continuously reviews its data protection policies and trains staff on data protection procedures, providing updated training where appropriate. There are robust firewalls, anti-spyware and virus-detection programs, strong encryption, authentication and password controls in place to reduce risk.	4
Product	Horserace wagering as a product has challenges to delivering growth. Following the US Supreme Court's decision in 2018 allowing states to introduce Sports Betting there is an additional competitive risk to discretionary consumer spending on betting opportunities as states roll out Sports Betting choice to consumers.	New products are being innovated and refreshed. The Group continues to invest in international simulcasting technology and is pursuing new client opportunities and markets to further diversify revenue opportunities. The Group is developing new Sports Betting products to compete where appropriate.	9
Technology	The Group is dependent on the sale of technology-led products and the effective delivery of services through such products. Group revenue is at risk if the technology products do not remain competitive or experience failures. These failures can include product issues or issues with our data centres, where we service our customers from. Any disaster at our data centres could cause significant outage times. More and more products are being consumed on mobile devices which are in their infancy in the pari-mutuel world.	The Group has developed mobile applications and industry-leading self-service betting terminals. The recent acquisition of digital specialist group Lot.to Systems will enhance our client delivery across each business line. Significant investment is made in technology annually and the Group employs skilled and experienced system developers and operators. The Company is continuously reviewing and updating its disaster recovery plan to mitigate any potential downtime.	6

Risk area	Description	Mitigation	Mitigated rating
Client concentration and industry competition	Whilst the Group has a broad base of business clients and no client accounts for more than 10% of group revenue, there are certain clients within the Group, which if lost, could have a more significant impact on net contributions and Group profits. Competition for gambling revenues is emerging in North America from more casino openings and European operators entering the market. If US states do not enforce their own laws they invite non-regulated Competition. Advance Deposit Wagering has permeated the industry in the US without regulatory challenge. Sportech has the exclusive licence to take pari-mutuel bets in Connecticut and pays state taxes on all revenues. Non-regulated ADW operators do not pay any state taxes leaving Sportech disadvantaged.	We constantly assess our competition and strategy and use our global licence positioning, regulatory status and trading reputation to secure business. The Group, where possible, seeks to enter long-term contracts with customers to secure revenue streams, however, this is not always possible, and a significant proportion of the Group's revenues are variable. The Group continues to lobby the states to enforce their laws in pain of losing taxation revenues. In 2019 Connecticut passed a law to protect the Group's exclusive pari-mutuel licence from external parties. The Group is in negotiations with the external parties to enforce its licence rights.	9
Foreign Exchange	The bulk of the business is generated in North America. Our European business is conducted via an Irish company. The Group's results are reported in GBP.	The Group seeks to create natural hedges wherever possible, and considers hedging instruments to mitigate significant fluctuations. In the longer term the Group will regularly keep under review whether it should change its reporting currency to USD.	6
Failure to implement Sports Betting strategy following the repeal of PASPA	If Sportech is not sufficiently geared up to take advantage of the opportunities in Sports Betting it may fail to gain a foothold in the market and deliver returns on investment.	With the repeal of Sports Betting prohibition in the United States in 2018, US states now have the option to introduce intra-state Sports Betting and many states are considering legalising Sports Betting. At the end of 2019, twelve states have legalised Sports Betting and it is anticipated that more states will follow in 2020. The Group is investing heavily to convert opportunities in this arena and deliver a competitive product to our consumer business in Connecticut and to our business clients across the US. It is a competitive landscape however and there is risk to successful execution and return on capital investment.	9

Viability Statement

The Board has assessed the prospects of the Group over a longer period than the 12 months required by the going concern requirements of the UK Corporate Governance Code (the 'Code'). This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, made on page 63. The Board conducted this review for a period up to December 2022, which was selected for the following reasons:

i. The Group's strategic review process generally covers a three-year period

ii. The Group's operations are underpinned by largely stable businesses and medium-term contracts, allowing for sufficient certainty to forecast results for this length of time.

The most recent strategic review, (completed 17 March 2020) considered the Group's cash flows, earnings, leverage, and other key financial ratios over the period. The review also considered the renewals of significant customers, many of which have renewals in the window of time being reviewed. These renewals represent a significant element of the Group's EBITDA. These metrics were subject to sensitivity analysis which involved flexing a number of the main assumptions underlying the forecast (including customer attrition, handle decline and variable revenue reduction as well as cashflow impacts of higher capex, tax and exceptional costs), both individually and in unison. The assumptions included the impact of the potential occurrence of the Group's principal risks (set out on pages 24 to 25) and the effectiveness of available mitigating actions.

On 18 March 2020 the Group announced that trading in the early months of 2020 started satisfactorily, however in recent days, given the Group's reliance on sporting events to generate revenue, trading had been impacted by global sporting authorities and governments postponing or cancelling sporting events owing to the COVID-19 pandemic. The Group expects trading to continue to be materially impacted, however given the continued uncertainty, the Board does not believe it appropriate to provide financial guidance for FY20 at this stage. Sportech has a stable balance sheet holding £11.0 million cash at the end of February 2020 and no debt. Based on a scenario of the severe curtailing of sporting events through to the end of June 2020 and then resumption of normal service thereafter, the Board would expect, in the region of, a £3.5 million reduction in the Group's cash position.

Based on the results of the analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities, as they fall due, over the period of their assessment and will continue to assess the impact of COVID-19 on the business and its cash flows.

On behalf of the Board

Thomas Hearne
Director
18 March 2020

Corporate Social Responsibility Report

The Group endeavours to act responsibly for all its stakeholders, including not only its shareholders, employees, and its customers but also the wider public and the environment.

The Group's divisions hold licences to permit the provision of business-to-business services for pari-mutuel betting on horse and greyhound racing in over 30 jurisdictions in the Americas and Europe. Licences for business-to-consumer activity for the same products are held in Connecticut, Oregon and North Dakota.

The Group Chief Legal Officer ensures the Group meets its policy of maintaining the highest standards of compliance and integrity. The Group also employs security and compliance staff whose primary role is to ensure that our customers are treated fairly, that our advertising is compliant with advertising standards and codes, that the young and vulnerable are prevented from accessing our products, and that abuse and illegal behaviour are identified and stopped. All gaming products are subject to age restrictions and age verification software is used by the Group where appropriate.

Whilst the Company, and a number of its subsidiaries, are incorporated in the UK, the bulk of the operations are based in North America where standards and regulation are different to the EU. The Group therefore has to balance all its obligations under all the jurisdictions it operates in, which imposes strains on its cost base which we aim to mitigate through efficiencies wherever possible.

Beginning in 2018 and continuing to date, the Company took comprehensive measures, under the direction of its Chief Legal Officer and Compliance Director, to ensure that its various business and operating units were in compliance with new data privacy rules, including but not limited to GDPR in the EU and CCPA in California, and are further extending the best policies and practices to all divisions of the Group, regardless of geographic location.

ENVIRONMENT

The Group recognises its responsibility to achieve good environmental practice and continues to strive to improve its environmental impact. The nature of its business results in the principal environmental impact arising from energy and paper consumption. Wherever possible, waste consumable materials are recycled or disposed of in a manner most suitable to reduce any impact on the natural environment. The Group's business practices encourage the use of technology to facilitate information, data collection and dissemination, which has led to reduced demand for paper resources. All employees are encouraged to participate in the implementation of this policy and suppliers of consumable products are encouraged to be environmentally friendly, wherever practical. The Racing and Digital division, including the Bump 50:50 business, works to deploy technologies for account wagering, mobile, and tablet-based betting at racetracks, off-track betting locations, and sports stadiums that eliminate or minimise the use of paper betting slips and tickets for betting and raffles. In 2019 the Group made online voting at Company meetings its default method; shareholders may still vote by paper proxy if they desire, although this move towards online voting has saved printing and posting large number of proxy forms which are never used. For the 2019 AGM, no paper form proxies were requested and all voting was recorded electronically. The Group also continues to advocate to its shareholders the use of electronic communications via its website.

The Company has a large number of team members who telecommute. Where practicable team members are encouraged to reduce their carbon footprint by telecommuting. The Company provides resources to enable this to happen and to achieve efficiency, accuracy and clarity in communication internally and externally.

The Company has an obligation under the UK Companies Act 2006 to report on greenhouse gas emissions. The Group has calculated an intensity ratio for 2019 of 72.6 which is 4,700 tonnes of CO2 divided by the Group's total revenue of £64.8m, compared to a prior year ratio of 102.6 (restated for revenue restatement), which is calculated as 6,510 CO2 tonnes divided by revenue of £63.5m (restated). On a constant currency basis, the prior year intensity ratio would have been 98.7. Therefore, on a constant currency basis the Group's intensity ratio has decreased by 36.0% due to closure of venues, a milder winter in Connecticut and a drive to decrease energy usage.

The Group remains focused on supporting good causes in the communities where our customers live and our businesses operate, and identifying further opportunities to continue this support.

Through its Bump 50:50 subsidiary, the Group has raised US$21m for sports and other philanthropic organization foundations in the US and Canada in 2019 (2018: US$17m), including those associated with the Dallas Cowboys, Cleveland Cavaliers, Vegas Golden Knights and Special Olympics of Ontario.

EMPLOYEES

The Board is acutely aware of the vital contribution of employees to the future success of the business. It recognises the importance of providing employees with information on matters of concern to them, enabling employees to improve their performance and make an active contribution to the achievement of the Group's business objectives. This is accomplished through formal and informal briefings and meetings. Employee representatives are

Corporate Social Responsibility Report continued

consulted regularly on a wide range of matters affecting their interests. The Group has an employee newsletter “Sportech in Focus” and awards programme “Sportech Champions”, to reflect the progressive transparency, training, and development programmes that are in place within the business. In 2019 the Group introduced an information-sharing series to deliver occasional virtual presentations to Sportech team members on topics of interest to the entire company.

The Group is committed to equality of opportunity and dignity at work for all, irrespective of race, colour, creed, ethnic or national origins, gender, marital status, sexuality, disability, class or age. It ensures that recruitment and promotion decisions are made solely on the basis of suitability for the job. Information on gender diversity is contained in the Corporate governance report on page 33.

It is the policy of the Group to comply with the requirements of the UK Disability and Equality Act 2010 and the Americans with Disabilities Act in offering equality of opportunity to disabled persons applying for employment, selection being made on the basis of the most suitable person for the job in respect of experience and qualifications. Training, career development and promotion are offered to all employees on the basis of their merit and ability.

Every effort is made to continue to employ, in the same or alternative employment, and where necessary to retrain employees who become disabled during their employment with the Group.

The Group proactively addresses health and safety management and it has a programme of risk identification, management and improvement in place. The Board receives a report in respect of health and safety across all of its businesses at each Board meeting.

Corporate Governance Report

Sportech is committed to a high standard of corporate governance and, throughout the financial year ended 31 December 2019, has complied with the provisions of the 2018 UK Corporate Governance Code (the 'Code'), save as described in the paragraphs below. A copy of the Code is publicly available from www.frc.org.uk. It is the policy of the Board to manage the affairs of the Company in accordance with the principles of the Code so far as the Board is able and believes it is practicable.

The Board has undergone further changes in the period under review. The Board has completed its restructuring following the disposal of the Football Pools and the subsequent decision to undertake a strategic review and, since then, it has been devising and implementing a new strategy involving further restructuring.

Director	Status
Giles Vardey	Non-executive Chairman from 2 July 2019 (NED from 17 November 2017 to 2 July 2019). Not independent.
Chris Rigg	NED. Independent.
Richard McGuire	Chief Executive Officer from 2 July 2019 (Executive Chairman from 13 November 2018 to 2 July 2019). Not independent.
Thomas Hearne	Chief Financial Officer. Not independent.
Andrew Gaughan	Chief Executive Officer, stepped down from the Board 28 February 2019. Not independent.

Giles Vardey was the Senior Independent Director until the date he was appointed Chairman. Chris Rigg assumed the role from 2 July 2019.

The Company had two Independent Directors until Giles Vardey was appointed Non-executive Chairman on 2 July 2019 (with Giles Vardey being considered independent on his appointment as Non-executive Chairman). Following the appointment of Giles Vardey as Non-executive Chairman, the Company has been actively seeking to appoint an additional Independent Non-executive Director. From 2 July 2019, the Company only had one Independent Director and for this period, the Company was not in compliance with the Code in its requirements to have at least half the Board (excluding the Chairman) being Independent Non-executive Directors and to have two independent Directors as members of the Remuneration, Audit and Nomination Committees. Further, the Chairman continued to be a member of the Audit Committee and chaired the Remuneration Committee following his change in role from Independent Non-executive Director. As a result, the Company is not in compliance with the Code requirements regarding the Chairman's membership of these committees. However, the Board considers this to be a necessary arrangement in order to ensure the continuity of business, given the Chairman's previous experience with these committees, while the Group is undertaking a search for an additional Independent Non-executive Director. The Chairman also chairs the Nomination Committee.

On 13 November 2018 it was announced that Andrew Gaughan, Chief Executive Officer, would step down from the Board on 28 February 2019 and that Richard McGuire would assume the role of Executive Chairman. The Board considered this to be a temporary but necessary arrangement in order to ensure the continuity of business. The Code requires the roles of Chairman and Chief Executive to be undertaken by different people. Richard McGuire was appointment Chief Executive Officer on 2 July 2019 and Giles Vardey was appointed Non-executive Chairman, thereby reinstating the Company's compliance with the code in relation to this principle.

The search for a further new Independent Non-executive Director, is being undertaken using the search consultancy Wheale Thomas Hodgins ("WHT"). WHT has no connection to the Company or the Directors. The Board has been mindful of its responsibility to appoint an individual who achieves the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. The Board anticipates announcing the appointment of a further Independent Non-executive Director to the Board in the near future.

Corporate Governance Report continued

BOARD LEADERSHIP AND COMPANY PURPOSE

The Board believes it is effective and entrepreneurial and believes its main role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board has established the following:

Company's purpose	Generate sustainable value for shareholders whilst contributing to the wider community.
Company values	• Leadership: The courage to shape the future • Accountability: Responsibility for actions • Passion: Committed to excellence • Diversity: All are included and valued • Quality: What we do, we do well
Strategy	Focus on regulated betting markets worldwide to achieve long-term tangible shareholder returns by reinforcing and maintaining our global position in pari-mutuel betting. The Company seeks to leverage its history, gaming licences, technologies, and customer relationships to deliver competitive solutions to a fast-changing global betting market as well as promoting our Lottery and iLottery solutions.
Culture	The Board sets the culture within the Group from the top down, acting with integrity, leading by example and promoting our culture which is open, inclusive and encouraging and demands excellence in execution in all areas of our operation. The Board and senior management ensure the culture within the Group is aligned with the Company's strategy and values by incorporation in strategy discussions.

The Board aims to provide the necessary resources for the Company to meet its objectives and measures performance against them. The Board has also established a framework of prudent and effective controls, which enable risk to be assessed and managed. See Risk Management section of this annual report on pages 23 to 25.

Shareholders and other stakeholders

There is regular dialogue with shareholders through a planned programme of investor relations which includes formal presentations of the Group's results by members of the Board. Meetings also take place with institutional investors and analysts as required and there is regular communication with shareholders through the Annual and Interim Reports and Sportech's corporate website (www.sportechplc.com). There are also other opportunities outside of close periods to enter into dialogue with shareholders. The Non-executive Directors have taken steps to develop an understanding of major shareholders' views of the Company (in particular, in relation to any areas where the Non-executive Director has responsibility through their role as Chair or a member of a committee) through face-to-face contact, analyst and broker briefings.

All stakeholders can and are welcome to question the Board at the AGM both formally and informally. Management meet with and have regular dialogue with stakeholders including gaming regulators, Pension Trustees and Unions.

Management have an "open door" policy to any other stakeholders wishing to communicate with the Group.

The Board ensures that workplace policies and practices are consistent with the Company's values and support its long term sustainable success. Group HR undertake regular reviews of policies and report to the Board accordingly. The Company has a confidential whistleblowing process which all employees have access to. In addition, Board members and senior management encourage open conversations on all matters of concern.

Significant votes against 2019 AGM resolutions

All resolutions at the 2019 AGM held on 22 May 2019 were voted by way of a manual poll. This follows best practice and allows the Company to count all votes rather than just those of shareholders attending the meeting.

As recommended by the Code, all resolutions were voted separately and the voting results, which included all votes cast for, against and those withheld, together with all proxies lodged prior to the meeting, were indicated at the meeting and the final results were released to the London Stock Exchange as soon as practicable after the meeting. The announcement was also made available on the Company's corporate website. As in previous years, the online voting and the announcement of the voting results made it clear that a 'vote withheld' was not a vote in law and would not be counted in the calculation of the proportion of the votes for or against the resolution.

The Board recognised the high level of votes against in relation to the Directors' Remuneration Report (resolution 2 – 33.33% against) and the reappointment of Giles Vardey (resolution 4 – 31.39% against) at the 2019 AGM. We understood that concerns were raised about the termination payments relating to the length of notice to former directors. The Board acknowledges this and has subsequently agreed a shorter notice period (six months) for the current CEO.

Engagement with the workforce

The Executive Directors work closely with the whole workforce, regularly visiting operating sites and attending local management meetings. Non-executive Directors also visit operating sites once or twice a year and engage with the workforce directly.

The Chairman sends out update briefings to the management team at least quarterly, referencing the activities of the Board and any changes in strategy or focus. He is available to contact at any point via email, telephone or in person to discuss any matters of concern employees may have.

The Group has a quarterly newsletter ("Sportech in Focus") which informs the workforce of key events that have happened, achievements made, and changes in key staff and has a section each quarter focusing on a particular staff member, the work in the Group, their working history and also their interests. Given the size of the Group and the close working relationships between Board members and the workforce, the Board considers that the activities in place to address workforce engagement are sufficient. The Group also has a "Sportech Champion" award scheme where managers/supervisors nominate employees for high level of delivery and achievement. Cash awards are granted quarterly and then an overall annual winner is announced. The newsletter and the Champion award seek to inform the workforce, create a culture of inclusion and drive for excellence.

In addition, during 2019 the Group started a series of web meetings for employees called the "5Ws", being Who, What, Where, When and Why. A business/topic is selected and a presenter/presenters talk attendees through the intricacies of the area in focus, which may be a completely different business to that which the attendee works in or has contact with, but the aim is to spread knowledge and inform the workforce about the Group in order to create cohesive working and deliver excellence.

Conflicts of Interest

The Board has a procedure in place to deal with situations where a Director has a conflict of interest, as required by the Companies Act 2006. As part of this process, the members of the Board prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict situations, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations requiring authorisation by the Board. Such authorisations are reviewed annually.

Director concerns

Where Directors have concerns about the operation of the Board or the management of the Company that cannot be resolved, their concerns are recorded in the Board minutes. On resignation, a Non-executive Director provides a written statement to the Chairman, for circulation to the Board, if they have any such concerns.

DIVISION OF RESPONSIBILITIES

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. Where possible he has not previously been CEO of the Company and is independent on appointment. He is required to demonstrate objective judgement and promote a culture of openness and debate. The Chairman also facilitates effective contribution of all Non-executive Directors, and ensures that Directors receive accurate, timely and clear information.

The Company aims to have at least two Independent Non-executive Directors on the Board to ensure no one individual or small group of individuals dominates the Board's decision-making.

There is clear division of responsibility between leadership of the Board (which is the Chairman's role) and the executive leadership of the Company's business, which is the responsibility of the Chief Executive Officer. For the period to 2 July 2019, these roles were undertaken by Richard McGuire as Executive Chairman, however, this was a temporary situation given the Chief Executive's resignation in February 2019. The Board resolved this non-compliance with the appointment of Giles Vardey as Chairman and Richard McGuire as Chief Executive Officer on 2 July 2019. During this time the Non-executives played a more involved part in the decision making at Board level to ensure the continuance of good governance.

When considering the appointment of Non-executive Directors, the Nomination Committee considers whether the prospective Non-executive Director has sufficient time to meet their board responsibilities and provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. The Chairman reviews the time availability of Non-executives on an on-going basis. The

Corporate Governance Report continued

Board endeavours to be composed of half independent and half non-independent directors excluding the Chairman. One Independent Director is appointed Senior Independent Director and acts as a sounding board to the Chairman and serves as an intermediary for the other directors and the shareholders.

The Independent Directors meet at least annually, led by the Senior Independent Director without the Chairman present to appraise the Chairman's performance and on other occasions as necessary. Non-executives have a prime role in appointing and removing Executive Directors and scrutinise and hold to account the performance of management and individual Executive Directors against agreed performance objectives.

The Chairman holds meetings with the Non-executive Directors without the Executive Directors present.

The Board, supported by the Company Secretary, ensures it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters. The appointment and removal of the Company Secretary is a matter for the whole Board.

The Board of Directors is responsible for the management of the business of the Company and its long-term success. It may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's Articles. The Articles, for example, contain specific provisions and restrictions regarding the Company's power to borrow money. A copy of the Articles is available on the Company's website.

Matters reserved for the decision of the Board include:

i) Strategy and management: overall management and oversight of operations, approval of long-term objectives, commercial strategy, annual budgets, major changes in nature and scope of the business of the Group, entry into significant new business areas and the approval of any actions which would require shareholder approval;

ii) Structure and capital: approval of major changes to the Group's capital structure, corporate structure, management structure control structure and changes to the Company's listing or status as a PLC;

iii) Financial reporting and controls: approval of preliminary announcements of interim and annual results, annual report and accounts, dividend policy, declaration of dividends, and significant changes to accounting policies and changes in accounting reference date for any material member of the Group;

iv) Approval to enter into significant contracts;

v) All communications with shareholders; and

vi) Board memberships, appointments and the remuneration of Directors and senior management.

The responsibilities outlined above are agreed by the Board. The Company maintains Directors and Officers insurance cover.

BOARD MEETINGS

The Board meets regularly. Certain matters are considered at all Board meetings, including a business update, a financial update, a legal update, a technology update, business development opportunities and operational issues. Papers for each scheduled board meeting are usually provided within the week before the meeting and Directors unable to attend Board meetings have an opportunity to raise and discuss any issue with the Chairman or any Executive Director. The meetings held in the year were as follows:

		Main Board	Remuneration Committee	Audit Committee	Nomination Committee
Number of meetings during 2019:		9	4	4	1
Executive Directors					
Richard McGuire		9	–	–	1 (for part)
Thomas Hearne		9	–	–	–
Andrew Gaughan	Resigned 28 February 2019	1 (1)	–	–	–
Non-executive Directors					
Giles Vardey		9	4	4	1 (for part)
Chris Rigg		9	4	4	1

Note: number in brackets represents maximum number of meetings that could have been attended due to appointment or resignation dates.

BOARD COMMITTEES

The Committees of the Board are:

- Nomination Committee
- Audit Committee
- Remuneration Committee

Nominations Committee

The Nomination Committee currently comprises the Non-executive Chairman and the Non-executive Director and is chaired by Giles Vardey. Richard McGuire stepped down from the Committee on his appointment to Chief Executive Officer on 2 July 2019.

The Chairman of the Board does not Chair the Committee when it is dealing with the appointment of their successor.

Objectives

The Committee's main objectives are to lead the process for any new appointments to the Board, whether Executive or Non-executive, make recommendations to the Board in relation to the same, evaluate the balance of skills, knowledge and experience on the Board, consider any matters relating to the continuation in office of any Director at any time, review Committee memberships, and formulate plans for succession.

When making recommendations for new appointments, the Committee considers other demands on prospective Directors' time and prior to appointment significant commitments are disclosed with an indication of the time involved. Full-time Executive Directors are not permitted to hold more than one non-executive directorship in a FTSE 100 company or other significant appointments.

The Committee, in its recommendations to the Board, acknowledges that diversity extends beyond the boardroom and supports management in their efforts to build a diverse organisation throughout the Group. Out of a workforce of approximately 665 employees, 38% are female and out of 16 members of senior management 31% are female.

The Committee endorses the Company's policy to attract and develop a highly qualified and diverse workforce, to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. Although at present there are no female Board members, the Committee acknowledges the importance of diversity, including gender, to the effective functioning of the Board.

Furthermore, the Board acknowledges the recommendations of the Davies Report, and supports the principle of improving, in particular, gender imbalance, both at a Board level and throughout its businesses. Subject to securing suitable candidates, when recruiting additional Directors and/or filling vacancies that arise when Directors do not seek re-election, the Board seeks to appoint new Directors who fit the skills criteria and gender balance that is in line with the Company's policy.

The Board continues to focus on encouraging diversity of business skills and experience, and also recognises that Directors with diverse skill sets, capabilities and experience gained from different geographic and cultural backgrounds enhances the Board. The Board believes that a diverse workforce in essential for the Group to achieve its strategic objectives and without the ideas, outlook and skills from varying backgrounds and experiences, the Group will fail to deliver the requirements of its customers.

Activities

The Nomination Committee's activities are underpinned by the principle that all appointments be made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. Accordingly, the Committee prepares a description of the role and capabilities required for a particular appointment. Notably, during the year under review, the Committee recommended to the Board:

- the appointment of Richard McGuire as CEO with effect from 2 July 2019; and
- the appointment of Giles Vardey as Non-executive Chairman with effect from 2 July 2019.

Audit Committee

The Audit Committee currently comprises one independent Non-executive (Chris Rigg – Chair of the Committee) and the Non-executive Chairman, Giles Vardey. Giles Vardey continues to be a member of the Committee despite his change in role to Chairman, once an additional Non-executive Director is appointed, Giles will step down from the Committee.

The Committee is scheduled to meet at least three times a year. The December meeting in 2018 was deferred to January 2019 given the appointment of Chris Rigg on 1 January 2019. The Committee's main responsibilities include reviewing the Annual Report and Accounts and the Interim Report. This includes considering significant financial reporting issues and judgements as contained within. The Committee reviews, and challenges where necessary, the consistency and changes to accounting policies, methods used to account for significant and unusual transactions, whether the Company has followed appropriate accounting standards and the clarity of disclosure in the Company's financial statements. Further to this, the Committee has delegated authority from the Board to review the effectiveness of internal controls, the Company's whistleblowing procedures and the need for an internal audit function, as well as the scope, extent and effectiveness of such systems and procedures.

Corporate Governance Report continued

The Group acknowledges that the Corporate Governance Code was breached from 2 July 2019, in relation to the requirement for the Chairman not to be a member of the Audit Committee. Following the appointment of an additional NED in 2020, Giles Vardey will stand down from the Committee and rectify the breach. Members of the senior finance team are regularly invited to attend Committee meetings.

Financial reporting
The primary role of the Committee in relation to financial reporting is the review of (in conjunction with both management and the external Auditor) the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- consistency of the Annual Report as a whole and ensuring it presents a fair, balanced and understandable picture of the Company as well as providing shareholders with the information necessary to assess the Company's performance, business model and strategy;
- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external Auditors; and
- any correspondence from regulators in relation to financial reporting.

The Committee considered internal reports from the senior finance staff together with the external Auditors' report in their half-year review and annual audit of the Group's financial reporting function.

The primary areas of judgement considered by the Committee in relation to the 2019 financial statements were:

- risk of misstatement on revenue recognition;
- the assumptions underlying impairment testing of the Group's intangible assets;
- the exposure to tax liabilities; and
- the assumptions underlying impairment testing of the Company's investment in Sportech Group Holdings Limited.

In order to be comfortable with the consistency, fairness and accuracy of these financial statements the following was undertaken in relation to these key areas of judgement:

- detailed review of customer contracts and re-performance of revenue calculations;
- detailed review and discussion of models and forecasts used for impairment testing; and
- scenario analysis.

In testing assets for impairment, the key assumptions underpinning their value-in-use were discount rates and growth rates applied to projected earnings. These assumptions are inherently judgemental. The Committee considers those judgements in light of regular updates received on business plans and performance against targets, and has challenged management as to their rationale for recognising impairments in the current year. In addition, the Committee considers the findings of the work carried out by the Auditors in these areas.

In reviewing the exposure to potential tax liabilities, the Audit Committee reviews the key assumptions and liaises with its external advisors to understand the range of possible outcomes given changes arising from particular judgements. Correspondence from tax authorities, if any, is also reviewed. The reasonableness of management's judgement is also considered with respect to the work of the Auditors.

In assessing the carrying value of the Company's investment in Sportech Group Holdings Limited, the Committee reviewed financial projections for all divisions. These projections are inherently judgemental, and the Committee robustly challenged management on the assumptions included in the models.

External audit
The Committee is responsible for the relationship with the external Auditors. The Committee considers the nature and extent of non-audit services provided by the Auditors in order to maintain objectivity and have access to applicable technical expertise to obtain value for money. In order to avoid the objectivity and independence of the external Auditors becoming compromised, the Committee has a formal policy governing the engagement of the external Auditor to provide non-audit services.

This policy precludes the external Auditor from providing certain services such as internal audit work or accounting services and as of 1 January 2017, tax advice and any advisory service which ultimately has an impact, material in size, on the treatment of items in the financial statements. The Group complies with the new ethical standards which also require that fees for non-audit services do not exceed 70% of the average of the audit fee for the prior three years, prospectively from 1 January 2017. For all other services the Board must approve spend on discrete projects in excess of £10k. The Committee is regularly updated on the 'spend to date' with the external Auditors and also with other financial advisers. The Committee also notes the new ethical guidelines due to be issued which "whitelist" services auditors can provide and will have regard to these in the future.

The external Auditor is also subject to professional standards that safeguard the integrity of their auditing role. The Committee remains confident that the objectivity and independence of the external Auditors are not in any way impaired by reason of the audit and non-audit services which they provide to the Group. Moreover, the Committee is satisfied that such work is best handled by them, either because of their knowledge of the Group or because they have been awarded it through a competitive tendering process. In addition, the independence of the Auditors is safeguarded by the use of separate teams for individual assignments such as acquisition due diligence and the audit being subject to internal quality control procedures. A breakdown of non-audit fees charged by the Auditors is disclosed in note 7 in the Notes to the financial statements. The Company paid non-audit fees of £11k to the auditors in 2019 for an interim review (2018: £nil). Fees in relation to corporate activity of £50k were accrued but unpaid as at 31 December 2019.

Effectiveness

The effectiveness of the external audit process is dependent on appropriate audit risk identification and at the start of the audit cycle the Company receives from the external Auditor a detailed audit plan ('Audit Strategy Memorandum'), identifying their assessment of these key risks. For 2019 the significant and elevated risks identified were in relation to:

- revenue recognition;
- intangible asset impairment;
- uncertain tax positions; and
- Investment impairment (Company only).

The Committee meets with the external Auditors without management present at each meeting to provide additional opportunity for open dialogue and feedback. Matters typically discussed include the Auditors' assessment of business risks and management activity thereon; the transparency and openness of interactions with management; confirmation that there has been no restriction in scope placed on them by management; independence of their audit; and how they have exercised professional scepticism. The Chairman of the Audit Committee also has regular discussions with the external audit partner outside the formal Committee process.

Appointment and reappointment

The Committee considers the reappointment of the external Auditors, including the rotation of the audit partner each year, and also assesses their independence on an ongoing basis. The external Auditors are required to rotate the audit partner responsible for the Group audit every five years. The lead PwC audit partner, Nigel Reynolds, had performed the role since 2014 and therefore was required to rotate off the Sportech audit in 2019. PricewaterhouseCoopers LLP had been the Company's external Auditors for more than 20 years, although a competitive tender process was conducted in 2006 and therefore were only permitted to perform the audit for one further year. As such the Committee decided to perform a competitive tender in which PwC would not take part.

The Committee selected firms to be invited to tender based on:

- Experience of providing comprehensive audit services to global listed Groups;
- Quality of the firm based on results of inspection reports by the FRC; and
- Ability to provide the full range of audit services to a listed entity potentially required.

The Committee ensured that:

i) the tender process did not preclude the participation in the selection procedure of firms which received less than 15% of the total audit fees of public-interest entities in the previous calendar year;

ii) tender documents were prepared that allowed the invited auditors to understand the business and the type of audit that is to be carried out;

iii) the tender documents contained transparent and non-discriminatory selection criteria that would be used to evaluate the proposals made;

iv) the audit proposals were evaluated in accordance with the predefined selection criteria and that a report on the conclusions of the selection procedure was prepared and validated by the Audit Committee. Consideration was given to any findings or conclusions of any inspection report on the potential auditors;

v) it identified in its recommendation its first and second choice candidates for appointment and gave reasons for its choices; and

vi) the Company would be able to demonstrate to the competent authorities, upon request, that the selection procedure was conducted in a fair manner.

Corporate Governance Report continued

Following the tender process, the Committee recommended to the Board that BDO LLP be appointed as external Auditor and the Board accepted this recommendation. As such BDO were appointed Auditors of Sportech PLC in August 2019 with Kieran Storan performing the role of lead audit partner since then. In accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of BDO LLP as the external Auditor will be put to shareholders at the upcoming AGM in May 2020. There are no contractual obligations restricting the Committee's choice of external Auditors and the Company does not indemnify its external Auditors. The Committee will keep the appointment of the external Auditor under annual review.

Internal control and internal audit

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This responsibility has been delegated to the Audit Committee. On this basis, there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review. Data consolidated into the Group's financial statements is reconciled to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the true position and results of the Group are reflected through compliance with approved accounting policies and the appropriate accounting for non-routine transactions.

The Group performs an annual strategy and budgeting process and the Board approves the annual Group budget as part of its normal responsibilities. The Group results are reported monthly to the Board. Regular reforecasts are undertaken and are produced for the Board whenever significant financial trends are identified in the periods between the quarterly assessments.

The Audit Committee reviews the effectiveness of the internal control environment of the Group, excluding that of the Group's joint ventures. It receives reports from the external Auditors, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

Significant risk issues are referred to the Board for consideration. The principal risks facing the Group and the mitigating actions taken by the Board and management are included on pages 24 to 25 of the Strategic report.

To manage lower-level risks, a risk management programme was put in place and supported by a business control and risk self-assessment process and a business continuity plan. The risk management programme places responsibility on managers to identify risks facing each business unit and for implementing procedures to mitigate these risks. The risk appraisal process is regularly reviewed by the Board and complies with the UK Corporate Governance Guidance. The Audit Committee and Board have reviewed the effectiveness of the internal controls of the Group for the year ended 31 December 2019 and up to the date of approval of the Annual Report and Accounts. This review covers controls in areas of finance, operations, risk management and compliance.

The Group does not have an internal audit function. The Audit Committee has considered the use of an internal audit function during the year but considers that due to the size and nature of the Group there was no such requirement. The central Group Finance function continues to undertake certain work of an internal audit nature and reports its findings to the Audit Committee. The Committee will continue to assess the need for specific internal audit reviews and an ongoing internal audit strategy during the coming months. Given the absence of an internal audit function, the Group's external auditors considers and assesses the suitability of the overall control environment of the Group, including documenting and commenting to the Board on the general IT controls and other controls in place as well as reviewing and commenting to the Board on the other controls being implemented by the Group.

Whistleblowing policy

The Company is committed to providing a safe and confidential avenue for all employees within the Group to raise concerns about serious wrongdoings. The Company also acknowledges the requirements of the UK Corporate Governance Code (the 'Code') in this regard which states that the Audit Committee should review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. An appropriate policy which encourages and enables staff to raise any such concerns has been in place throughout the year. No instances of serious wrongdoing were reported to the Audit Committee during the period.

Remuneration Committee

The Remuneration Committee of the Board comprised the Non-executive Directors during the year until 2 July 2019 when Giles Vardey was appointed Chairman of the Board. The Committee was Chaired by Giles Vardey.

The purpose of the Committee is to ensure that the remuneration together with the terms and conditions of employment of Executive Directors and senior Executives, is sufficient to recruit and retain individuals of the calibre required to ensure profitable growth of the business. The Remuneration report is set out on pages 38 to 60.

BOARD PERFORMANCE EVALUATION

The Board is satisfied that each Director continues to show the necessary commitment allocates sufficient time to discharge their duties and continues to be an effective member of the Board in respect to their skills, expertise and business acumen.

The annual Board Evaluation process was supported by the Company Secretary and concluded in February 2019. The performance of Non-executive Directors and the functioning of the Committees was also appraised as part of this evaluation process. The process involves all Directors completing an anonymous questionnaire which is returned to the Company Secretary, who summarises the results and feeds back to the Board. The results were analysed and following the discussions, a number of proposed recommendations were made, including; a clear succession plan is to be developed; an additional NED appointment to be made as soon as possible; and a plan for stakeholder engagement is to be developed. The Board agreed to take the recommendations forward for implementation.

INVESTORS

The Board endeavours to ensure the Annual Report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy and welcomes feedback from shareholders on its content.

On behalf of the Board

Ben Harber
Company Secretary
SGH Company Secretaries Limited

18 March 2020

Report of the Remuneration Committee

LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

As Chairman of Sportech's Remuneration Committee, I am pleased to present the Directors' Remuneration Report.

This report comprises an annual report on remuneration which describes how the shareholder approved Directors' remuneration policy was implemented for the year ended 31 December 2019, and sets out the proposed policy for the next three years commencing with the year ending 31 December 2020, subject to shareholder approval at the 2020 AGM. The report will be put to an advisory shareholder vote at the 2020 AGM.

Our current Directors' remuneration policy which, along with a long-term incentive arrangement, the Value Creation Plan ("VCP"), received binding shareholder approval at the General Meeting on 24 May 2017 and came into formal effect from that date. In line with regulatory requirements it is subject to a binding vote at the 2020 AGM. Ahead of the policy renewal, the Committee has reviewed current arrangements in light of the strategy for the business over the lifetime of the new policy and developments in remuneration governance and best practice. The policy has been updated and revised this year and the intention is for the new policy to operate over the three-year period to 2023. The principal change will be the introduction of a new Performance Share Plan (the "2020 PSP") as the main form of long-term incentive going forward. An overview of the proposed 2020 PSP and other policy changes is set out below, with full details on pages 40 to 51:

- Annual awards based on a multiple of base salary in line with best practice and market expectations;
- Normal annual awards of 100% of salary for the CEO and 75% of salary for the other Executive Directors;
- Up to 200% of salary may be awarded in exceptional circumstances;
- Awards subject to three-year absolute TSR targets with a threshold target of at least 10% compound annual TSR over the vesting period and a maximum target of 20% compound annual TSR over the vesting period resulting in vesting from 25% to 100% of the award;
- Awards will vest after three years, i.e. with the first award vesting in 2023 one year after the VCP ends, followed by a two-year post-vesting holding period (net of any sales to settle applicable tax requirements), making a total period of five years between grant and realisation of shares; and
- Additionally, to reflect developments in market practice over the past three years we will introduce a post cessation shareholding requirement.

The Board and the Remuneration Committee value shareholder interaction and met with many of our key shareholders during 2019. The Board noted the votes withheld and recorded against the Remuneration Report at the previous AGM, identified shareholders' comments and clarified certain issues around values attributed to departing senior executives. The Board and Remuneration Committee continue to value shareholder engagement and welcome the opportunity to debate any points within this Annual Report.

Changes to the Board

We announced on 13 November 2018 that our Chief Executive, Andrew Gaughan, would leave Sportech. He stepped down from the Board and left the Company on 28 February 2019. The Remuneration Committee determined that as part of the terms of his settlement agreement he would be treated as a Good Leaver for the purpose of the PSP and VCP. He remained eligible for a discretionary annual bonus for the year ended 2018. His outstanding 2016 PSP awards were not prorated. For the VCP, his leave date was agreed to be 31 December 2019 and accordingly will reduce pro-rata to maturity.

Christian Rigg was appointed to the Board as an Independent Non-executive Director on 1 January 2019.

Richard McGuire was appointed Chief Executive Officer on 2 July 2019, having been Executive Chairman since 13 November 2018, following the announcement that Andrew Gaughan would be leaving the Group in February 2019.

Performance and remuneration for 2019

Annual bonus

Our FY2019 performance-related bonus was subject to Adjusted Group EBITDA, operational cashflow and capex reduction targets alongside several strategic objectives aligned with the KPIs of the business. The threshold level of EBITDA and operational cashflow was not met, and no bonus was therefore payable for these elements. The target for capex reduction was reached and bonus is payable on this element (13% of entitlement for both the CEO and CFO). Of the Strategic measures set by the Remuneration Committee, some were achieved resulting in a further 7% of entitlement being payable to the CEO and 14% being payable to the CFO.

Following his appointment as Chief Executive Officer, Richard McGuire received a one-off award in September 2019 of 900 shares under the VCP. This represents 4.5% of the pool and, subject to meeting the stretching performance targets, will vest on 31 December 2021.

The FY2016 Performance Share Plan ("PSP") awards were granted on 3 November 2016, subject to a relative total shareholder return target measured over a three-year performance period from 3 March 2016 as described in the 2016 Annual Report. Total shareholder return did not exceed the median performance of the benchmark FTSE Small Cap Index (excluding investment trusts) over the performance period and therefore the awards lapsed in March 2019.

Implementation of remuneration policy for 2020

The remuneration package for our Executive Directors will continue to be made up of base salary, plus pension contributions and benefits, and, subject to stretching performance conditions, an annual bonus paid in cash. Following the approval of the proposed 2020 Remuneration policy by the shareholders at the AGM it is the intention to issue Performance Shares to Richard McGuire to the value of 100% of salary and to Tom Hearne at 75% of salary.

We will be taking the following approach to the implementation of the remuneration policy for the year ending 31 December 2020:

- **Salary** – Richard McGuire was paid £400,000 from 1 January 2019 reflecting the executive role he was performing, his basic annual salary will remain at the same level from 1 January 2020. Tom Hearne was paid CAD$357,000 (approximately £210,000) in 2019, his basic annual salary will also be unchanged from 1 January 2020.
- **Bonus** – The maximum annual bonus will remain at 100% of salary for the Chief Executive Officer and 75% of salary for other Executive Directors. The majority of the bonus will be based on financial performance measures and the minority on strategic objectives aligned with the KPIs of the business.
- **Long-term incentives** – Following its review of the remuneration policy for Executive Directors, the Remuneration Committee intends to reintroduce annual grants of performance shares to replace the VCP going forwards. The Board intends to grant performance shares to Richard McGuire and Tom Hearne at 100% of salary and 75% of salary respectively following the approval of the revised remuneration policy and 2020 PSP rules at the AGM in May 2020. The measurement period for the awards will be 19 March 2020 to 18 March 2023 with a target vesting level of at least 10% compound annual TSR over the vesting period (25% vests) and a maximum vesting level of 20% or more compound annual TSR over the vesting period (100% vests). Awards will vest after three years followed by a two-year post-vesting holding period (net of any sales to settle applicable tax requirements), for Executive Directors.
- **Enhancing shareholder alignment** – In addition to ensuring that the short and long-term performance measures and targets we set are closely linked to the achievement of the Company's key strategic and business objectives, pay is subject to clawback and malus provisions. The new PSP is measured over a three-year period with a two-year post vesting holding period and significant share ownership guidelines apply both whilst in employment and for a period after it has ended – all features intended to enhance the alignment of interest between Executive Directors and shareholders and to contribute to an appropriate level of risk mitigation.

The Board is satisfied that the policy provides a good balance between potential rewards to Executive Directors on the one hand, and, on the other, measures and targets which are appropriately stretching and that are aligned with the delivery of the overall long-term success of the Company.

The Committee has taken steps to ensure compliance with the new Corporate Governance Code effective from 1 January 2019. In particular, with regards to enhanced Remuneration Committee remit and post-employment shareholdings amongst other changes. We consider we are compliant with the new Code following the Remuneration Policy being updated, which will be put to shareholders for approval at the 2020 AGM.

On behalf of the Committee, I thank shareholders for their support last year and hope you will be able to support the advisory vote on our directors' remuneration report and policy at the 2020 AGM.

Giles Vardey
Non-executive Chairman and Chair of the Remuneration Committee

18 March 2020

Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REMUNERATION POLICY

In accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (as amended) (the "Regulations"), the policy contained in this part will be subject to a binding vote at the AGM to be held on 20 May 2020 and will take effect immediately upon receipt of such approval from shareholders.

This Directors' Remuneration Policy provides an overview of the Company's policy on directors' pay that it is anticipated will be applied in 2020 and will continue to apply until the 2023 AGM. It sets out the various pay structures that the Company will operate and summarises the approach that the committee will adopt in certain circumstances such as the recruitment of new directors and/or the making of any payments for loss of office.

The Remuneration Committee strives to ensure executives' remuneration is aligned with the strategic direction the Board has agreed and serves to drive that strategy forward, whilst in turn ensuring the Group's compliance with laws and regulations at all times and giving consideration to impacts on other stakeholders, including employees and the environment. It is considered that structuring the policy with base salaries and benefits enhanced by short-term and long-term incentives will bring the largest benefits to the Group and its stakeholders.

The primary objective of the remuneration policy is to promote the long-term success of the Company. In working towards the fulfilment of this objective the Committee aims to: (i) establish a competitive remuneration policy for the Executive Directors; and (ii) align Senior Executives' remuneration with the interests of shareholders and other stakeholders, including customers and employees. In connection with this, the Committee aims to ensure that the remuneration packages offered to Executive Directors and Senior Executives:

- are competitive and attract, retain and motivate Executives of the right calibre;
- reflect their responsibility and experience within the business;
- incorporate a significant element of performance-related pay linked to the achievement of challenging performance criteria that are aligned with the Group's strategy and with increasing shareholder value, but remain appropriate given the Group's risk profile;
- provide a total remuneration offering at "target" levels of performance that is competitive in the relevant market;
- incentivise performance beyond "target" levels, to be achieved by offering a significant proportion of remuneration to be delivered through incentive related pay;
- create a strong alignment between the interests of senior management and the sustained delivery of shareholder value;
- take due account of the principles set out in the Code; in this respect:
  - **Clarity:** The Committee fully discloses all remuneration arrangements for Executives annually in the Remuneration Report in the Annual Report and Accounts and sets clearly defined targets which are aligned to our strategy;
  - **Simplicity:** The Committee strives to keep structures as simple as possible to enable operation and understandability for shareholders;
  - **Risk:** The Committee reviews the remuneration policy, and in particular performance-related pay scheme structures, on an annual basis to ensure that it continues to operate within the agreed risk framework of the Group. The Committee ensures that an effective system of control and risk management is in place with regards to remuneration, which includes access to the Audit Committee to discuss matters of operational and financial risk. The Committee is satisfied that the policy does not encourage, or reward for, undue risk taking.
  - **ESG:** The Committee ensures that performance-related pay structures will not raise environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour. More generally, regarding the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters.
  - **Predictability:** The Committee fully discloses all remuneration structures and potential reward outcomes and discretions in the policy. It endeavours to ensure no excessive awards result from the policy and that behaviours are incentives correctly and in line with Group strategy and external considerations (see below);
  - **Proportionality:** The Committee strives to link individual rewards to the delivery of strategy, long-term performance of the Company and to ensure poor performance is not rewarded. Claw back provisions are included in the policy; and
  - **Alignment to culture:** The Company is currently advocating "challenge everything", driving a

culture to never be satisfied and also challenge what is done, why and how. This is in place to drive efficiency, excellence and innovation. The remuneration structures across the Group aim to support this ethos and drive the purpose, values and strategy through the Group from top to bottom.

- take due account of pay and employment conditions elsewhere in the Group;
- provide the foundation for overall reward and remuneration structures at senior management levels; and
- provide an appropriate balance between non-performance-related and performance-related pay.

Changes to the remuneration policy approved by shareholders at the 2017 AGM

The Committee has undertaken a review of the existing remuneration policy taking account the Group's strategic objectives and developments in the executive pay environment and the requirements of the 2018 UK Corporate Governance Code. The Committee has sought to simplify the Company's long-term incentive arrangements with a view to adopting an arrangement that reflects current market and best practice. A key aim of the review was to ensure that Senior Management are appropriately rewarded and incentivised going forward to drive the business forward over the forthcoming Policy period and beyond.

The primary proposed change to the current policy is the replacement of the VCP, which was a one-off incentive plan operating over the performance period 1 January 2017 to 31 December 2021, with an annual award under a new Performance Share Plan ("2020 PSP"). The main terms of the proposed 2020 PSP are summarised below:

- Annual awards based on a multiple of base salary in line with best practice and market expectations;
- Normal annual awards of 100% of salary for the CEO and 75% of salary for the other Executive Directors;
- Up to 200% of salary may be awarded in exceptional circumstances;
- Awards subject to three-year absolute TSR targets with a target of at least 10% compound annual TSR over the vesting period and a maximum target of 20% compound annual TSR over the vesting period; and
- Awards will vest after three years, i.e. with the first award vesting in 2023 one year after the VCP ends, followed by a two-year post-vesting holding period (net of any sales to settle applicable UK tax requirements), making a total period of five years between grant and realisation of shares.

Additionally, to reflect developments in market practice over the past three years we will introduce a post-cessation shareholding requirement. From 2020 Executive Directors will have a requirement to hold shares to the value of the shareholding guideline that applied at the cessation of their employment for two years post-cessation; or, in cases where the individual has not had sufficient time to build up shares to meet their guideline, the actual level of shareholding at cessation. This requirement will apply to shares vesting under the new 2020 PSP programme granted from 2020 onwards. Any shares purchased by an Executive will not count towards the requirement.

Remuneration for Executive Directors

The main component parts of the remuneration packages for Executive Directors are detailed in the table on pages 42 to 47, which should be read in conjunction with the recruitment/promotion policy on pages 50 and 51, and the "Detailed remuneration policy for 2020" section of the Annual report on remuneration, which starts on page 51.

Remuneration report continued

Proposed Executive Directors' remuneration policy

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
Base salary To attract and retain key individuals. Reflects the relevant skills and experience in role.	– Salary increases are normally effective from 1 January each year and typically reviewed annually taking account of performance, experience, responsibilities, relevant market information, internal reference points and the level of workforce pay increases.	– The current salaries are set out in the Annual report on remuneration on page 51. – Annual increases will typically be commensurate with those of the wider workforce (in percentage of salary terms). – If there are significant changes in responsibility or a change in scope, increases may exceed this level. – New joiners, where pay is initially set below market levels, may experience larger increases as their salary is progressed towards the market rate, based on their development in the role and subject to satisfactory performance.	A broad-based assessment of individual and Company performance is considered as part of any salary review.	– No changes proposed.

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
Pension To provide cost-effective, yet market competitive, retirement benefits.	– Contribution to a personal pension arrangement or cash in lieu of pension by way of a salary supplement.	– In line with general workforce, up to 8% of salary for UK Executive Directors. Only basic annual salary is pensionable.	Not applicable.	– No changes proposed, Executive Director provision already in line with general workforce.
Benefits To provide cost-effective, yet market competitive, benefits.	Benefits typically include a combination of the following: – Car or car allowance for travel. – Family cover private health insurance. – Life insurance cover. Benefits such as relocation allowances may also be offered if considered appropriate and reasonable by the Committee. Executive Directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and where Executive Directors are recruited from overseas, benefits more tailored to their geographical location may be provided. Executive Directors are also eligible to participate in any all-employee share schemes operated by the Company, in line with prevailing HMRC guidelines (where relevant), on the same basis as for other eligible employees. Any reasonable business-related expenses (including tax thereon) can be reimbursed.	– There is no maximum limit but the Committee reviews the cost of the benefits provision on a regular basis to ensure that it remains appropriate. – Participation in the all-employee share plans is subject to the limits set out by HMRC.	Not applicable.	– No changes proposed.

Remuneration report continued

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
Annual bonus plan To motivate Executive Directors and incentivise the achievement of key financial and strategic goals and targets over the financial year.	– Bonus is typically paid in cash, but may be paid in shares at the discretion of the Remuneration Committee. – Based on the achievement of performance metrics with a sliding scale from a threshold to maximum level of performance. – Levels of award are determined by the Committee after the year end based on performance against the targets set. – Malus and clawback provisions may be applied in the event of material misconduct and/or an error in the calculation of the bonus payable.	– Maximum bonus potential is up to 100% of salary for the Chief Executive and up to 75% of salary for other Directors. The Committee, in its discretion, acting fairly and reasonably, may alter the bonus outcome (upwards or downwards) if it feels that the payout is inconsistent with the Company's overall performance and events taking place during the year along with any other factors it considers relevant. The Committee will consult with the Company's major shareholders before any exercise of its discretion to increase the bonus outcome and will explain the use of any such discretion in the relevant Annual report on remuneration.	The majority of the bonus will be based on financial measures such as profit-based targeted performance of the Group (and operating divisions as appropriate), which takes into account market forecasts, and a minority of the bonus will be based on Group strategic objectives and/or personal objectives tailored to the achievement of the Group strategic goals. The proportion of the maximum bonus that may become payable at the threshold performance level where financial targets are set will be 0% of that part of the bonus. Bonuses above this level are earned on a graduated basis to the maximum performance level. Where strategic targets are set, it is not always practicable to operate targets that can be assessed using a graduated scale.	– No changes proposed.

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
Performance Share Plan ("2020 PSP") To motivate Executive Directors and incentivise delivery of performance over the long term. To encourage greater shareholder alignment and to facilitate share ownership.	– Annual awards of conditional shares vesting after three years, subject to performance conditions. Executive Directors may sell sufficient of the vested shares to settle tax on vesting but must retain the balance for a further two-year sale restriction period. Dividend equivalents may be paid on vested shares. – Clawback and malus provisions apply.	– Normal annual awards of up 100% of base salary of the Chief Executive and 75% of base salary of other Executive Directors. – In exceptional circumstances, up to 200% of base salary.	– The number of shares that will vest will be determined with reference to metrics determined by the Committee for each grant. – For awards in 2020, the metric is based on absolute TSR. – Measures will be subject to stretching targets set on a sliding scale, specifically with a minimum threshold at which a 25% pay-out is triggered and stretching maximum targets at which 100% is paid out. – See page 52 for specific financial targets for the 2020 PSP. – The Committee will review the appropriateness of the metrics on an annual basis and consult with shareholders if any material changes are envisaged.	– Replacement of one-off VCP with annual awards under PSP.

Remuneration report continued

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
Executive share ownership To align Executive Directors' and shareholders' interests.	**In-post requirement** – The Chief Executive is expected to hold an investment of at least 200% of base salary in the Company, other Executive Directors are expected to hold 150% of base salary in the Company, built up over a 5-year period. – Executive Directors are expected to retain at least 50% of net awards under the Company's long-term incentive plans to achieve the shareholding, until the target shareholding is attained. – In the event where an Executive Director has not met the shareholding requirement within an appropriate time period, the Committee will consider requiring part of the bonus award to be taken in shares. **Post-cessation requirement** – For shares vesting under the new PSP granted from 2020 onwards, leavers will be expected to retain shares at a level equal to the lesser of their in-post requirement or the actual shareholding on departure for two years post-cessation of employment. Any shares purchased by an Executive will not count towards the requirement.	**In-post requirement** – 200% of salary for the Chief Executive and 150% of salary for other Executive Directors. **Post-cessation requirement** – 200% of salary for the Chief Executive and 150% of salary for other Executive Directors (or the actual shareholding on departure).	Not applicable.	– Introduction of a timeframe under which executives are to build the in-post shareholding requirements – Introduction of post-cessation shareholding requirement.

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
Non-executive Director fees To attract and retain high-calibre Non-executive Directors. To set remuneration by reference to the responsibilities and time commitment undertaken by each Non-executive Director. The Group is a highly regulated and licensed entity in various jurisdictions and Non-executive Directors are subject to personal licensing assessments and if appropriate consents by numerous US authorities.	– Fee levels are reviewed on a regular basis and are set based on expected time commitments, responsibilities and in the context of the fee levels in companies of a comparable size and complexity and reflecting the onerous obligations of international racing regimes. – Any increase in fees will also take account of increases in salaries across the workforce. – Fees are normally paid monthly in cash. Any reasonable business-related expenses can be reimbursed and hospitality/travel or other benefits linked to performance of the role may also be met by the Company including any tax thereon.	– The Non-executive Chairman's fee and Non-executive Directors' fees are set out in the Annual report on remuneration on page 52. – There is no prescribed maximum fee or fee increase. Any increase will be guided by changes in market rates, time commitments and responsibility levels. Any increase in fees may be above those of the wider workforce (in percentage terms) in any particular year, reflecting the periodic nature of any review and changes to time commitments and/or responsibilities.	Not applicable.	– No changes proposed.

Remuneration report continued

Choice of performance measures

The choice of the performance metrics applicable to the annual bonus scheme reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of targets relating to key financial measures that support the Company's strategic objectives and individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

The performance condition applicable to the PSP award in 2020 has been selected by the Committee on the basis that absolute TSR rewards value creation and creates a strong alignment of interest between executives and shareholders.

The Committee would consult with shareholders in advance of a significant change in the choice or weighting of the performance measures to be applied to future award cycles. Under the rules of the plan, the Committee has the discretion to amend or substitute the performance conditions for inflight awards in exceptional circumstances, providing the new targets are no less challenging than originally envisaged.

Discretions retained by the Committee in operating the 2020 PSP and other variable pay schemes

The Committee operates the annual bonus plan and long-term incentive plans per their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. These include:

- who may participate in the plans;
- timing of awards and payments;
- the size of an award (within the limits noted in the Policy Table), and when and how much should vest;
- who receives an award or payment;
- determining whether to pay a bonus in cash or shares;
- in exceptional circumstances, determining that a share-based award (or any dividend equivalent) shall be settled (in full or in part) in cash;
- dealing with a change of control or restructuring of the Group;
- determining whether a participant is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest;
- determining the outcome of any performance conditions including overriding formulaic outcomes where these are inappropriate;
- any adjustments required to awards in certain circumstances (for example rights issues, corporate restructuring, events and special dividends);
- whether, and to what extent, pro rating shall apply in the event of cessation of employment as a 'good leaver' or on the occurrence of corporate events;
- whether malus and/or clawback shall be applied to any award and, if so, the extent to which they shall apply;
- making appropriate adjustments to awards on account of certain events, such as major changes in the Company's capital structure; and
- the weightings, measures and targets for the annual bonus plan and PSP from year to year (in accordance with the statements made in the policy table above).

Clawback and malus

The rules of the 2020 PSP include provisions for malus and clawback to apply if the Committee concludes that:

- the relevant individual has committed misconduct;
- there has been a restatement of the financial results of any member of the Group, due to inaccurate or misleading data;
- the extent to which an award was granted or has vested was based on inaccuracy or error;
- the Group (or a business unit within the Group) suffered a material financial loss as a result of circumstances that could reasonably have been risk managed;
- where the company has suffered an instance of corporate failure resulting in the appointment of a liquidator or administrator; or
- any other circumstances that the Committee considers to have a similar nature or effect.

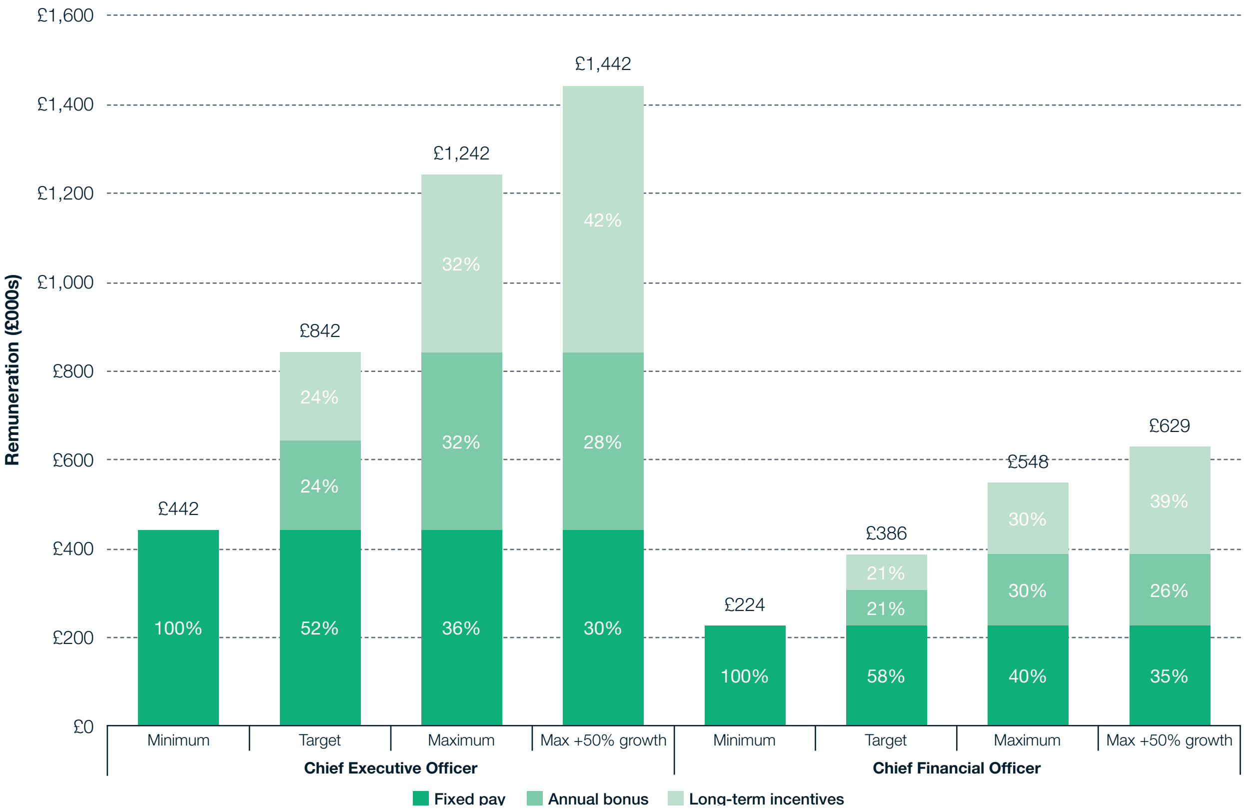
Clawback may be applied for up to three years following vesting in respect of awards granted under the Company's PSP.

Existing awards

The Committee may honour any commitments, including outstanding LTIP and VCP awards, on the terms applicable at the time each such commitment was made.

Executive Director reward scenarios

Total remuneration for each Executive Director for a minimum, target and maximum performance is presented in the chart below.



The following assumptions have been made:

- Minimum – salary (as at 1 January 2020), benefits (as paid in 2019) and pension.
- Target – based on annual bonus paying out at 50% of the maximum and vesting of 50% of the face value of the award at grant under the 2020 PSP.
- Maximum – based on annual bonus paying out in full and full vesting under the 2020 PSP.
- Maximum + 50% share price growth – based on annual bonus paying out in full and full vesting under the 2020 PSP with a 50% increase in share price.

Policy on contracts of service

It is the Committee's policy for the notice periods of Executive Directors to be twelve months or less.

In the event of termination, the Committee's policy is that payments on cessation should reflect the specific circumstances prevailing. In general, it would be the Committee's policy to make a payment in lieu of notice where necessary, limited to base salary and benefits. To the extent that an individual might otherwise seek to bring a claim against the Company in relation to the termination of their employment (e.g. for breach of contract or unfair dismissal), the Committee retains the right to make an appropriate payment in settlement of such potential or actual claims.

Payments in connection with any statutory entitlements (for example, in relation to redundancy) may be made as required.

The Committee may also provide assistance toward reasonable legal fees and outplacement services connected with the termination. The Committee reserves the right to award to an Executive Director a bonus in respect of the period of the year in which notice of termination had not been served and, in certain exceptional circumstances, in respect of any period following receipt of notice of

Remuneration report continued

resignation that the individual remained in employment, subject to the appropriate performance measures being achieved. The determination of any share incentive vesting would be subject to the rules of the relevant plan, but in general where an individual is a good leaver (e.g. death, injury or disability, retirement, redundancy, transfer of business outside of the Group and any other reason the Committee decides) their awards would vest on the original vesting date, unless the Committee decides the award should end on the cessation date and remain subject to the appropriate performance measures being achieved and time pro rating (unless the Committee decides it is inappropriate to apply time pro rating).

The Committee would intend to apply the above policy for any new appointment, which may include the ability to make phased payments with mitigation. Copies of the Executive Directors' service contracts are available for inspection on request to the Company Secretary. The CEO contract requires six months' notice in writing.

The Non-executive Directors have letters of appointment which provide for notice by either party giving to the other not less than three months' notice in writing. The Company may also terminate by making a payment in lieu of notice.

Policy on external appointments

Sportech PLC recognises that its Directors are likely to be invited to become Non-executive Directors of other companies and that such exposure can broaden experience and knowledge, which will benefit the Company. Executive Directors are therefore allowed to accept Non-executive appointments and retain any fees earned, with the Board's prior permission, if these are not likely to lead to conflicts of interest.

Other employees' pay

The Committee does not consult with employees directly on matters of Executive remuneration. However, the Committee is aware of the disconnect which can be created if Executive Director remuneration is set in isolation. The Committee therefore regularly interacts with the senior operational executives and monitors pay trends and conditions across the workforce. In particular, the Committee is made aware of general salary increases, general benefit provision and the proposed level of annual bonuses. Salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. The Committee is also responsible for reviewing the participants of the PSP, the VCP and participation levels in the all-employee plans.

For information on "employee voice", see page 31 of the Corporate Governance Report.

Policy on Executive Director recruitments/promotions

In relation to an external executive recruitment or an internal promotion the Committee will follow the principles outlined in the table below:

Element of remuneration	Policy
Base salary	Salary levels will be set based on: • the particular experience, knowledge and skill of the individual; • market rates for comparable positions in companies of a similar size and complexity; and • internal Company relativities. Where considered appropriate the Committee may wish to set the initial salary below the market rate but with the view to make a series of planned phased increases, potentially above those of the wider workforce as a percentage of salary, to achieve the desired market positioning over time. Any increases would be subject to the individual's continued development and performance in the role.
Benefits	A new appointment would be offered the same benefits package (or equivalent in line with local market practice) as that provided to current Executive Directors. Where considered necessary, the Committee may be required to pay certain relocation expenses, legal fees and other costs incurred by the individual in relation to their appointment.
Pension	A defined contribution or cash supplement (or equivalent in line with local market practice) at up to the level provided to the general workforce.
Annual bonus	The Committee would envisage the annual bonus for any new appointment operating as set out in the Policy Table for current Executive Directors.

	However, the Committee may consider it necessary (depending on timing and the nature of the appointment) to set different tailored performance measures for the initial bonus year.
Long term incentives	A new Executive Director may be entitled to participate in the 2020 PSP as set out in the Policy Table for current Executive Directors. An award may be made shortly after an appointment. For internal promotions, existing awards will continue over the original fixed vesting period and remain subject to their terms as at the date of grant.
Buy-out awards	To facilitate an external recruitment, it may be necessary to buy out remuneration which would be forfeited on the appointee leaving their previous employer. When determining the quantum and structure of any buy-out awards the Committee will, where possible, use a consistent basis, taking into account the form of remuneration (cash or shares), timing horizons and the application of any performance criteria. Any buy-out awards will be addition to the limits set out above. Buy-out awards, if used, will be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

The fee structure and quantum for Non-Executive Director appointments will be based on the prevailing Non-Executive Director fee policy.

Shareholder engagement

The Committee is mindful of the concerns of shareholders and stakeholders and considers an open and constructive dialogue with investors to be vitally important to establishing a successful remuneration policy which is considered fair by both Executives and shareholders.

The Committee will consult with major investors whenever material changes to the policy are proposed. In proposing the new policy and PSP the Committee has consulted with its major shareholders and representative bodies the majority of whom were supportive of the proposed changes. The Committee also welcomes investor feedback and will consider views raised at the AGM and during regular meetings throughout the year and this, plus any additional feedback received from time to time, is considered as part of the Committee's annual review of remuneration policy. The Committee also closely monitors developments in institutional investors' best practice expectations.

ANNUAL REPORT ON REMUNERATION

Detailed remuneration policy for 2020

Basic annual salary

The Committee has reviewed base salaries for 2020 taking into account the overall employee salary budget and determined that no increase be awarded. For reference, full-time salaries across the Group were increased by an average of 2.0%.

The base salaries for 2020 are as follows:

Director	2020	2019	% change
Chief Executive Officer[1]	**£400,000**	£400,000	–
Chief Financial Officer	**CAD $357,000**	CAD$357,000	–

[1]Richard McGuire is paid in USD through the North American payroll using an expected exchange rate during the year. A true up amount is paid or deducted in December each year to agree to the Group exchange rates used to translate earnings.

Remuneration report continued

Performance related bonus

The maximum bonus potential for Richard McGuire for 2020 is 100% of basic salary and for Tom Hearne for 2020 is 75% of basic salary.

Richard McGuire's and Tom Hearne's performance related bonuses will be based on Group financial performance, delivering on Group strategic objectives and meeting personal targets. The sustainable financial based proportion of the potential bonus, which represents a majority of their bonus entitlements, is operated with a range set around an agreed budgeted objective. Strategic and personal objectives are designed to protect and enhance the Company's position across key geographical regions and enhance shareholder value. The objectives themselves are considered commercially sensitive and will therefore be disclosed on a retrospective basis in next year's annual report on remuneration (as long as such targets are no longer considered commercially sensitive at that point). This bonus is normally wholly payable in cash.

Pension arrangements

For Richard McGuire the Company pays 8% of base salary into a defined contribution pension scheme or as cash in lieu (in 2019 Richard waived the right to this benefit). For Tom Hearne the Company matches to a limit of 50% of the first 6% of Canadian Directors' contributions up to a maximum of CAD$8,000, (in 2019 Tom Hearne did not make contributions and therefore the Company made no contributions).

Other benefits

Richard McGuire and Tom Hearne are entitled to the following other main benefits; private health and disability insurance for themselves, their spouse and children and life insurance for themselves. Richard McGuire is also entitled to a car allowance (he waived this benefit in 2019).

Long Term Incentive ("2020 PSP")

It is intended that awards under the new 2020 PSP will be made to Richard McGuire at 100% of salary and to Tom Hearne at 75% of salary. Awards will be subject to three-year absolute TSR targets, with a target vesting level of at least 10% compound annual TSR over the vesting period (at which point 25% vests) and a maximum vesting level of 20% compound annual TSR or more over the vesting period (at which point 100% vests). Awards will vest after three years, i.e. with the first award vesting in 2023 one year after the VCP ends, followed by a two-year post-vesting holding period (net of any sales to settle applicable tax requirements).

Non-executive Directors' fees

The Non-executive Director fee for 2020 is £60,000 which is unchanged since May 2017. This is intended to cover all Board duties and no separate Committee fees are payable.

Richard McGuire was appointed Executive Chairman on 13 November 2018 and his fee was £120,000 until 31 December 2018 after which his salary was set at £400,000 per annum representing the executive role he was carrying out. Giles Vardey was paid an annual fee of £60,000 until his appointment as Non-executive Chairman on 2 July 2019, when his fee was increased to £120,000 per annum.

The fees of the Non-executive Directors are set to take account of the time commitment and complexity of the role reflecting, in particular, the onerous international regulatory environment for Sportech and that Board meetings will be held in both the US and the UK, necessitating additional travel and time commitments.

Details of each Director's remuneration for the year ended 31 December 2019 are given in the table below.

Directors' remuneration for 2019

	Year of appointment	Fees/ salary £000	Taxable benefits £000	Pension £000	Bonuses £000	Long-term incentive £000	Other (pay in lieu of notice) £000	2019 Total £000
Executive Directors								
Richard McGuire	**2017**	**400**	**42**	**–**	**80**	**–**	**–**	**522**
Andrew Gaughan (stepped down from the Board on 28 February 2019)	**2017**	**55**	**–**	**2**	**–**	**–**	**296**	**353**
Tom Hearne	**2018**	**216**	**3**	**–**	**42**	**–**	**–**	**261**
Non-executive Directors								
Giles Vardey (appointed Non-executive Chairman on 1 July 2019)	**2017**	**90**	**–**	**–**	**–**	**–**	**–**	**90**
Chris Rigg (appointed to the Board 1 January 2019)	**2019**	**60**	**–**	**–**	**–**	**–**	**–**	**60**
Aggregate emoluments		**821**	**45**	**2**	**122**	**–**	**296**	**1,286**

– Richard McGuire was paid a basic annual salary of £400,000 per annum with effect from 1 January 2019, he is paid in US dollars translated at an average rate for the year of 1.2669. The Company pays 8% of base salary into a defined contribution pension scheme, however in 2019 Richard waived the right to this benefit. He also waived his entitlement to a car allowance.

– Tom Hearne was paid a basic salary of CAD$357,000 during the year, an average exchange rate of 1.694 has been used to translate to Sterling.

– Giles Vardy was an Independent Non-executive Director with fees of £60,000 per annum until his appointment to Non-executive Chairman on 2 July 2019 when his fee was increased to £120,000 per annum.

Directors' remuneration for 2018

	Year of appointment	Fees/ salary £000	Taxable benefits £000	Pension £000	Bonuses £000	Long-term incentive £000	Other (pay in lieu of notice) £000	2018 Total £000
Executive Directors								
Richard McGuire (Non-executive Chairman till 14 March 2018, appointed to Executive Chairman on 13 November 2018)	2017 & 2018	140	–	–	–	–	–	140
Andrew Gaughan	2017	266	2	5	–	–	–	273
Tom Hearne (appointed 14 May 2018)	2018	115	1	–	–	–	–	116
Non-executive Directors								
Richard McGuire (14 March 2018 to 13 November 2018)	2016	80	–	–	–	–	–	80
Richard Cooper (Stepped down from the Board 30 October 2018)	2017	50	–	–	–	–	–	50
Giles Vardey	2017	60	–	–	–	–	–	60
Aggregate emoluments		711	3	5	–	–	–	719

– Richard McGuire was paid a basic annual salary of £120,000 per annum with effect from 4 December 2017 on becoming Executive Chairman, the same as the fee he was paid in his previous role as Non-executive Chairman (a role to which he was appointed on 24 May 2017). He also received £100,000 in

Remuneration report continued

additional fees in the period 1 January 2018 to 14 March 2018 and 13 November 2018 to 31 December 2018 in relation to significant additional work undertaken following the previous Chief Executive and the Chief Financial Officer resignation announcements and leading the Strategic Review and Formal Sale Process and the transition required during Andrew Gaughan's notice period. Richard returned to his role as Non-executive Chairman between 14 March 2018 and 13 November 2018 following the appointment of Andrew Gaughan as Chief Executive Officer and his subsequent resignation. Richard was asked to re-engage full time in the business, since November 2018 and to support US growth initiatives he relocated to the Group's US business in Connecticut. There was no entitlement to any additional typical employment benefits or bonus consideration for efforts during 2018.

– Andrew Gaughan, in his position as President - Sportech Racing // Digital, was paid a basic annual salary of CAD$400,000 per annum with effect from 1 January 2017 which was not subsequently increased on his appointment to the Board on 25 January 2017. His basic annual salary was increased to CAD$500,000 on his appointment to Chief Executive Officer on 14 March 2018.

– Tom Hearne was paid a basic annual salary of CAD$340,000 from his appointment on 14 May 2018.

– Richard Cooper and Giles Vardey, Non-executive Directors, were paid a basic annual fee of £60,000 per annum. In addition to the figures in the table Richard Cooper also received £75,000 in the period 1 January 2018 to 11 May 2018 in relation to additional work undertaken following the previous Chief Executive and the Chief Financial Officer announced resignations and fulfilling the role of senior financial officer in the Group until the appointment of Tom Hearne.

Performance related bonus

The maximum bonus potential for the Chief Executive Officer in the year under review was 100% of basic salary, and for the Chief Financial Officer was 75% of basic salary. For each Executive Director, their performance related bonus was based on:

(i) Financial measures:

a. Adjusted EBITDA pre sports betting costs (capped at £1.7m) of at least £9m*;

b. Operating cashflows of at least 7.69m (EBITDA less or add movement in working capital); and

c. Operation capex reduction to £3.93m or less.

(ii) Strategic objectives aligned with Group strategic goals. For Richard McGuire including, delivering a Sports Betting licence in Connecticut, the extension of key contracts and concluding legacy issues. For Tom Hearne including, improving the Group's control environment, systems and processes, implementing tax planning and securing financing opportunities.

** Target was set based on earnings prior to IFRS 16 transition and therefore the measure was not achieved on an adjusted basis.*

Financial performance

The Committee considered the Group's financial performance for these purposes and in this respect, achievement was determined to be

i) nil out of a maximum of 25% of overall potential bonus as the threshold was not met for Adjusted EBITDA;

ii) nil out of a maximum of 13% of overall potential bonus as the threshold was not met for operational cashflow; and

iii) 13% out of a maximum of 13% of overall potential bonus as the threshold was met for capex reduction.

Strategic objectives

With regards to Richard McGuire, achievement against each of these targets was assessed by the Committee, resulting in an award of 7% out of a maximum target of 49% of potential bonus. With regards to Tom Hearne, achievement against each of these targets was assessed by the Committee, resulting in an award of 14% out of a maximum target of 49% of potential bonus.

The table below summarises the overall bonus result.

Individual	Total bonus: % Maximum (% salary payable)
Chief Executive Officer (Richard McGuire)	20% out of the maximum entitlement (20% of salary payable) – no pro-rated salary given executive duties were performed for the full year
Chief Financial Officer (Tom Hearne)	27% out of the maximum entitlement (20.25% of salary payable)

The Committee is comfortable that the level of bonuses paid to Executive Directors reflects both the Company and individual performance during the year.

Pension arrangements

The Company paid CAD$8,000 into a defined contribution scheme for Tom Hearne. Richard McGuire waived his right for company pension contributions in 2019.

Long Term Incentive Plans ("LTIPs")

Awards vested in relation to performance ending 2018
As was disclosed in the prior year remuneration report, the performance period of awards granted in November 2016 were substantially complete in 2018, with 100% of awards subject to relative TSR (performance period measured to 3 March 2019).

The assessment of the TSR measure was made independently by Aon PLC who advised that TSR over the three-year performance period to 3 March 2019 was (12.9)% which resulted in the Company being ranked below the median position on a relative basis. As a result, none of this award were eligible to vest.

There are no further PSP awards outstanding.

LTIP awards granted during 2019

Value Creation Plan ("VCP")
The Committee has granted during the year awards giving participants a future right to acquire ordinary shares in Sportech PLC under the VCP as detailed below.

Executive	Type of award	Number of units awarded	% of overall VCP pool
Richard McGuire	Restricted share award	900	4.5%

The performance period for the 2019 Award comprises the five years commencing on 1 January 2017. The award size was determined taking due account of fact that he would be joining the scheme part way through its five year life. The VCP provides Participants, including the Executive Directors, with a pool of ordinary shares with a value equal to 20% of any cumulative shareholder value created above a compound hurdle rate of 8% per annum. This will be measured from a base ordinary share price of 95 pence, being the base level of the 2017 LTIP award (subsequently exchanged for entry to the VCP), as at the start of the Performance Period.

The Committee will have the discretion to settle, up to 50% of Awards in cash.

As part of its review of long-term incentives during 2019, the Committee has decided to impose an additional cap of 5 million new issue ordinary shares in the Company which could be used to satisfy awards under the VCP, to the extent they vest. This is a maximum number of shares and could only be reached for performance that represents a significant stretch in terms of performance for the level of vesting of VCP awards to reach this limit. The imposition of this cap provides greater clarity in relation to the potential dilution from the VCP and ensures that the Company is able to operate within an overall dilution limit of 10% in 10 years in respect of future awards under the PSP.

A clawback provision is in place whereby the Committee may require a Participant to transfer to the Company all or some of the ordinary shares acquired, or pay certain amounts to the Company, in the period of two years following the vesting of an Award, where the Committee determines that one or more of the following trigger events have occurred:

(a) the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company or the audited accounts of any Group company; and/or

(b) action or conduct of a Participant which, in the reasonable opinion of the Committee, amounts to fraud or gross misconduct.

Remuneration report continued

Directors' share-based incentives

The share-based incentives held by the Directors are as follows:

PSP

The following table shows PSP awards outstanding at the start of the year, awarded, vested and lapsed during the year and remaining outstanding at the end of the year.

	Date of grant	As at 1 January 2019 Number	Lapsed during the year Number	As at 31 December 2019 Number	Market price on date of grant Pence	Date from which exercisable	Award expiry date	Share Price at date of exercise (pence)
Andrew Gaughan	03.11.16[1]	319,971	(319,971)	–	64.625	03.11.19	03.11.20	n/a

[1] *2016 awards were deferred until November, because of certain ongoing anticipated corporate activity which delayed their grant and were subject to a relative TSR performance target subject to a financial underpin which was outlined in full in 2016 Annual Report.*

The market price of the ordinary shares at 31 December 2019 was 32.75p and the range during the year was 26.40p to 41.00p.

VCP

The following table shows VCP awards outstanding at the start of the year, awarded during the year and remaining outstanding at the end of the year.

	Date of grant	As at 1 January 2019 Units	Awarded during the year Units	As at 31 December 2019 Units	% of bonus pool
Ian Penrose	24.07.17	5,000	–	**5,000**	25%
Mickey Kalifa	24.07.17	2,500	–	**2,500**	12.5%
Andrew Gaughan	24.07.17	2,500	–	**2,500**	12.5%
Richard McGuire	11.09.19	–	900	**900**	4.5%
Tom Hearne	29.06.18	1,250	–	**1,250**	6.25%
Total		11,250	900	**12,150**	60.75%

Ian Penrose's and Mickey Kalifa's entitlement to the VCP shares will reduce pro rata to maturity, following their departure from the Company as set out in the 2017 report. Andrew Gaughan's entitlement to the VCP will reduce pro-rata to maturity as noted below.

Payments to departing directors including payments for loss of office

Andrew Gaughan stepped down from the Board and left the employment of the Company on 28 February 2019. As part of his settlement agreement Andrew received CAD$500,000 by way of payment in lieu of notice (which equates to 12 months' salary and benefits under his contract of employment), and he remained eligible for a discretionary 2019 annual bonus (CAD zero). He was determined to be a Good Leaver for the purpose of outstanding PSP and VCP awards and his 2016 PSP awards, which were due to vest prior to the end of his contractual notice period remained capable of vesting in full but have now lapsed as the performance condition was not met. For the purpose of the VCP his leave date was agreed to be 31 December 2019 and will reduce pro-rata to maturity. He continued to accrue his usual employment benefits until 28 February 2019.

Payments to past directors

A company related to Mickey Kalifa, a past director, was paid £78,000 in January 2019 in relation to a consultancy contract entered into with the Company to progress the completion of the sale of Sportech Racing BV, which was successfully closed in July 2018. Mr Kalifa delivered consulting services on a success only fee basis.

Director interests and shareholding guidelines

The following table shows Directors' interests in the Company along with the percentage of the shareholding guideline that is currently met:

Director	Total shareholding at 31 December 2018	Total shareholding at 31 December 2019	PSP award held unvested	Share ownership guideline	% of guideline met by 31 December 2019
Richard McGuire	770,000	**1,000,000**	–	200%	63%
Tom Hearne	25,000	**25,000**	–	150%	5%
Giles Vardey	–	**–**	–	N/A	N/A
Chris Rigg	–	**–**	–	N/A	N/A

**Interests frozen at the Director's leaving date.*

The Chief Executive Officer is expected to hold an investment of at least 200% of base salary in Company shares and any other Executive Directors of at least 150% of salary. Until this requirement is met 50% of shares vesting from the LTIP must be held (on a net of tax basis).

Total shareholding which counts towards the measurement of the guideline is calculated on the basis of legally owned shares plus vested LTIP awards. The percentage of guideline met is based on the annual base salary and the higher of the acquisition cost of the total shareholding or the current market value of the total shareholding. Once an Executive Director meets the required holding, the Executive Director is only required to purchase additional shares equivalent to the value of any increase in base salary.

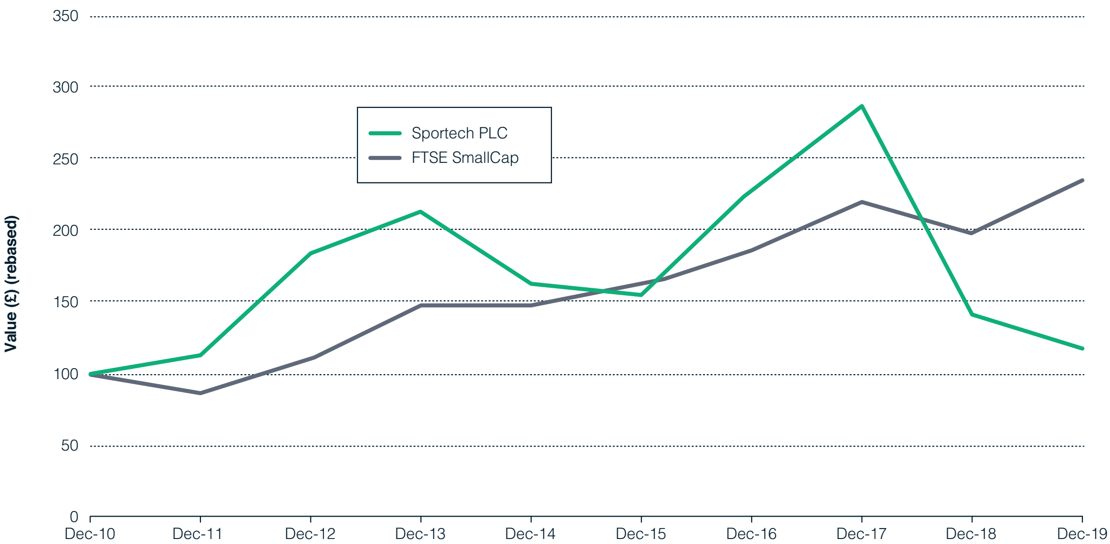
The disclosures on Directors' remuneration set out on page 53 commencing with the table of Directors' remuneration for 2019 to page 57 up to this statement have been audited as required by the Regulations.

External directorships

Richard McGuire and Tom Hearne do not hold any external directorships.

Performance graph and Chief Executive pay chart

Total shareholder return
Source: FactSet



This graph shows the value, by 31 December 2019, of £100 invested in Sportech PLC on 31 December 2010, compared with the value of £100 invested in the FTSE SmallCap Index on the same date.

The other points plotted are the values at intervening financial year-ends.

Remuneration report continued

The FTSE Small Cap Index has been chosen as it is the index most closely aligned to Sportech PLC.

The following table sets out the Chief Executive Officer's total remuneration for the current financial year and the preceding nine years:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Remuneration before LTIPS (£000)	542	502	542	575	515	517	1,233[1]	609[3]	268[4]	**522[5]**
LTIPS (£000)	–	–	233	836	158	–	–	223	–	**–**
Total remunerations (£000)	542	502	775	1,411	673	517	1,233	832	268	**522**
Annual bonus	74%	50%	25%	40%	21.25%	20.5%	39.2%[2]	40.0%	–	**20%**
LTIP vesting	–	–	62.0%	82.7%	29.7%	–	–	50.0%	–	**–**

1 Including exceptional bonus of £637,000.
2 Excluding exceptional bonus.
3 Excluding loss of office and pay in lieu of notice payments of £520,000.
4 Relates to Andrew Gaughan, all prior years related to Ian Penrose.
5 Relates to Richard McGuire.

Percentage increase in the remuneration of the Chief Executive

	2019	2018	% change
Chief Executive Officer (£000)			
– Salary	**400**	266	50.4%[1]
– Bonus (excluding exceptional bonus)	**80**	–	100%
– Benefits	**42**	2	2000%
Average of Group full-time employee (£000)			
– Salary	**62**	62	–
– Bonus	**1**	2	(50)%
– Benefits	**10**	12	(17)%

1 2018 being salary of Andrew Gaughan, 2019 being salary of Richard McGuire.

The table above shows the percentage movement in the salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year compared to that for the average full-time salaried employee.

Relative importance of spend on pay

	2019 £000	2018 £000	% change
Staff costs	**27,018**	25,576	5.6%
Distributions to shareholders	**–**	–	N/A

The majority of our employees are based in North America, with only approximately 30 employees in the UK. As a result, our average number of UK employees does not meet the threshold requirement for publication of CEO pay ratio information. Given the numbers of employees in the UK versus those overseas and the fact that the roles located in the UK are principally involved in the operation of our head office, European finance function and a small operation in relation to UK Greyhound Totes, the ratio produced by comparing CEO remuneration with that of our UK workforce is likely to be misleading. As such, the committee has decided not to publish this information this year.

Dates of appointment of directors

Details of the service contracts and letters of appointment in place as at 31 December 2019 for Directors are as follows:

	Date of Appointment	Notice period
Richard McGuire	24.08.16*	6 months
Tom Hearne	14.05.18	12 months
Giles Vardey	04.12.17	3 months
Christian Rigg	01.01.19	3 months

** Richard McGuire's notice period during his term as a Non-executive Director to 2 July 2019 was three months.*

Shareholders' vote on remuneration

At the last Annual General Meeting on 22 May 2019, votes on the Directors' remuneration report were cast as follows:

	In favour	Against	Withheld
To approve the Directors' Remuneration Report for the year ended 31 December 2018	76,372,106 (66.67%)	38,178,895 (33.33%)	8,270,099

Votes on the Directors' remuneration policy and VCP were cast at the General Meeting held on 24 May 2017 as follows:

	In favour	Against	Withheld
To approve the Directors' Remuneration Policy	113,839,245 (84.03%)	21,634,427 (15.97%)	nil
To approve the rules of the Sportech PLC Value Creation Plan	113,839,245 (84.03%)	21,634,427 (15.97%)	nil

The Board noted the votes recorded against the Remuneration Policy at the previous AGM, identified shareholders' comments and clarified certain issues around values attributed to departing senior executives. The Board and Remuneration Committee continue to value shareholder engagement and welcome the opportunity to debate, with shareholders, any points within this Annual Report.

Committee activity

The Committee's Terms of Reference are available from the Company Secretary and can be found on the Company's website at www.sportechplc.com/investors/corporate-governance.

The Committee met three times during the year and the following key activities have been undertaken:

- review of remuneration policy;
- review of best practice;
- approval and grant of awards under the VCP in the year under review;
- approval of bonus awards for achievement of FY2019 targets, and approval of bonus measures and targets for 2020;
- review of base salaries for the Executive team;
- approval of vesting determination for the 2016 PSP awards; and
- approval of remuneration terms for Richard McGuire and Giles Vardey.

The Committee's recommendations in 2019 and early 2020 were all accepted and implemented by the Board.

Remuneration report continued

Composition of the Remuneration Committee

During the year, the Committee consisted of (i) Giles Vardey (Chairman), (ii) Chris Rigg. Chris Rigg is an Independent Non-executive Director. Giles Vardey was an Independent Non-executive Director until his appointment to Non-executive Chairman on 2 July 2019, following such appointment the Group has been searching for an additional Independent Non-executive Director who will chair the Remuneration Committee. None of the Committee has any personal financial interest (other than as a shareholder), conflicts of interest from cross-directorships or day-to-day involvement in the running of the business.

The Chief Executive Officer is invited to attend meetings although he is not present when matters affecting his own remuneration are discussed. The Company Secretary or their nominee acts as secretary to the Committee.

Wholly independent advice on executive remuneration is received from the Executive Compensation practice of Aon plc who in the year under review advised on the drafting of the DRR and the revised remuneration policy including the structure of the LTIP to be issued going forward. They also provided TSR performance calculations. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. Aon has no connection with Sportech. The terms of engagement with Aon are available from the Company Secretary on request. The fees of the independent remuneration consultants in relation to the services provided by them to the Company during the financial year were £20,204 (excluding VAT).

The Committee also received advice from KPMG for the 2019 grant under the VCP. Fees paid for this independent advice were £15,500.

The Committee reviews its relationships with external advisers on a regular basis and believes that no conflicts of interest exist and that the advice they are provided with remains independent and objective.

Approval

This report was approved by the Remuneration Committee and signed on its behalf by:

Giles Vardey
Non-executive Chairman and Chairman of the Remuneration Committee

18 March 2020

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019. General information on the Company can be found in the notes to the financial statements on page 80.

The Strategic report and Corporate Governance report are set out on pages 2 to 60. This Directors' report does not include information on trading in the year or principal risks. As set out under section 414C(11) of the Companies Act 2006, this information is included on pages 1 to 19 of the Strategic report.

DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The Directors who held office at 31 December 2019 and up to the date of signing these financial statements (unless otherwise stated), had beneficial interests in the share capital of the Company as shown below.

	At 18 March 2020 Number	At 31 December 2019 Number	31 December 2018 Number
Richard McGuire	1,000,000	1,000,000	770,000
Thomas Hearne	25,000	25,000	25,000
Giles Vardey	–	–	–
Christian Rigg (appointed 1 January 2019)	–	–	–

Details of Value Creation Plan awards granted during the year ended 31 December 2019 are set out in the Remuneration report on pages 55 to 56.

DIRECTORS' THIRD-PARTY INDEMNITY PROVISIONS

During the year, qualifying indemnity insurance was provided to the Directors. Such insurance remained in force throughout the year and up to the date of signing the financial statements. No claim was made under these provisions.

EMPLOYEES

Details of the Company's policy on equal opportunities for disabled employees and employee involvement are set out in the 'Employees' section of the Corporate social responsibility report on pages 27 to 28.

Directors' report continued

SUBSTANTIAL SHAREHOLDINGS

	10 March 2020		31 December 2019	
	Ordinary shares of 20p	% of issued share capital	Ordinary shares of 20p	% of issued share capital
Lombard Odier Asset Mgt	46,473,863	24.63	45,781,450	24.25
Harwood Capital	30,500,000	16.16	30,500,000	16.16
Canaccord Genuity Wealth Mgt	11,835,000	6.27	11,835,000	6.27
Mr Richard I Griffiths	11,689,128	6.19	11,689,128	6.19
Schroder Investment Mgt	10,312,045	5.46	10,312,045	5.46
HSBC Securities	9,343,418	4.94	9,320,561	4.94
BofA Securities	8,322,448	4.41	8,322,448	4.41
Artemis Investment Mgt – Edinburgh	7,892,430	4.18	7,892,430	4.18
Artemis Investment Mgt – London	7,173,275	3.80	7,173,275	3.80
Goldman Sachs International	6,010,471	3.19	5,999,911	3.18
Total of substantial shareholdings	**149,552,078**	**79.23**	**148,826.248**	**78.85**
All other shareholdings	39,199,179	20.77	39,925,009	21.15
Total shares in issue	**188,751,257**	**100.00**	**188,751,257**	**100.00**

DIVIDEND

No dividend is proposed for 2019 (2018: £nil).

ENVIRONMENTAL MATTERS

The Corporate Social Responsibility report provides information with respect to the Group's impact on the environment and can be found on page 27. Greenhouse gas emissions are monitored closely by management, and disclosure of those emissions can be found in the Corporate Social Responsibility on page 27.

CORPORATE GOVERNANCE

The Group's statement on corporate governance is set out on pages 29 to 37 and forms part of this Directors' report.

RESPECT FOR HUMAN RIGHTS

Sportech is committed to respecting human rights as embodied in the Universal Declaration of Human Rights and its two corresponding covenants, The International Covenant on Civil and Political Rights and The International Covenant on Economic, Social, and Cultural Rights. We endeavour to ensure that we do not infringe on human rights, avoid complicity in the human rights abuses of others, and comply with the laws of the countries in which we do business.

ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Sportech is committed to conducting business in an ethical and honest manner, and is committed to implementing and enforcing systems that ensure bribery is prevented. Sportech has zero-tolerance for bribery and corrupt activities. We are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, wherever in the World we operate.

Sportech will constantly uphold all laws relating to anti-bribery and corruption in all the jurisdictions in which we operate. We are bound by the laws of the UK, including the Bribery Act 2010, in regards to our conduct both at home and abroad.

Sportech recognises that bribery and corruption are punishable by up to ten years of imprisonment and a fine. If our company is discovered to have taken part in corrupt activities, we may be subjected to an unlimited fine, be excluded from tendering for public contracts, and face serious damage to our reputation. It is with this in mind that we commit to preventing bribery and corruption in our business, and take our legal responsibilities seriously.

SIGNIFICANT AGREEMENTS

There are a number of agreements that take effect, alter or potentially terminate upon a change of control of the Company following a takeover bid, such as commercial contracts and employees' share plans. None of these are deemed to be individually significant in terms of their potential impact on the day-to-day running of the business of the Group as a whole, however, the Group operates under a number of licences in various territories awarded to it by regulatory bodies. In the event of a change of control, certain regulatory bodies retain the right to preapprove the acquirer in order for a change of control to be permitted.

There are no clauses in any of the Directors' contracts that are triggered by a change of control of the Company.

SHARE CAPITAL AND AUTHORITY TO ISSUE SHARES

The Company has one class of ordinary shares. The nature of the holdings of the Company's individual Directors and individually significant shareholders are disclosed on pages 61 and 62. There are no restrictions on the transfer of shares.

As part of the resolutions approved at the 2019 AGM, shareholders' authority was given to the Directors to:

(i) allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal value of £12,450,083. This represents approximately one-third of the share capital of the Company in issue at the date of this document.

And in line with the Share Capital Management Guidelines issued by the Investment Association:

(ii) allot shares in the Company and grant Rights up to a further aggregate nominal value of £12,450,083 in connection with a rights issue. This amount represents approximately one-third of the share capital of the Company in issue at the date of this document.

Certain of the Company's share incentive schemes contain provisions that permit awards or options to vest or become exercisable on a change of control in accordance with the rules of the schemes.

GOING CONCERN

The Group's forecasts and projections, which have been prepared as described on page 26 were reviewed and approved by the Board.

On the basis of this review, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to June 2021. Accordingly, it is deemed appropriate to prepare the financial statements on a going concern basis for the financial year ended 31 December 2019.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks:

- liquidity risk;
- credit risk; and
- foreign exchange risk.

Where appropriate the Group uses derivative financial instruments to hedge certain risk exposures. Details of the policy for each of the above risks can be found in note 27 of the consolidated financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each Director is aware, at the date of the approval of the financial statements there is no relevant audit information of which the Company's Auditors are unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information.

The Auditors, BDO LLP, who were appointed during the year, have indicated their willingness to continue in office, and a resolution for their reappointment will be proposed at the Annual General Meeting.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not

Directors' Report continued

approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section on page 22 confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Strategic report and other reports contained in the Annual Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

Each of the Directors whose names and functions are listed in the Directors and Officers section on page 22 confirms that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report and other reports contained in the Annual Report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

ANNUAL GENERAL MEETING ("AGM")

The Notice convening the AGM of the Company on 20 May 2020 will be sent to shareholders by 15 April 2020. In accordance with good corporate governance practice, each Director will voluntarily stand for re-election in line with the provisions of the Corporate Governance Code. The profiles of those Directors appear on page 22. Resolutions will also be proposed at the AGM to receive the Accounts and the Directors' and Independent Auditors' Reports, to approve the Remuneration Policy set out on pages 40 to 51, to approve the Remuneration Report set out on pages 51 to 60, to reappoint the Auditors and to authorise the Directors to determine their remuneration

On behalf of the Board,

Ben Harber
Company Secretary
SGH Company Secretaries Limited

18 March 2020

Independent auditor's report to the members of Sportech PLC

OPINION

We have audited the financial statements of Sportech PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

IN OUR OPINION:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation set out on page 26 in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement set out on page 63 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 26 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent auditor's report to the members of Sportech PLC continued

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A summary of our key audit matters and the assessment against the prior year is as follows:

Key audit matter	Comment
Appropriateness of revenue recognition	New
Uncertain tax provisions	Included in prior year – incorporates compliance with IFRIC 23 in current year
Impairment of intangible assets	Included in prior year – incorporates new balances arising on acquisition of Lot.to in the year
Impairment of Investments: Company Only	Included in prior year

Key audit matter	How we addressed the key audit matter in the audit
Appropriateness of revenue recognition The Group recognises revenue from a number of revenue streams. The details of the accounting policies applied during the year are set out on pages 82 to 93 of the financial statements. There is a risk that revenue is incorrectly calculated due to the different underlying contracts with customers and the variations in contract terms for each contract. As the Group enters into new contracts there may be separate elements in the contract that requires application of different revenue recognition policies. We note that the Group has reflected a change in the treatment of certain customer bonuses in the US business at the half year.	We completed the following audit procedures: Reviewed the revenue recognition policies against the requirements of applicable accounting standards, challenging and where necessary corroborating to supporting documentation the key judgements made by management. We obtained a sample of contracts to check that revenue had been recognised in accordance with the contract and the requirements of applicable accounting standards. For specific operational revenue streams we tested the operating effectiveness of key controls, including the testing of IT controls over the key operating systems. Using data analytic techniques we recalculated the expected income earned under a sample of contracts from wagering data captured in the groups IT systems and reconciled this to the amounts recorded in the nominal ledger. ***Key observations*** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of revenue recognition and the related disclosures in the financial statements are appropriate.

Uncertain Tax treatments The Group makes provisions and disclosures for uncertain tax treatments. The details of the accounting policies applied during the year are set out on pages 82 to 93 of the financial statements. Over recent years the Group has experienced a number of one-off transactions that have significant material tax implications. These include the disposal of the Football Pools business and the gain arising from the successful spot the ball claim. In the current year, the Group has adopted IFRIC 23 *Uncertainty over Income Tax Treatments* in the year as set out in the accounting policies on page 91. This requires material tax judgements to be made by management, and due to the inherent uncertainty in respect of any potential challenge by HMRC there is a risk that any related provisions may not be appropriately accounted for.	We completed the following audit procedures: Involving our tax specialists we gained an understanding of the relevant tax legislation and the potential tax risks in the UK and USA in particular, areas of subjective judgement, and the associated potential outcomes of all outstanding material tax matters where the tax treatment has yet to be agreed with tax authorities. We reviewed the correspondence with HMRC to determine the potential level of risk associated with the material outstanding tax matters and to ascertain whether they were being accounted for correctly. We reviewed the advice on the appropriate tax treatment provided by managements external tax and legal advisors and discussed the advice given directly with them where considered relevant using our internal tax specialists. We performed sensitivity analysis over the potential outcomes, where appropriate, to assess the potential risk. We assessed the provisions made and considered their appropriateness given the above procedures, and whether the provisions raised and the related disclosures were in accordance with the requirements of applicable accounting standards. ***Key observations*** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of uncertain tax provisions and the related disclosures in the financial statements are appropriate.

Independent auditor's report to the members of Sportech PLC continued

Impairment of intangibles The Group's intangible assets are disclosed in note 14. The details of the accounting policies applied during the year are set out on pages 82 to 93 of the financial statements. In accordance with relevant accounting standards, the Group monitors the carrying value of intangibles for indications of impairments and performs annual impairment reviews for its cash generating units (CGU) as required. Management exercises significant judgement in determining the underlying assumptions used in the impairment review. The assumptions include, but are not limited to, the discount rate used, the allocation of assets to cash generating units ("CGU's"), growth rates and the future cash flows attributed to each.	We completed the following audit procedures: Detailed testing of the Directors impairment testing model, including the definitions of the CGU's used, the agreement of allocations of assets to appropriate CGU's, the appropriateness of the cash flow forecasts attributed to each CGU, and the discount rates used which was verified by internal valuation experts. Assessed the historical accuracy of the directors forecasts previously used in the impairment model against actual outturn. Performed sensitivity analysis over the assumptions used in order to evaluate the levels of headroom available. Considered publically available information and other information obtained during our audit work in order to determine whether there were any other potential indicators of impairment that were not identified by the directors. Assessed the appropriateness of the disclosures made in the financial statements in note 14 in respect of the impairment calculations. ***Key observations*** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of the impairment of intangibles and the related disclosures in the financial statements are appropriate.

Impairment of Investments: - Company only In accordance with the requirements of relevant accounting standards, management have performed an impairment review on investments in the current year resulting in an impairment as disclosed in note c7. The details of the accounting policies applied during the year are set out on pages 82 to 93 of the financial statements. The impairment review is based on the expected future performance of the trading entities in the US and Europe and requires management to exercise significant judgement in determining the underlying assumptions used in the impairment review which have material impact on the resultant calculations. Therefore, we considered this to be an area of focus for our audit.	We completed the following audit procedures: Checked that the cash flows used to assess the company investments were consistent with those used in the impairment of Intangibles model. Testing was performed over the assumptions used in the impairment model including the appropriateness of the cash flow forecasts attributed to each CGU, and the discount rates used which was verified by internal valuation experts. Assessed the historical accuracy of the directors' forecasts previously used in the impairment model against actual outturn. Performed sensitivity analysis over the assumptions use in order to evaluate the levels of headroom available. Considered publically available information and other information obtained during our audit work to determine whether there were any other potential indicators of impairment that were not identified by the directors. ***Key observations*** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of the carrying value of Company investments and the related disclosures in the financial statements are appropriate.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Based on our professional judgement we determined materiality for the Group financial statements to be £204,000, and for the Parent Company to be £75,000. The materiality we applied in respect of the Group financial statements equates to 2.7% of EBITDA before exceptional income and expenses. The materiality for the Parent Company equates to 4% of EBITDA before exceptional items and expenses. Adjusted EBITDA is considered to be the primary measure used by the shareholders in assessing the performance of the Group.

We set component materiality between £35,000 and £120,000 based on the overall size and respective risk of each component.

Performance materiality was set at 65% of materiality for both the group and Parent company audit based on our assessment of past misstatements and management's attitude towards proposed adjustments.

We agreed with the Audit committee that we would report to the Committee all individual audit differences in excess of £6,000. We also agreed to report differences below these thresholds that in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements.

The group is managed and operated divisionally with the two operating divisions being Racing and Digital and Venues, with the Head Office function incurring certain central costs on behalf of the Group. The main finance functions are in the USA and in the UK. We identified 23 separate components making up the Group, of which seven, including the consolidation itself, required a full scope audit given their contribution to Groups revenue and adjusted EBITDA, and two required work on specific balances that we regarded as significant to the consolidated financial statements. This work, combined with the work performed over consolidation journals and intergroup eliminations accounted for over 86% of group revenue, 84% of Group Adjusted EBITDA and 93% of Group net assets.

All audit work was performed by the Group audit team. Our work on the remaining components comprised analytical procedures and certain tests of detail. Together this provided the evidence required for our opinion on the Group Financial Statements.

Capability of the audit to detect irregularities, including fraud

We also gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk , recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting resulting from error, as fraud may involve deliberate concealment, by for example forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the UK listing rules, and tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, inspection of minutes, enquiries with management and enquiries of legal counsel.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or

Independent auditor's report to the members of Sportech PLC continued

apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 37 –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 33-37 –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 29 –** the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of directors' responsibilities set out on pages 63-64 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the directors on 29 August 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ending 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieran Storan (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

18 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	Restated 2018 £000
Revenue	2	**64,783**	63,462
Cost of sales	3	**(17,896)**	(17,619)
Gross profit		**46,887**	45,843
Marketing and distribution costs	3	**(1,472)**	(1,732)
Contribution		**45,415**	44,111
Operating costs	3	**(53,240)**	(47,196)
Other income	4	**90**	173
Operating loss		**(7,735)**	(2,912)
Finance costs	8	**(758)**	(290)
Finance income	8	**63**	540
Loss before tax from continuing operations		**(8,430)**	(2,662)
Tax – continuing operations	9	**(6,034)**	(2,019)
Loss for the year – continuing operations		**(14,464)**	(4,681)
Net profit from discontinued operations	11	**–**	1,822
Loss for the year		**(14,464)**	(2,859)
Attributable to:			
Owners of the Company		**(14,464)**	(2,859)
Basic loss per share attributable to owners of the Company			
From continuing operations	12	**(7.7)p**	(2.5)p
From discontinued operations	12	**–**	1.0p
Total	12	**(7.7)p**	(1.5)p
Diluted (loss)/earnings per share attributable to owners of the Company			
From continuing operations	12	**(7.7)p**	(2.5)p
From discontinued operations	12	**–**	1.0p
Total	12	**(7.7)p**	(1.5)p
Adjusted (loss)/earnings per share attributable to owners of the Company			
Basic	12	**(0.3)p**	0.3p
Diluted	12	**(0.3)p**	0.3p

See note 1 for a reconciliation of the above statutory income statement to the adjusted performance measures used by the Board of Directors to assess divisional performance.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	Restated 2018 £000
Loss for the year		**(14,464)**	(2,859)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit and loss			
Actuarial (loss)/gain on retirement benefit liability	26	**(399)**	315
Deferred tax on movement on retirement benefit liability	19	**117**	(83)
		(282)	232
Items that may be subsequently reclassified to profit and loss			
Currency translation differences		**(1,682)**	2,411
Total other comprehensive (expense)/income for the year, net of tax		**(1,964)**	2,643
Total comprehensive expense for the year		**(16,428)**	(216)
Attributable to:			
Owners of the Company		**(16,428)**	(216)

Consolidated Balance Sheet

AS AT 31 DECEMBER 2019

	Note	2019 £000	Restated 2018 £000
ASSETS			
Non-current assets			
Goodwill	13	**604**	–
Intangible fixed assets	14	**14,935**	13,551
Property, plant and equipment	15	**17,676**	26,337
Right-of-use assets	16	**6,312**	–
Trade and other receivables	18	**499**	667
Deferred tax assets	19	**990**	5,979
		41,016	46,534
Current assets			
Trade and other receivables	18	**7,603**	8,169
Inventories	20	**2,616**	2,576
Cash and cash equivalents	21	**15,565**	17,915
		25,784	28,660
TOTAL ASSETS		**66,800**	75,194
LIABILITIES			
Current liabilities			
Trade and other payables	22	**(12,853)**	(13,169)
Provisions	23	**(579)**	(977)
Lease liabilities	24	**(843)**	–
Financial liabilities	25	**(500)**	–
Current tax liabilities	9	**(4,880)**	(6,563)
Deferred tax liabilities	19	**(89)**	–
		(19,744)	(20,709)
Net current assets		**6,040**	7,951
Non-current liabilities			
Retirement benefit liability	26	**(1,079)**	(902)
Lease liabilities	24	**(6,881)**	–
Deferred tax liabilities	19	**(93)**	–
Provisions	23	**(1,026)**	(1,434)
		(9,079)	(2,336)
TOTAL LIABILITIES		**(28,823)**	(23,045)
NET ASSETS		**37,977**	52,149
EQUITY			
Ordinary shares	29	**37,750**	37,350
Other reserves		**16,872**	18,435
Retained earnings		**(16,645)**	(3,636)
TOTAL EQUITY		**37,977**	52,149

The financial statements on pages 74 to 128 were approved and authorised for issue by the Board of Directors on 18 March 2020 and were signed on its behalf by:

Richard McGuire
Director
Company Registration Number: SC069140

Thomas Hearne
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

		Other reserves				
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
At 1 January 2019	37,350	10,312	(414)	8,537	(3,636)	52,149
Adjustment for adoption of IFRIC 23 (note 9)	–	–	–	–	1,562	1,562
Adjustment for adoption of IFRS 16 *Leases* net of tax (page 93)	–	–	–	–	(1,442)	(1,442)
Restated at 1 January 2019	37,350	10,312	(414)	8,537	(3,516)	52,269
Comprehensive (expense)/income						
Loss for the year	–	–	–	–	(14,464)	(14,464)
Other comprehensive items						
Actuarial loss on defined benefit pension liability*	–	–	(282)	–	–	(282)
Reserve transfer	–	–	–	87	(87)	–
Currency translation differences	–	–	–	(1,682)	–	(1,682)
Total other comprehensive items	–	–	(282)	(1,595)	(87)	(1,964)
Total comprehensive items	–	–	(282)	(1,595)	(14,551)	(16,428)
Transactions with owners						
Share option charge	–	–	–	–	1,422	1,422
Shares issued in relation to the acquisition of Lot.to Systems Limited (note 29)	400	–	314	–	–	714
Total transactions with owners	400	–	314	–	1,422	2,136
Total changes in equity	400	–	32	(1,595)	(13,129)	(14,292)
At 31 December 2019	**37,750**	**10,312**	**(382)**	**6,942**	**(16,645)**	**37,977**

**Net of deferred tax*

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

The reserves as at 1 January 2019 have been restated due to an accounting error in respect of the under accrual of interest payable on the uncertain tax positions. The impact on prior year retained earnings is a decrease of £223k.

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

Consolidated Statement of Changes in Equity continued

FOR THE YEAR ENDED 31 DECEMBER 2018 (restated)

		Other reserves				
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
At 1 January 2018	37,123	10,312	(646)	6,126	(1,705)	51,210
Comprehensive expense						
Loss for the year	–	–	–	–	(2,859)	(2,859)
Other comprehensive items						
Actuarial gain on defined benefit pension liability*	–	–	232	–	–	232
Currency translation differences	–	–	–	2,411	–	2,411
Total other comprehensive items	–	–	232	2,411	–	2,643
Total comprehensive items	–	–	232	2,411	(2,859)	(216)
Transactions with owners						
Share option charge	–	–	–	–	1,222	1,222
Employer taxes paid on vesting of options	–	–	–	–	(67)	(67)
Shares issued in relation to PSP (note 29)	227	–	–	–	(227)	–
Total transactions with owners	227	–	–	–	928	1,155
Total changes in equity	227	–	232	2,411	(1,931)	939
At 31 December 2018	37,350	10,312	(414)	8,537	(3,636)	52,149

**Net of deferred tax*

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

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operations, before exceptional items	30	**7,478**	5,890
Interest received		**62**	85
Interest paid		**(24)**	(22)
Tax paid	9	**(1,356)**	(2,029)
Net cash generated from operating activities before exceptional items		**6,160**	3,924
Exceptional cash inflows	4	**90**	487
Exceptional cash outflows	4	**(1,821)**	(2,320)
Cash generated from operations – continuing operations		**4,429**	2,091
Cash used in operations – discontinued operations		**–**	(37)
Net cash generated from operating activities		**4,429**	2,054
Cash flows from investing activities			
Investment in joint ventures and associates	17	**(184)**	(291)
Disposal of Football Pools division	11	**–**	275
Disposal of Sportech Racing BV (net of transaction costs)	11	**236**	2,411
Contingent consideration paid for Bump (Worldwide) Inc	25	**–**	(167)
Consideration paid for Lot.to Systems Limited, net of cash acquired	10,25	**(729)**	–
Proceeds from sale of property, plant and equipment	15	**1**	–
Investment in intangible fixed assets	14	**(2,648)**	(3,106)
Purchase of property, plant and equipment	15	**(1,169)**	(1,927)
Cash used in investing activities – continuing operations		**(4,493)**	(2,805)
Cash flows used in financing activities			
Payment of lease liabilities	24	**(1,879)**	–
Net cash used in financing activities		**(1,879)**	–
Net decrease in cash and cash equivalents		**(1,943)**	(751)
Effect of foreign exchange on cash and cash equivalents		**(407)**	(91)
Cash and cash equivalents at the beginning of the year		**17,915**	18,757
Cash and cash equivalents at the end of the year	21	**15,565**	17,915
Represented by:			
Cash and cash equivalents	21	**15,565**	17,915
Less customer funds	21	**(2,580)**	(3,187)
Adjusted net cash at the end of the year	21	**12,985**	14,728

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2019

GENERAL INFORMATION

Sportech PLC (the 'Company') is a company domiciled and incorporated in the UK and listed on the London Stock Exchange. The Company's registered office is Collins House, Rutland Square, Edinburgh, Midlothian, Scotland EH1 2AA. The consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the 'Group'). The principal activities of the Group are the provision of pari-mutuel betting (B2C) and the supply of wagering technology solutions (B2B).

GOING CONCERN

As discussed in the Directors' report on page 63, 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.

BASIS OF ACCOUNTING

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

The Group's accounting policies have been set by management and approved by the Audit Committee.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Amounts presented in the financial statements have been rounded to the nearest £1,000.

CRITICAL JUDGEMENTS AND ESTIMATES

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

Carrying value of Sportech Venues tangible and intangible assets

To determine whether an impairment of the tangible or intangible assets held by the Sportech Venues division has occurred, the Group considered in isolation the assets and leasehold improvements at its sports bar venue in Stamford, Connecticut and then the assets (tangible and intangible) of the cash generating unit ("CGU") as a whole. The key assumptions used in estimating future cash flows for value-in-use measures, for both the stand-alone venue and the CGU as a whole were:

Stamford alone:

- handle and food and beverage ("F&B") earnings achieved since the venue's opening in June 2017 and the likely growth achievable in the next four years;
- costs of sale percentages and overhead cost levels achievable.

CGU as a whole:

- rates of industry handle growth/decline impacting the retail and online product;
- the enforcement by the State of Connecticut of the Company's exclusive rights to operate online wagering and the CGU's ability to drive value from its exclusivity in the State; and
- the impact of restructuring on costs the CGU incurs and retention of handle via transfer between venues or onto digital; and
- discount rate, which appropriately reflect the risks associated with the CGU.

These assumptions, and the judgements of management that are based on them, are subject to change as new information becomes available. Economic conditions and government policy changes can also impact on the assumption and discount rates applied, which are reviewed annually. Further details are disclosed within notes 14 and 15 of the Annual Report.

Tax

The Group's activities in recent periods have resulted in material tax liabilities crystallising. The ultimate tax liability due, in all instances, is subject to a degree of judgement. The judgements which are made are done so in good faith, with the aim of paying the correct amount of tax at the appropriate time. Management work diligently with the Group's external financial advisors in quantifying the anticipated accurate and fair tax liability which arises from material one-off events such as the Spot the Ball legal case and the disposal of the Football Pools (see notes 9 and 28).

Critical judgements include the valuation of assets disposed of in the Football Pools deal and the period in which those assets arose. The use of capital losses to offset the Spot the Ball gain is also a critical judgement, and the uncertainty of this results in a provision of £4.6m for corporation tax and £0.4m of interest thereon. There is a further £0.4m of provision for uncertain tax positions in relation to the Football Pools disposal. Having assessed the level of provisions required in light of IFRIC 23, £1.5m of provision as at 1 January 2019 has been credited to equity. Both provisions are included in the current tax liability, except that the calculated interest on the unpaid tax provisions has been included in finance costs and accruals. The Group does not believe any provision is required for associated penalties.

The Group has modelled its tax projections to assess the recoverability of its deferred tax assets in the US. Those projections require judgement and if the forecasts are not achieved, the recoverability of the deferred tax assets may be in doubt.

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

Valuation and useful life of intangible assets acquired with Lot.to Systems Limited

The Group identified and valued the intangible assets acquired with Lot.to Systems Limited during the year. Judgement was used to value the intangibles based on a mark-up of cost to develop being applied, and to define their useful life over which the cost would be amortised to the income statement. The remaining difference between the net assets identified and the cost of acquisition has been recorded as goodwill. The valuations and decisions taken by management on useful lives inherently contain judgements.

Onerous contract provision and other losses arising from exit from California operations

The Group recorded a provision in 2017 against its contractual arrangements in the state of California via its Joint venture arrangement following its decision to exit its operations. During 2019 the joint venture closed the venue in San Diego and negotiations with the landlord have commenced to agree a settlement, together with negotiations with a second landlord on another site.

Management has reassessed the provisions to exit its Joint venture arrangement in the year in the light of current information and believes the level of provision is the Group's most likely obligation. Given the nature of the disputes in the joint venture, there is judgement which has been applied by management in agreeing the level of provision required and the ultimate settled amount could be more or less than that provided.

PRIOR YEAR RESTATEMENTS

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

Notes to the financial statements continued

A summary of more important Group accounting policies follows. These policies have been applied consistently to all the years presented, except for IFRS 16 Leases and IFRIC 23 Uncertain Tax Positions. These have a transition date of 1 January 2019, and the Group has chosen not to restate comparatives on adoption of both standards and therefore the revised requirements are not disclosed in the prior year financial statements. Instead these changes have been processed at the date of initial application and recognised in the opening equity balances.

(a) Subsidiaries

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

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

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

(b) Equity accounted investees

The Group equity accounts for any investees which are considered to be either a joint venture or an associate.

A joint venture is an entity which is jointly controlled by the Group and one or more venturers under a contractual agreement. An associate is an entity in which the Group has no control nor joint control, but bears significant influence over that entity. In both cases, the Group holds its interest in the entity on a long-term basis.

The Group's share of post-acquisition profits and losses made by the investee is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an equity-accounted investee equals or exceeds its interest in that entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in that entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the investee have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Revenue

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

Sportech Venues:

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

Other revenue type	Recognition policy
Providing a full turn-key service for the operation of racebooks at casinos	Revenue is a percentage of handle processed through the racebooks and services included are settlement, negotiating fee structure with tracks and audio visual and other equipment provision in some cases. Revenue is recognised when the performance obligation is met which is on the day the event occurs. Customer bonuses are netted off revenue as earned. Costs of obtaining a new contract are expensed to the income statement. Income is invoiced monthly and due within a month, therefore there is no significant financing element. Contracts are generally three to five years in length and have several month notice periods.
Food and beverage sales in venue	Revenue is recorded at the price charged for the goods on the date the food/beverage is provided.
Programme sales	Revenue is recorded as the goods are transferred to the customer.
Rental of space in venues for parties/events	Revenue is recorded on the date of the event.
Sale of lottery tickets on behalf of the state lottery	Sportech retains a percentage of the ticket sales, revenue is recorded at the time the ticket is sold
ATM transaction fees	Fee are recognised on each transaction, recorded as the transaction occurs.
Parking lot rental for events e.g. carnival, rodeo	Revenue recorded as each event occurs.

Sportech Racing and Digital:

This division provides pari-mutuel wagering services and systems worldwide, principally to the horseracing industry. It derives its revenues from various contractual models as follows:

North America

Contracts with Tote customers are structured based on the supply of a turn-key service where both hardware and services are provided throughout the period of the contract. Revenue is generated over the contract term from; the provision of our Tote software, operation of the Tote for the customer and maintenance of the hardware and software in use. If there is a sale of hardware or software upfront, which is rare and generally not material to the contract as a whole, then this is recognised when the risks and rewards transfer to the customer, generally following the receipt of an acceptance form or confirmation of delivery. The service fees are either fixed monthly fees, percentages of handle through the Tote software or a combination of both and most contracts have fixed monthly “minimums”. Revenue is recognised as the obligations under the contract are met.

Europe and rest of world

In Europe and the rest of the world, the sales model is different in that most sales are for an upfront system and hardware and revenue is recognised when performance obligations have been satisfied. Sales which involve significant customisation are recognised on a percentage of completion basis. Where contracts are long-term development projects for bespoke software delivery to a customer, revenue is recognised over time using the inputs method (labour hours expended) for progress towards complete satisfaction calculations.

Following initial delivery of hardware and software, we then generate revenue from maintenance services (of the hardware and software) and in some cases operation of the Tote. The value of revenue delivered under service contracts is generally based on either a percentage of amounts wagered or on a predetermined fixed amount depending on contract terms. Revenue is recognised as the obligations under the contract are met.

Notes to the financial statements continued

Under multiple performance condition arrangements, revenue is allocated to the various elements based on the standalone selling prices determined by the price charged when the same element is sold separately, and revenue is recognised on the separate components of the contract in accordance with the revenue recognition policy above for that item or service.

Bump 50:50

Bump 50:50 contracts are principally service contracts where revenue is recognised over the contract term in line with the supply of services, revenue is generally a percentage of the total raffle takings.

(d) Deferred income

Deferred income includes the value of stakes placed prior to the end of the financial period in respect of competitions and sporting events held subsequent to the end of the financial period and income received in advance of a service or product being delivered.

(e) Segmental reporting

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

The Group has identified its business segments as follows:

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

(f) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same or different taxable entities, where there is an intention to settle the balances on a net basis.

The Group adopted IFRIC 23 Uncertainty over Income tax treatments during the year. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires: The group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; The group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The adoption of IFRIC 23 resulted in a £1.5m decrease in corporate tax liabilities, relating to uncertain tax positions on the disposal of the Football Pools division in 2017. As the Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings at the date of initial application, 1 January 2019, the impact was recorded in retained earnings.

(g) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling (£), which is the Company's functional currency and the Group's presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except where deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement within operating profit.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
– all resulting exchange differences are recognised in other comprehensive income.

(h) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any impairment. Cost includes the original purchase price of the asset and the costs attributable in bringing the asset to its working condition for its intended use and any associated borrowing costs. Assets in the course of construction are not depreciated until the asset is completed. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

Assets in the course of construction are capitalised when first brought into use and depreciated from this date.

Notes to the financial statements continued

(i) Depreciation

Depreciation is provided on a straight-line basis to write off the cost of property, plant and equipment down to residual value over their anticipated useful lives as following period:

Owned land	Not depreciated
Long leasehold and owned buildings	Over 25 years
Short leasehold land and buildings	Over the period of the lease
Plant, equipment and other fixtures and fittings	Between 3 and 12 years

Assets in the course of construction are not depreciated until they are ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(j) Right-of-use assets and lease liabilities

On transition to IFRS 16 the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease liability (present value of minimum lease payments), and subsequently at that amount less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

Subsequent to initial recognition on implementation of IFRS 16, right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate in the jurisdiction in which the asset resides as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options and break clauses. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(k) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration given over the fair value of the separately identifiable net assets acquired. Goodwill arising on acquisitions before the date of transition to IFRSs (4 January 2005) has been frozen at the previous UK GAAP net book value at the date of transition, subject to being tested for impairment annually at the year end date.

Goodwill is allocated to specific CGUs for the purpose of impairment testing. The allocation is made to the CGU that is expected to benefit from the business combination in which the goodwill arose.

Goodwill is carried at cost less accumulated impairment losses.

(l) Intangible fixed assets

Intangible fixed assets are held at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life of the intangible fixed asset.

Software

Externally acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives or contractual period if shorter (six to ten years).

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;
– management intends to complete the software product;
– it can be demonstrated how the software product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
– the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate proportion of relevant overhead. Other development expenditure that does not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software development costs are amortised over their estimated useful lives, which do not exceed 12 years.

Licences

Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate cost of licences over their estimated useful lives of 15 to 20 years. Licences with an infinite life (licences granted in perpetuity) are held at cost or fair value at acquisition date and tested annually for impairment.

(m) Investments in subsidiaries

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

(n) Impairment reviews

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and intangible assets with indefinite lives are subject to an annual review for impairment in accordance with IAS 36 'Impairment of Assets'. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairments, assets are grouped at the lowest levels at which there are separately identifiable cash flows. Any impairment losses are recognised in the income statement in the year in which they occur. Any impairment loss recognised on goodwill is not reversed.

All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist at each reporting date.

(o) Pension obligation

The Group operates various pension schemes.

The schemes are generally funded through payments to insurance companies or Trustee administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated

Notes to the financial statements continued

annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. Scheme curtailments are recognised immediately in profit or loss. Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(p) Financial instruments

(i) Recognition

Trade receivable and debt securities issued are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets

(ii) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are classified on the first day of the first reporting period following the change in business model.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Changes in the fair value of financial assets at FVTPL are recognised in the statement of comprehensive income.

Financial assets measured at amortised cost arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 365 days and are therefore all classified as current, those due after a longer period are classified in non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other receivables consist of amounts generally arising from transactions outside the usual operating activities of the Group such as the proceeds from disposal of investment. Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(v) Impairment

The Group assesses all types of financial assets that are subject to the expected credit loss model:

- trade receivables
- debt investments carried at amortised cost
- cash and cash equivalents

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are grouped based on their days past due.

The historical credit losses assessed are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Financial liabilities

(iv) Classification and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(vi) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(q) Share-based payments

The fair value of employee options awarded under the Value Creation Plan is calculated using the Black-Scholes model. The fair value of employee PSP awards is valued using a stochastic (Monte Carlo) valuation model. In accordance with IFRS 2 'Share-based Payment', the resulting cost is charged to the income statement over the vesting period of the options/awards. The total amount to be expensed is determined by reference to the fair value of the options/awards granted including any market performance conditions, which are those that are based on Sportech PLC's share price, and excluding the impact of any service and non-market performance vesting conditions, being profitability and the individual remaining an employee over a specified time period. At each balance sheet date, the Company revises its estimates of the number of options that are

Notes to the financial statements continued

expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The charge in relation to employees who provide services to subsidiary companies is recharged to those subsidiaries. Where the charge is not required to be settled in cash, the Company's investment in that subsidiary is increased by the value of the charge and a corresponding increase in equity is recognised in the subsidiary.

(r) Cash and cash equivalents

Cash and cash equivalents shown on the balance sheet represent cash in hand, cash in vaults and cash held in current accounts, both owned by the Group and held on behalf of customers. Any bank overdrafts used by the Group are shown within trade and other payables. Positive cash balances and overdrafts are only offset within cash and cash equivalents to the extent that they form part of a cash-pooling arrangement implemented by the Group where the balances will be settled on a net basis.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(t) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, being the difference between the assets' carrying amounts and the present value of the estimated future cash flows, discounted at the original effective interest rate. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific customer will default or delinquency in payment will arise. Any subsequent recovery of amounts written off is credited to the income statement.

(u) Trade payables

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

(v) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business.

(w) Provisions

Provisions for onerous contracts, legal claims and dilapidations are recognised when the Group has: a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses where the Group has no contractual obligation to deliver the service or product. Provisions payable over a period greater than 12 months are discounted using an appropriate market risk-free discount rate.

(x) Leases exempt from IFRS 16

The Group excludes leases with low-value assets (<£4,000 asset values) and leases with terms of less than 12 months from IFRS 16 requirements to capitalise the lease and hold a corresponding liability on the balance sheet. Instead, payments made under these leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(y) Exceptional items

The Group defines exceptional items as those items which, by their nature or size, if not separately identified, would distort the comparability of the Group's results from year to year.

(z) Share capital and reserves

Ordinary shares are classed as equity. Incremental costs directly attributable to the value of new shares or options are shown in equity as a deduction from the proceeds in the share premium account where the shares were issued at a premium or, where issued at par or where the issue costs exceed the premium on the issue, to retained earnings.

The capital redemption reserve represents the nominal value of shares cancelled.

Other reserve includes the cumulative actuarial gains and losses charged/credited to this reserve in relation to defined benefit pension schemes and also merger relief.

Foreign exchange includes gains/losses arising on retranslating the net assets of overseas operations.

Retained earnings includes cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

(aa) New standards, amendments and interpretations adopted by the Group

A number of amendments to Standards have become effective for financial periods beginning on (or after) 1 January 2019, and are therefore applicable for the 31 December 2019 financial statements. The amendments listed below have been included in these consolidated financial statements (where applicable) as if they had been applied for the first time as at 1 January 2019.

New standards and amendments effective for periods beginning on or after 1 January 2019 and therefore relevant to these financial statements:

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

Of the pronouncements above, the amendment to IFRS 9 is not relevant to the Group. All of the other pronouncements are relevant, but only the application of IFRS 16 and IFRIC 23 results in the accounting applied by the Group changing.

IFRIC 23

The Group assessed its tax provisions in light of the requirements of IFRIC 23 which has resulted in the release of provisions of £1,562k. It was considered more likely than not that the Group would not be required to pay this additional level of tax in relation to the tax due on the disposal of the Football Pools division in 2017.

IFRS 16

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

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

A) Definition of a lease

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

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not

Notes to the financial statements continued

identified as leases under IAS 17 and IFRIC 4 were not re-assessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

B) As a lessee

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

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

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

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

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

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

i) Significant accounting policies

See accounting policy (j) for a description of the Group's accounting policy in relation to right-of-use assets and lease liabilities.

ii) Transition

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

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

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

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

C) Impacts on the financial statements

i) Impacts on transition

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

	Note		At 1 January 2019 £000
Right-of-use asset presented in property, plant and equipment	16	Dr	7,935
Lease liabilities	24	Cr	(9,445)
Onerous lease liability derecognised	23	Dr	214
Deferred tax liability	19	Dr	(146)
Retained earnings		Dr	(1,442)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rates in the jurisdictions in which the leases are located. The weighted average rate applied was 5.75%. The effect of a 1% increase in the discount rates applied would be to reduce the right of use asset recognised by £472k and reduce the lease liability by £419k.

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

	At 1 January 2019 £000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	12,226
Exclude rentals in JV company included in the above commitments	(474)
Restated commitments excluding JV rentals	11,752
Less:	
Discounted using the incremental borrowing rates at 1 January 2019	(3,495)
Recognition exemption for leases of low value assets	(9)
Recognition exemptions for leases with less than 12 months lease term at transition	(30)
Correction of rental amounts to accurately reflect liability	(24)
Add:	
Extension options reasonably certain to be exercised	1,251
Lease liabilities recognised at 1 January 2019	9,445

ii) Impacts for the period

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

(ab) New standards, amendments and interpretations not yet effective and not adopted by the Group

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group.

Standard or interpretation	Applicable
IFRS 17 Insurance Contracts	1 January 2021

IFRS 17 is not relevant to the Group.

Notes to the financial statements continued

1. ADJUSTED PERFORMANCE MEASURES

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of expenditure management believe should be added back (exceptional items). The share option expense is also excluded given it is not directly linked to operating performance of the divisions. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. This measure provides the most reliable indicator of underlying performance of each of the trading divisions. This is considered the most reliable indicator as it is the closest approximation to cash generated by underlying trade, excluding the impact of one-off items of a material nature and working capital movements.

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

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

	Note	2019 £000	2018 £000
Operating costs per income statement		**(53,240)**	(47,196)
Add back:			
Sports betting investment		**1,773**	1,428
Depreciation	15,16	**4,597**	2,860
Amortisation, excluding acquired intangible assets	14	**2,630**	1,917
Amortisation of acquired intangible assets	14	**467**	–
Profit on sale of property plant, plant and equipment	15	**(1)**	–
Impairment of property, plant and equipment	15	**5,020**	–
Share option charge, excluding acceleration of charge for departing management	29	**676**	1,222
Accelerated IFRS 2 charge for departing management	29	**746**	–
Exceptional items	4	**1,230**	3,453
Adjusted operating costs, pre sports betting investment		**(36,102)**	(36,316)
Other operating income*	4	**–**	173
Total adjusted net operating costs, pre sports betting investment		**(36,102)**	(36,143)

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

Adjusted EBITDA is calculated as below.

	2019 £000	2018 £000
Revenue	**64,783**	63,462
Cost of sales	**(17,896)**	(17,619)
Gross profit	**46,887**	45,843
Marketing and distribution costs	**(1,472)**	(1,732)
Contribution	**45,415**	44,111
Adjusted operating income and costs (pre sports betting investment)	**(36,102)**	(36,143)
Adjusted EBITDA pre sports betting investment	**9,313**	7,968
Sports betting investment	**(1,773)**	(1,428)
Adjusted EBITDA	**7,540**	6,540
Adjustment to prior year for IFRS 16 comparability purposes*	**–**	1,748
	7,540	8,288

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

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

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

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

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

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

Notes to the financial statements continued

2. SEGMENTAL REPORTING

2019	Sportech Racing and Digital £000	Sportech Venues £000	Corporate costs £000	Inter-segment elimination £000	Group £000
Revenue from sale of goods	1,420	–	–	–	1,420
Revenue from Bump 50:50	2,002	–	–	–	2,002
Revenue from food and beverage sales	–	4,395	–	–	4,395
Revenue from rendering of services	33,103	24,431	–	(568)	56,966
Total revenue	36,525	28,826	–	(568)	64,783
Cost of sales	(4,446)	(14,018)	–	568	(17,896)
Gross profit	32,079	14,808	–	–	46,887
Marketing and distribution costs	(648)	(824)	–	–	(1,472)
Contribution	31,431	13,984	–	–	45,415
Adjusted net operating costs (note 1)	(22,845)	(11,756)	(1,501)	–	(36,102)
Adjusted EBITDA (pre sports betting investment)	**8,586**	**2,228**	**(1,501)**	**–**	**9,313**
Sports betting investment	–	(1,773)	–	–	(1,773)
Adjusted EBITDA	**8,586**	**455**	**(1,501)**	**–**	**7,540**
Share option charge, excluding acceleration of charge for departing management	–	–	(676)	–	(676)
Depreciation	(2,396)	(2,169)	(32)	–	(4,597)
Profit on sale of property, plant and equipment	1	–	–	–	1
Amortisation (excluding amortisation of acquired intangible assets)	(2,388)	–	(242)	–	(2,630)
Segment result before amortisation of acquired intangibles	3,803	(1,714)	(2,451)	–	(362)
Acceleration of IFRS 2 charge for departing management	–	–	(746)	–	(746)
Amortisation of acquired intangibles	(467)	–	–	–	(467)
Impairment of property, plant and equipment	–	(5,020)	–	–	(5,020)
Exceptional costs (net)	(137)	(342)	(661)	–	(1,140)
Operating profit/(loss)	3,199	(7,076)	(3,858)	–	(7,735)
Net finance costs					(695)
Loss before taxation					(8,430)
Taxation					(6,034)
Loss for the year					(14,464)
Segment assets	107,143	27,697	12,749	(80,789)	66,800
Segment liabilities	(37,147)	(20,987)	(51,478)	80,789	(28,823)
Other segment items					
Capital expenditure – Intangible assets	2,602	–	46	–	2,648
Capital expenditure – Property, plant and equipment	971	198	–	–	1,169

2018 Restated	Sportech Racing and Digital £000	Sportech Venues £000	Corporate costs £000	Inter-segment elimination £000	Group £000
Revenue from sale of goods	1,770	–	–	(44)	1,726
Revenue from Bump 50:50	1,502	–	–	–	1,502
Revenue from food and beverage sales	–	4,724	–	–	4,724
Revenue from rendering of services	30,732	25,399	–	(621)	55,510
Total revenue	34,004	30,123	–	(665)	63,462
Cost of sales	(3,991)	(14,241)	–	613	(17,619)
Gross profit	30,013	15,882	–	(52)	45,843
Marketing and distribution costs	(736)	(996)	–	–	(1,732)
Contribution	29,277	14,886	–	(52)	44,111
Adjusted operating costs (note 1)	(20,634)	(13,473)	(2,088)	52	(36,143)
Adjusted EBITDA	**8,643**	**1,413**	**(2,088)**	**–**	**7,968**
Sports betting investment	–	(1,428)	–	–	(1,428)
Adjusted EBITDA	**8,643**	**(15)**	**(2,088)**	**–**	**6,540**
Share option charge	–	—	(1,222)	–	(1,222)
Depreciation	(1,715)	(1,115)	(30)	–	(2,860)
Amortisation	(1,743)	–	(174)	–	(1,917)
Segment result	5,185	(1,130)	(3,514)	–	541
Exceptional costs	(2,214)	(65)	(1,174)	–	(3,453)
Operating profit/(loss)	2,971	(1,195)	(4,688)	–	(2,912)
Net finance income					250
Loss before taxation					(2,662)
Taxation					(2,019)
Loss for the year – continuing operations					(4,681)
Net profit from discontinued operations					1,822
Loss for the year					(2,859)
Segment assets	102,967	28,815	16,196	(72,784)	75,194
Segment liabilities	(37,007)	(12,901)	(45,921)	72,784	(23,045)
Other segment items					
Capital expenditure – Intangible assets	3,095	–	11	–	3,106
Capital expenditure – Property, plant and equipment	1,529	398	–	–	1,927

Information by geographical area

	Revenues from external customers		Non-current assets	
	2019 £000	Restated 2018 £000	2019 £000	2018 £000
United Kingdom	**4,784**	4,271	**792**	1,038
North and South America	**53,928**	53,550	**39,751**	44,953
Europe	**5,664**	4,890	**473**	543
Other	**407**	751	**–**	–
Total	**64,783**	63,462	**41,016**	46,534

Notes to the financial statements continued

3. EXPENSES BY NATURE

	Note	2019 £000	2018 £000
Cost of sales			
Tote and track fees		**11,124**	11,261
F&B consumables		**1,326**	1,405
Betting and gaming duties and licences		**824**	738
Repairs and maintenance cost of sales		**346**	335
Ticket paper		**871**	888
Programs		**498**	498
Outsourced service costs		**1,846**	1,684
Cost of inventories sold, including provision for obsolete inventory		**1,061**	810
Total cost of sales		**17,896**	17,619
Marketing and distribution costs			
Marketing		**1,084**	1,261
Vehicle costs		**132**	232
Freight		**256**	239
Total marketing and distribution costs		**1,472**	1,732
Operating costs			
Staff costs – gross, excluding share option charges		**28,052**	27,532
Less amounts capitalised		**(2,034)**	(2,923)
Staff costs – net		**26,018**	24,609
Property costs		**3,612**	5,314
IT & Communications		**1,341**	1,355
Professional fees		**4,833**	4,391
Travel and entertaining		**1,242**	1,353
Banking transaction costs and FX		**264**	310
Provision for doubtful debts	18	**32**	(76)
Other costs		**533**	488
Adjusted operating costs		**37,875**	37,744
Share option charge, excluding exceptional accelerated charges		**676**	1,222
Acceleration of IFRS 2 charge for departing management		**746**	–
Depreciation	15,16	**4,597**	2,860
Profit on sale of property, plant and equipment	15	**(1)**	–
Amortisation, excluding amortisation on acquired intangibles	14	**2,630**	1,917
Amortisation of acquired intangibles	14	**467**	–
Impairment of property, plant and equipment	15	**5,020**	–
Exceptional costs	4	**1,230**	3,453
Total operating costs		**53,240**	47,196

4. EXCEPTIONAL ITEMS

	Note	2019 £000	Restated 2018 £000
Included in operating costs:			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	4(a)	**314**	1,178
Onerous contract provisions and other losses resulting from exit from Californian operations	4(b)	**(184)**	(291)
Losses from Striders Sports Bar (S&S JV)		**249**	291
Corporate activity costs		**81**	–
Costs in relation to the Spot the Ball VAT refund	4(c)	**15**	205
Costs in relation to legacy tax disputes	4(d)	**(152)**	111
Lot.to Systems Limited acquisition costs		**51**	–
One off start-up costs of new ventures, including new venue builds and joint ventures	4(e)	**266**	29
Costs in relation to exiting the Group's interests in India		**20**	51
Impairment of contingent consideration in relation to NYX Gaming		**–**	1,729
Legal costs in relation to intellectual property infringement law suit	4(g)	**–**	150
UK defined benefit pension scheme buy-out	4(f)	**570**	–
		1,230	3,453
Included in other income:			
Settlement received in relation to IP infringement law suit, net of costs	4(g)	**(90)**	–
Included in finance costs:			
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2016		**151**	223
Net exceptional costs		**1,291**	3,676

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

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

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

(c) Costs in relation to Spot the Ball ("STB") VAT refund
Costs were incurred for tax advice in relation to treatment of the 2016 VAT refund for corporation tax purposes.

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

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

Notes to the financial statements continued

(f) UK defined benefit scheme buy-out

The Trustees of the Sportech Pension Scheme entered into a contract with Just Retirement Limited ("Just") on 28 March 2019 to insure the liabilities of the scheme. The Trustees and Just completed a full buy-out and winding up of the scheme in December 2019. The policy cost was £2,450k which was paid utilising the assets in the scheme, which were valued at £2,216k and an additional cash payment from the Company of £234k. The Company also paid all administrative, actuarial and legal costs the Scheme incurred in the process. The Group now has no further future obligations in relation to the scheme.

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

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

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

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

5. EMPLOYMENT COSTS

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

	2019 Number	2018 Number
Sales and marketing	**17**	15
Operations and distribution	**479**	499
Administration and management	**32**	28
Total employees	**528**	542

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and Salaries	**22,684**	21,538
Social security costs	**3,732**	3,764
Pension costs – defined contribution scheme (note 26)	**411**	177
Pension costs – defined benefit scheme (note 26)	**191**	97
Employee remuneration, excluding share option charges	**27,018**	25,576
Share option expense, including acceleration of IFRS 2 charge for departing management	**1,422**	1,222
Total remuneration	**28,440**	26,798

6. DIRECTORS AND KEY MANAGEMENT REMUNERATION

	Directors		Key management	
	2019 £000	2018 £000	2019 £000	2018 £000
Short-term employee benefits	**978**	714	**1,067**	752
Consultancy fees	**–**	76	**–**	76
Share-based payments	**149**	388	**149**	388
Accelerated IFRS 2 charge for departing management	**706**	–	**706**	–
Pay in lieu of notice	**296**	–	**296**	–
Post-employment benefits	**2**	5	**2**	5
Total remuneration	**2,131**	1,183	**2,220**	1,221

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 53 to 57. This information forms part of the financial statements. Retirement benefits are accruing under defined benefit pension schemes for nil Directors (2018: nil). One Director exercised share options in the year (2018: nil).

Key management is considered to be the Directors of the Company (Executive and Non-executive). Consultancy fees are amounts payable to Richard Cooper in providing additional services to Group companies in his capacity as Non-executive Director following the resignation of Mickey Kalifa, as detailed in the Remuneration report on page 54. Consultancy fees of £100k in 2018, paid to Richard McGuire are included in short-term employee benefits.

7. AUDITOR REMUNERATION

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

	2019 £000	2018 £000
Audit fees – previous auditor	**63**	294
Audit fees – current auditor	**269**	–
Corporate finance services – current auditor	**50**	–
Other assurance services	**11**	–
Total fees	**393**	294

Notes to the financial statements continued

8. NET FINANCE COSTS

	2019 £000	Restated 2018 £000
Finance costs:		
Interest payable on bank loans, derivative financial instruments and overdrafts	–	(22)
Interest accrued on corporation tax liabilities	(151)	(223)
Interest on lease obligations (note 24)	(480)	–
Interest on defined benefit pension obligation (net) (note 26)	(25)	(45)
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	(78)	–
Unwinding of interest on discounted provisions (note 23)	(24)	–
Total finance costs	(758)	(290)
Finance income:		
Interest received on bank deposits	63	85
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	–	363
Unwinding of interest on discounted non-current balances	–	92
Total finance income	63	540
Net finance (costs)/income	(695)	250

Of the above amounts the following have been excluded for the purposes of deriving the alternative performance measures in note 1.

	2019 £000	2018 £000
Foreign exchange (loss)/gain on financial assets and liabilities denominated in foreign currency	(78)	363
Interest accrued on corporation tax liabilities	(151)	(223)
Unwinding of interest on discounted provisions (note 23)	(24)	–
Unwinding of interest on discounted non-current balances	–	92
	(253)	232

9. TAXATION

The Group's tax charge from continuing operations comprises:

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

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

	2019 £000	Restated 2018 £000
Loss before tax	**(8,430)**	(2,662)
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	**(1,762)**	(570)
Tax effects of:		
– expenses not deductible for tax purposes net of income not taxable	**1,382**	1,562
– effect of changes in tax rates	**1**	53
– adjustments in respect of prior years – current tax	**136**	(570)
– adjustments in respect of prior years – deferred tax	**104**	(13)
– deferred tax not previously provided	**(14)**	(104)
– derecognition of previously recognised deferred tax assets	**6,187**	1,661
Total tax charge	**6,034**	2,019

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

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

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

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

An analysis of the current tax liabilities is as follows:

	Note	2019 £000	2018 £000
At 1 January		**6,563**	7,106
Release of provision – transition to IFRIC 23		**(1,562)**	–
		5,001	7,106
Charged to the income statement		**1,251**	1,407
Paid during the year		**(1,356)**	(2,029)
Acquired with subsidiary	10	**3**	–
Foreign exchange movements		**(19)**	79
At 31 December		**4,880**	6,563

Notes to the financial statements continued

10. ACQUISITION OF LOT.TO SYSTEMS LIMITED

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

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

Goodwill arising on the acquisition amounted to £604k and is determined to be knowledge and expertise of the workforce.

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

Fair value of consideration at 1 February 2019	Note	2019 £000
Ordinary shares in Sportech PLC (2,000,000 shares at 35.7p*)	29	**714**
Repayment of shareholder loan	25	**1,300**
Total fair value of consideration transferred		**2,014**
Recognised fair value of identifiable assets acquired and liabilities assumed		
Intangible fixed assets – software	14	**1,377**
Intangible fixed assets – licences	14	**150**
Tangible fixed assets – fixtures and fittings	15	**1**
Cash at bank and in hand		**71**
Trade and other receivables		**99**
Trade and other payables		**(14)**
Corporation tax liability	9	**(3)**
Deferred tax on acquired intangibles	19	**(271)**
Total identifiable net assets		**1,410**
Goodwill	13	**604**
Total fair value of consideration transferred		**2,014**

**Share price of the Company on 1 February 2019.*

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

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

Acquisition costs amounted to £51k and have been recognised as an expense in the consolidated income statement as an exceptional item (see note 4).

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

Lot.to has contributed revenues of £570k and a loss after tax of £540k to the Group results from the acquisition date to 31 December 2019. Had the acquisition occurred on 1 January 2019, the Group's revenue for the period ended 31 December 2019 would have been £64,792k and the Group's loss for the period would have been £14,528k. These amounts have been determined by applying the Group's accounting policies and adjusting the results of Lot.to to reflect additional amortisation that would have been charged, assuming the fair value adjustments to intangible assets had been applied from 1 January 2019. Lot.to's loss after tax for the period 1 February 2019 to 31 December 2019 excluding amortisation of acquired intangibles net of deferred tax was £162k and for the period prior to acquisition from 1 January 2019 was a profit after tax of £7k.

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

11. DISCONTINUED OPERATIONS

Results from discontinued operations in the prior year includes the Football Pools division, disposed of in June 2017, and also the Venues business in The Netherlands, Sportech Racing BV and its subsidiaries ("Sportech Holland"), disposed of in July 2018.

The Board considered its Venues business in the Netherlands, Sportech Racing BV and subsidiaries, to be an asset held for sale as at 31 December 2017, with a sale being considered probable within 12 months from the reporting date.

A reconciliation of the net (loss)/profit on discontinued operations is shown below.

	2019			2018		
	FP £000	Holland* £000	Total £000	FP* £000	Holland £000	Total £000
Revenue	–	–	–	–	3,065	3,065
Cost of sales, marketing and distribution and adjusted operating expenses	–	–	–	78	(2,968)	(2,890)
Adjusted EBITDA	–	–	–	78	97	175
Depreciation and amortisation	–	–	–	–	(93)	(93)
Exceptional items	–	–	–	–	(461)	(461)
Finance costs	–	–	–	–	(18)	(18)
Profit/(loss) before tax	–	–	–	78	(475)	(397)
Tax, excluding tax arising on disposal	–	–	–	(169)	–	(169)
Loss after tax	–	–	–	(91)	(475)	(566)
Gain on disposal (note 11a)	–	–	–	59	2,329	2,388
Net result from discontinued operations	–	–	–	(32)	1,854	1,822

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

Exceptional costs incurred in the prior period by Sportech Holland were redundancy and restructuring costs in respect of a rationalisation of this business.

For Football Pools: £78k of income in the prior period related to a £115k release of a provision no longer required, net of £37k of costs incurred in the year. The tax charge related to tax on the income in the year plus a prior year adjustment to write off a deferred tax asset which is no longer recoverable.

No further costs are expected going forward within either of these legacy divisions.

Notes to the financial statements continued

11a) Net gain/(loss) on disposal

	FP 2018 £000	Holland 2018 £000	Total 2018 £000
Consideration, net of working capital adjustments	73	3,007	3,080
Net assets disposed of	–	(318)	(318)
Goodwill relating to the Football Pools division	–	–	–
Transaction costs incurred in the year	–	(360)	(360)
Pre-tax gain/(loss) on disposal	73	2,329	2,402
Tax arising on disposal	(14)	–	(14)
Gain/(loss) on disposal	59	2,329	2,388

At 31 December 2017, £202k was accrued as a receivable from Op Capita, the acquirers of The Football Pools. During 2018, an amount of £275k was agreed as payable (and was paid in December 2018), and therefore further consideration of £73k was credited to the income statement as gain on disposal. The additional proceeds were taxed at 19%.

Of the consideration receivable for Sportech Racing BV, £2,692k was received in cash during the prior year and £314k was recorded as contingent consideration receivable and was received in January 2019. Transaction costs of £78k were also paid in January 2019, the rest having been settled in cash in 2018. No tax was payable on the disposal of Sportech Racing BV as Substantial Shareholder Relief was being applied.

12. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

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

c) Adjusted

Adjusted EPS is calculated by dividing the adjusted profit after tax (as defined in note 1) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

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

13. GOODWILL

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

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

Movements in the Group's goodwill are shown below:

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

Notes to the financial statements continued

14. INTANGIBLE FIXED ASSETS

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

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

Impairment – Licences

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

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

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

- EBITDA forecasts assume year-on-year handle decline in the core operating business of 8.0% in 2020 and 5.0% per annum thereafter and 1.0% decline into perpetuity;
- 9.9% increase in online handle in 2020, 3% in 2021, 2% in 2022 and 2023 and 2% into perpetuity;
- Handle at our Stamford venue is assumed to remain flat through the period to 2023 and into perpetuity;
- a 3.1% increase in core F&B revenues, which excludes the Stamford venue, in 2020 and then declines of 6.0% in 2021, 0.9% in 2022 and 2023 and thereafter stable revenues into perpetuity;
- F&B revenues at the Stamford venue are forecasted to increase by 12.6% in 2020 and remain flat thereafter to 2023 and then grow by 2% into perpetuity;
- capital expenditure was included in the cash flows at management's best estimate of industry norm for reinvestment in retail outlets of the kind under review; and

- a post-tax discount rate of 9.5% (2018: 9.1%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU. The pre-tax discount rate was 13.3% (2018: 12.0%).

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

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

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

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

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

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

Notes to the financial statements continued

15. PROPERTY, PLANT AND EQUIPMENT

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

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

Impairment

Management considered that indicators of impairment of assets at the Stamford sports bar venue in Connecticut, USA had arisen during the year, based on its trading performance, and therefore an impairment test was carried out to determine the value-in-use of the assets at the venue. The carrying value of the assets at 31 December 2019, prior to any impairment was £7,460k ($9,854k). The following key assumptions were made in the value-in-use calculation, which were also used in the impairment test for the Venues CGU (note 14):

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

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

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

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

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

16. RIGHT-OF-USE ASSETS

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

Depreciation charges have been included in operating costs.

Notes to the financial statements continued

17. NET INVESTMENT IN JOINT VENTURES/ASSOCIATES

During the year, the Group held a 50% investment in Striders sports bar in San Diego, as part of the joint venture company S&S Venues California, LLC. Striders is a food and beverage venue with on-site wagering facilities in California. It commenced trading in February 2017 and ceased trading in December 2019.

a) Movements in the Group's net investment in joint ventures and associates

	2019		2018	
	S&S Venues £000	Total £000	S&S Venues £000	Total £000
At 1 January	**–**	**–**	–	–
Additions	**184**	**184**	291	291
Income statement items:				
Impairment	**–**	**–**	(44)	(44)
Share of loss after tax	**(1,213)**	**(1,213)**	(247)	(247)
Restriction of losses recognised	**1,029**	**1,029**	–	–
Net income statement charge (see below)	**(184)**	**(184)**	(291)	(291)
Exchange differences	**–**	**–**	–	–
At 31 December	**–**	**–**	–	–

The share of loss after tax (restricted to the level of investment made) of the S&S Venues joint venture has been charged to exceptional costs (see note 4), given the movement in provision for onerous contracts in relation to this joint venture, equivalent to the losses incurred, has been released to exceptional costs, the original provision having been recorded through exceptional costs in 2017.

b) Capital commitments and future obligations

Sportech Venues Inc. is a guarantor for certain future obligations of S&S Venues California LLC. As the Group had decided to exit California those commitments have been provided for in full. See note 23 for further details.

c) Summarised financial information of joint venture investments held at the reporting date

Summarised financial information of the Striders bar in San Diego is presented as below:

	2019 £000	2018 £000
Non-current assets	**401**	1,901
Current assets	**68**	133
Total assets	**469**	2,034
Current liabilities	**(205)**	(72)
Non-current liabilities	**(684)**	–
Total liabilities	**(889)**	(72)
Net (liabilities)/assets	**(420)**	1,962
Revenue	**603**	607
Expenses	**(3,029)**	(1,102)
Loss for the year	**(2,426)**	(495)

18. TRADE AND OTHER RECEIVABLES

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

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

Movements in the provision for impairment of receivables in the year is shown below:

	2019 £000	2018 £000
At 1 January	**1,569**	1,606
(Charged)/released to the income statement	**32**	(76)
Utilisation of provision	**(720)**	(34)
Foreign exchange movements	**(6)**	73
At 31 December	**875**	1,569

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

	2019 £000	2018 £000
Sterling	**1,562**	1,092
US Dollar	**5,601**	5,689
Euro	**415**	1,582
Other	**524**	473
Total	**8,102**	8,836

Trade receivables that are not more than three months past due are not considered impaired. As at 31 December 2019, £956k (2018: £1,041k) of trade receivables were more than three months past due and not impaired. Management also considers that these receivables are recoverable in full.

Notes to the financial statements continued

19. DEFERRED TAX

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

	Note	Asset 2019 £000	Liability 2019 £000	Net 2019 £000	2018 £000
Net deferred tax asset at 1 January		**5,979**	**–**	**5,979**	6,406
Transition to IFRS 16		**(146)**	**–**	**(146)**	–
Income statement (debit)/credit – continuing operations	9	**(4,872)**	**89**	**(4,783)**	(612)
Income statement debit – discontinued operations		**–**	**–**	**–**	(175)
Business combination	10	**–**	**(271)**	**(271)**	–
Tax credited/(debited) directly to other comprehensive income		**117**	**–**	**117**	(83)
Exchange differences		**(88)**	**–**	**(88)**	443
Net deferred tax asset at 31 December		**990**	**(182)**	**808**	5,979
Included in:					
Non-current assets		**990**	**–**	**990**	5,979
Current liabilities		**–**	**(89)**	**(89)**	–
Non-current liabilities		**–**	**(93)**	**(93)**	–
		990	**(182)**	**808**	5,979

Deferred tax assets

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

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

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

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

Deferred tax liabilities

	Note	Other temporary differences £000	Total £000
At 1 January 2018 and 2019		–	–
Business combination	10	(271)	(271)
Income statement credit		89	89
At 31 December 2019		**(182)**	**(182)**

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

20. INVENTORIES

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

The cost of inventories recognised as an expense and included in cost of sales amounted to £1,061k for terminal inventory and £1,326k for food and beverage inventory (2018: £810k and £1,405k respectively). Food and beverage inventory is included in finished goods. Provisions for obsolescence held against inventories at 31 December 2019 amounted to £455k (2018: £286k). The provision for obsolete inventories has increased in the year as a result of spare parts which have not been utilised for a period of time. Those spare parts must be held by the Group for terminals that are in use at customer sites.

21. CASH AND CASH EQUIVALENTS

	Note	2019 £000	2018 £000
Cash and short-term deposits		**12,985**	14,728
Customer funds	22	**2,580**	3,187
		15,565	17,915

The fair value of cash and cash equivalents is not considered to be different from the carrying value recorded in the financial statements.

Cash balances of £2,580k (2018: £3,187k) are held on behalf of customers in respect of certain online and telephone betting activities (amounts deposited by telephone betting customers in Connecticut, USA are held in separate accounts). The corresponding liability is included within trade and other payables (see note 22).

Notes to the financial statements continued

22. TRADE AND OTHER PAYABLES

	Note	2019 £000	Restated 2018 £000
Trade payables		**6,083**	4,018
Other taxes and social security costs		**327**	113
Accruals		**3,519**	5,605
Deferred income		**344**	246
Player liability	21	**2,580**	3,187
		12,853	13,169

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

23. PROVISIONS

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

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

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

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

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

24. LEASE LIABILITIES

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

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

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

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

25. FINANCIAL LIABILITIES

	2019 £000	2018 £000
Deferred consideration due within one year, recognised within:		
Current liabilities	500	–
Non-current liabilities	–	–
	500	–

Deferred consideration outstanding at the balance sheet date represented amounts due for the acquisition of Lot.to Systems Limited. The amount was paid in full in January 2020.

Movements on this financial liability in the year are as below:

	2019 £000	2018 £000
At 1 January	–	175
Deferred consideration arising	1,300	–
Instalment payments made	(800)	(167)
Currency movements	–	(8)
At 31 December	500	–

Prior year opening contingent consideration related to earn out amounts for Bump (Worldwide) Inc.

Notes to the financial statements continued

26. PENSION SCHEMES

The Group operates defined contribution schemes, and up until its buy-out and dissolution in December 2019, a funded defined benefit scheme in the UK. Datatote and Lot.to employees contribute to a separate defined contribution scheme to that of Sportech PLC employees. The Group operates a further funded defined benefit scheme in the US, two defined contribution schemes in the US and a defined contribution scheme in Ireland.

Summary of pension contributions paid

	2019 £000	2018 £000
Defined contribution scheme contributions	**411**	177
Defined benefit scheme contributions	**755**	692
Total pension contributions	**1,166**	869

Defined contribution schemes

In the UK, employer contributions for Sportech are set at a maximum of 8% of pensionable salaries. A defined contribution scheme for non-unionised employees, including eBet, is operated in the US, into which the Group contributes 37.5% of the first 6% of participant contributions. A further defined contribution scheme is available for unionised employees; the Group does not make contributions into this scheme.

A Registered Retirement Savings Plan ('RRSP') exists for employees in Canada. The Group makes contributions to a limit of 50% of the first 6% of participant contributions.

For employees in Ireland (of which there are 13), the Group contributes between 7.5% and 12.5% of salary, dependent on length of service, into a defined contribution scheme.

For employees in France and Turkey (of which there are one and seven respectively), all pensions cover is provided through employer and employee social security contributions.

Defined benefit schemes

In disposing of certain business assets with the Football Pools division in 2017, the defined benefit pension scheme was retained by Sportech.

The scheme was formed on 6 April 2001 and was governed by a Definitive Trust Deed and Rules. It was a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004. The scheme was contracted out of the State Second Pension Scheme and was not open to new members. The assets of this scheme were held in an independent Trustee administered fund. In March 2019, the Group agreed a buy-in of the scheme with Just Financial Services and the buy-out was completed in November 2019 and as such the scheme was dissolved in December 2019.

The US defined benefit scheme is administered by an insurance company in the US and provides retirement benefits to employees who are members of a collective bargaining unit represented by the International Brotherhood of Electrical Workers. Benefits are based on value times credited service.

The amounts recognised in the balance sheet within non-current liabilities were as follows:

	2019			2018		
	US £000	UK £000	Total £000	US £000	UK £000	Total £000
Fair value of plan assets	**3,687**	**–**	**3,687**	3,652	2,168	5,820
Present value of the schemes' liabilities	**(4,766)**	**–**	**(4,766)**	(4,583)	(2,139)	(6,722)
Deficit in the schemes	**(1,079)**	**–**	**(1,079)**	(931)	29	(902)

There is a funding obligation in relation to the US defined benefit scheme whereby not less than 80% of the liability must be represented by its assets. At the balance sheet date, that shortfall was £126k (2018: £15k), and will be settled by the Group in 2020.

The figures below have been determined by qualified actuaries at the balance sheet date using the following assumptions:

	US 2019	UK 2019*	US 2018	UK 2018
Discount rate	3.25%	1.9%	4.25%	2.7%
Rate of increase in salaries	N/A	3.3%	N/A	3.5%
Rate of inflation	N/A	3.3%	N/A	3.5%
Mortality table	Pri-2012 Total Dataset (Employee/ Retiree) with Scale MP-2019	S2NxA CMI 2018 projections 1.5% per annum long-term rate of improvement	RP-2014 Total Dataset Adjusted to 2006 with Scale MP-2018	S2NxA CMI 2017 projections 1.5% per annum long-term rate of improvement

** At date of buy-out.*

The qualified actuaries who valued the scheme are Barnett Waddingham LLP for the UK and The Prudential Insurance Company for the US scheme.

The movement in the net defined benefit obligation over the year is as follows:

	Present value of obligation £000	Fair value of plan asset £000	Total £000
At 1 January 2019	6,722	(5,820)	902
Income statement expense/(income):			
– Current service cost	191	–	191
– Interest expense/(income)	232	(207)	25
– Administrative expenses	–	77	77
	423	(130)	293
Remeasurements:			
– Currency exchange movements	(203)	161	(42)
– Loss/(gain) from change in actuarial assumptions	446	(47)	399
	243	114	357
Curtailments	(2,160)	2,442	282
Contributions:			
– Employer's	–	(755)	(755)
Payments from plans:			
– Benefit payments	(462)	462	–
At 31 December 2019	**4,766**	**(3,687)**	**1,079**

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

Notes to the financial statements continued

	Present value of obligation £000	Fair value of plan asset £000	Total £000
At 1 January 2018	6,778	(5,241)	1,537
Income statement expense/(income):			
– Current service cost	97	–	97
– Interest expense/(income)	217	(172)	45
– Administrative expenses	–	136	136
	314	(36)	278
Remeasurements:			
– Currency exchange movements	289	(195)	94
– (Gain)/loss from change in actuarial assumptions	(433)	118	(315)
	(144)	(77)	(221)
Contributions:			
– Employer's	–	(692)	(692)
Payments from plans:			
– Benefit payments	(226)	226	–
At 31 December 2018	6,722	(5,820)	902

Effect of change of assumptions on liability values

For the US scheme, under the adopted mortality tables, if the future life expectancy were to be decreased by one year the liabilities would decrease by £10k.

For the US, if the discount rate were to be increased to 3.75% the liabilities would decrease by £205k.

Future commitments – employer contributions

The expected employer annual contributions to the schemes for the financial year ending 31 December 2020 amount to £454k (year ended 31 December 2019: £528k).

Future commitments – benefit payments

Estimated future benefit payments for the next ten fiscal years for the US scheme are:

	Less than a year £000	1 and 2 years £000	2 and 5 years £000	Over 5 years £000	Total £000
US pension scheme	590	464	932	6,796	8,782

The weighted average duration of the US scheme is approximately 9.8 years (2018: 8.4 years).

Pension risks

Through its defined benefit pension plans, the Group is exposed to a number of risks, however now the UK plan is dissolved, the Group is no longer subjected to inflation risk as benefits for members of the US scheme are fixed and funds are invested in a guaranteed return investment. The remaining significant risks are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to the Pru Above Mean Curve; if plan assets underperform this yield, this will create a deficit. The US pension scheme assets are invested in a guaranteed return fund. The plan purchases annuities under the GR-03607 contract at retirement. Under this contract, annuities are purchase based on a table of fixed factors that are not subject to the rate environment at retirement, which removes volatility and risk on asset values.

Changes in the Pru Above Mean Curve

A decrease in the Above Mean Curve will increase plan liabilities.

Life expectancy
The plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

27. FINANCIAL INSTRUMENTS

Financial risk management policies and objectives

The key financial risks borne by the Group, and the policy of managing those risks, are outlined below:

Liquidity risk
The Group is exposed to liquidity risk and has to manage its cash requirements. In managing short term divisional liquidity risks, cash flow forecasting is performed on a weekly basis in the operating entities and is aggregated by Group finance. This weekly forecasting recognises committed short-term payables of the Group which are monitored and managed through regular discussions with suppliers. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure each operating entity has sufficient cash to meet operational needs. Cash surpluses are managed centrally by Group finance and cash swept up/pushed down as cash surpluses/requirements arise.

Credit risk
The Group's main exposure to credit risk is in accounts receivable in the Sportech Racing and Digital segment and is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry, country in which customers operate. Credit risk is managed locally by assessing the creditworthiness of each new customer before agreeing payment and delivery terms.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on annual revenue and the corresponding historical credit losses experienced over the past five years as annual percentages. On that basis, no loss allowance as at 31 December 2019 and 1 January 2019 (on adoption of IFRS 9) was determined other than specific provisions for bad debts in trade receivables.

The Group does not hold significant amounts of deposits with banks and financial institutions and the cash which is deposited is spread over a few of financial institutions with Moody's ratings of A or above (defined as upper-medium grade and subject to low credit risk). Amounts held in cash for the Sportech Venues division are held in highly secure environments.

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. Foreign exchange risk arises from transactions undertaken in foreign currencies, the translation of foreign currency monetary assets and liabilities and from the translation into Sterling of the results and net assets of overseas operations.

The Group continually monitors the foreign currency risks and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. In doing so, the Group considers whether use of foreign exchange forward contracts would be appropriate in fixing the economic impact of forecasted profitability. As at 31 December 2019, there were no outstanding commitments on foreign exchange forward contracts (2018: none). The Group did not enter into any forward contracts during the year (2018: the Group did not enter into any forward contracts).

The functional currencies of the individual entities in the Group is kept under review.

The average rate for the US Dollar and Euro in both the current and previous reporting period are as outlined below.

	2019		2018	
	Average	Closing	Average	Closing
US Dollars	**1.27**	**1.32**	1.33	1.27
Euro	**1.14**	**1.18**	1.13	1.11

Notes to the financial statements continued

If the exchange rates in 2019 were comparable to those in 2018, loss after tax would have been £11,426k and the net assets would have been £44,480k at 31 December 2019.

Capital risk management

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

Financial assets and liabilities

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

	2019 £000	Restated 2018 £000
Financial assets measured at amortised cost	**7,099**	7,800
Financial liabilities measured at amortised cost	**(13,009)**	(12,924)

Maturity of financial liabilities

Except for lease obligations (see note 24) all non-derivative financial liabilities are all payable within twelve months.

28. CONTINGENCIES AND COMMITMENTS

Capital commitments

The Group had no contracts placed for capital expenditure that were not provided for in the financial statements at the current or prior year end dates.

Operating lease commitments

2018 presentation under IAS 17 Leases: The Group leases various off-track betting venues and other operating sites under non-cancellable operating lease arrangements. The lease terms are generally between three and five years and are renewable at the end of the lease period at market rates.

2019 presentation under IFRS 16 Leases: The Group includes all leases on balance sheet as Right-of-use assets with a corresponding lease liability, other than leases which are short leases (terms of 12 months or less) or low value leases (asset value of less than $5,000). Leases that qualify for these exemptions are included within the disclosures below for 2019.

The expenditure charged to the income statement was £2k (2018: £2,249k).

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

	2019 £000	2018 £000
No later than one year	**2**	1,932
Later than one year and no later than five years	**15**	4,414
Later than five years	**–**	5,880
Total	**17**	12,226

Other financial commitments

The Group continues to provide a performance guarantee bond in Turkey amounting to $200k at 31 December 2019. This is to facilitate provision of a customer service contract in the territory.

Contingent items

Tax

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

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

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

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

Other contingent items
M&A activity
Both the 2017 sale of the Football Pools division and the 2018 sale of the Group's Venues business in The Netherlands have customary seller warranties under the terms of the Sale and Purchase Agreements. Those warranties have been provided in good faith by management in light of the probability of certain events occurring. The possibility of material claims being made under the seller warranties in either deal is considered by management to be remote.

Legal
The Group is engaged in certain disputes in the ordinary course of business which could potentially lead to outflows greater than those provided for on the balance sheet. The maximum possible exposure considered to exist, in view of advice received from the Group's professional advisors, is up to £0.5m (£2018: 0.5m). Management are of the view that the risk of those outflows arising is not probable and accordingly they are considered contingent items.

29. ORDINARY SHARES

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

Potential issue of ordinary shares

The Performance Share Plan
Certain Executive Directors and senior Executives have been awarded grants to acquire shares in the Company under the PSP, subject to performance conditions.

Movement in share awards in respect of the Performance Share Plan are shown below:

	2019 £000	2018 £000
Outstanding awards at 1 January	**2,037**	3,255
Increase in awards for dividend in December 2018	**–**	1,091
Exercised	**–**	(1,137)
Lapsed as a result of failure to meet performance conditions	**(2,037)**	(1,139)
Lapsed due to employees leaving the Group	**–**	(33)
Outstanding awards at 31 December	**–**	2,037

Notes to the financial statements continued

Dividend adjustment
As per the terms of the Sportech Share Performance Plan, a dividend adjustment was made to awards outstanding at 31 December 2017 to compensate award holders for the dividend paid by the Company in December 2017. The adjustment was agreed to be 0.335 as disclosed in the 2018 Remuneration Report on page 57.

Performance conditions
The Remuneration Committee can set different performance conditions from those described below for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described below. The Committee determines the comparator group for each award.

The Remuneration Committee may also vary the performance conditions applying to existing awards if an event has occurred that causes the Committee to consider that it would be appropriate to amend the performance conditions, provided that the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

The awards are at nil cost to the employee. Awards will normally vest on the third anniversary of the date of grant subject to the participants' continued employment within the Group and the satisfaction of the performance conditions noted below

2017 grant
The vesting of all of the award was dependent on the Company's TSR over a fixed three-year period commencing 3 March 2017 relative to that of the FTSE Small Cap index (excluding investment trusts). For the purpose of calculating TSR, the base figure is averaged over the six weeks preceding the start of the performance period and the end figure is averaged over the last six weeks of the performance period.

A vesting schedule no less demanding than the following applied:

The Company's TSR performance over the performance period relative to comparator index	Extent of vesting
Equal to the index	25%
Between equal to the index and upper quartile	Pro rata between 25% and 100%
Upper quartile or better	100%

In addition to the primary performance condition, the award was also subject to a financial underpin condition. It was determined in March 2019 that none of the award would vest, accordingly all awards lapsed in 2019.

2015 grant
The vesting of one-half of the award ('Part A') was dependent on the Company's TSR over a fixed three-year period beginning on the date of grant relative to that of the FTSE Small Cap Index (excluding investment trusts). For the purpose of calculating TSR, the base figure is averaged over the six weeks preceding the start of the performance period and the end figure is averaged over the last six weeks of the performance period. No portion of Part A would vest unless the Company's TSR performance at least matched that of the index. Thereafter, a vesting schedule no less demanding than the TSR condition on the 2017 grant as outlined above. The vesting of the second half of the award was dependent on an EPS performance criterion ('Part B'). The average annual percentage growth in the Company's EPS in excess of the RPI over the EPS performance period must at least equal 4%. Vesting was determined by the following schedule:

The Company's average annual growth in EPS in excess of RPI during the performance period	Extent of vesting of Part B
Less than 4% per annum	0%
4% per annum	25%
Between 4% and 10% per annum	Pro rata between 25% and 100%
10% or better	100%

It was determined that Part A vesting in full and Part B vested at 0%, therefore an overall vesting of the award of 50% occurred in April 2018. The vesting date was delayed to April due to the Group's results announcement for the year ended 31 December 2017 being delayed until this date.

All PSP grants

Awards are valued using a Stochastic (Monte Carlo) valuation model. The fair value per award granted and the assumptions used in the valuation calculation are as below:

Grant date	March 2017*	November 2016	March 2015
Exercise price	£nil	£nil	£nil
Number of employees issued shares	14	19	25
Share price at date of valuation	£0.988	£0.653	£0.667
Expected term (fixed)	2.67 years	3 years	3 years
Expected volatility	34.2%	43.0%	35.2%
Dividend yield	0%	0%	0%
Fair value of award	£0.585	£0.433	£0.544

** The assumptions disclosed on the March 2017 award are those that were used when valuing the award at 21 July 2017 on creation of the VCP. It is this valuation that triggers the financial statement impact of the awards in issue.*

The weighted average remaining contractual life of outstanding awards under the PSP at 31 December 2019 was nil (2018: ten months). The weighted average exercise price of awards granted during the period was £nil (2018: £nil). PSP awards are not affected by the risk-free rate input since no payment is required by the recipient and therefore no interest could be earned elsewhere.

The expected volatility is based on movements in the historical return index (share price with dividends reinvested) for the three years prior to the award date. The dividend yield does not affect the fair value of the award as the rules of the PSP entitle a participant to receive cash equal in value to the dividends that would have been paid on the vested shares in respect of dividends paid during the vesting period and is therefore assumed to be 0%. See notes 5 and 6 for the total expense recognised in the income statement for share options granted and PSP awards made to Directors and employees respectively.

Value Creation Plan

On 24 May 2017, shareholders approved the creation of a new executive management incentive plan known as the Value Creation Plan (VCP). Participants in the VCP were granted an Award giving them a future right to earn ordinary shares in the Company based on the cumulative total shareholder return generated over the VCP performance period. The VCP provides participants with a pool of ordinary shares with a value equal to 20% of any cumulative shareholder value created above a compound hurdle rate of 8% per annum. However, in the event of a change of control that results in accelerated vesting in 2017 or 2018, or in the case of an Executive Director being deemed a “Good Leaver” (as defined in the VCP rules) in 2017 or 2018, the compound hurdle rates for vesting will be 12% and 10% respectively.

Awards are expected to vest on the fifth anniversary of the deemed date of grant of the Award (for the existing awards, 1 January 2017) to the extent that any applicable performance conditions have been satisfied.

Awards are valued using a Black-Scholes-Merton option pricing model. The fair value per award granted and the assumptions used in the valuation calculation are as below:

Valuation date (date of award issues)	11 September 2019	29 June 2018	21 July 2017
VCP performance period start date	01 January 2017	01 January 2017	01 January 2017
End of vesting period	31 December 2021	31 December 2021	31 December 2021
Share price at period start date	£0.978	£0.978	£0.978
Expected term	2.3 years	3.5 years	4.43 years
Expected volatility	40%	40%	35%
Dividend yield	0%	0%	0%
Risk free rate	0.47%	0.80%	0.51%
Fair value of each issued share in VCP	£8	£279	£463

Notes to the financial statements continued

30. CASH GENERATED FROM OPERATIONS

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

	Note	2019 £000	Restated 2018 £000
Loss before tax – continuing operations		**(8,430)**	(2,662)
Adjustments for:			
Net exceptional items (included in operating costs/income)	4	**1,140**	3,453
Depreciation and amortisation	14,15,16	**7,694**	4,777
Profit on sale of property, plant and equipment	15	**(1)**	
Impairment of assets	15	**5,020**	–
Net finance costs/(income)	8	**695**	(250)
Share option expense		**1,422**	1,222
Employers' taxes paid on options vested		**–**	(67)
Changes in working capital:			
Decrease in trade and other receivables		**734**	1,831
(Increase)/decrease in inventories		**(40)**	76
Decrease in trade and other payables		**(149)**	(2,805)
(Decrease)/increase in customer funds	21	**(607)**	315
Cash generated from operating activities, before exceptional items		**7,478**	5,890

31. RELATED PARTY TRANSACTIONS

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

a. Key management compensation is disclosed in note 6.

b. The Group also invested cash into its joint ventures during the year as outlined in note 16. There were no trading transactions between the Group and any of its joint ventures, and no amounts outstanding at the reporting date.

32. RELATED UNDERTAKINGS

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

Subsidiaries, excluding dormant companies	Country of incorporation	Registered address	Class of shares held	Shareholding
Sportech Group Holdings Limited	England & Wales	1	Ordinary	100%
Sportech Gaming Limited	England & Wales	1	Ordinary	100%
Sportech Pools Limited	England & Wales	1	Ordinary	100%
Sportech Pools Games Limited	England & Wales	1	Ordinary	100%
Sportech Holdco 1 Limited	England & Wales	1	Ordinary	100%
Sportech Holdco 2 Limited	England & Wales	1	Ordinary	100%
Datatote (England) Limited	England & Wales	1	Ordinary	100%
Lot.to Systems Limited	England & Wales	1	Ordinary	100%
Playlot.to Limited	England & Wales	1	Ordinary	100%
Sportech Mauritius Limited	Mauritius	2	Ordinary	100%
Sportech, Inc.	United States	3	Ordinary	100%
Sportech Venues, Inc.	United States	3	Ordinary	100%
eBet Technologies, Inc.	United States	3	Ordinary	100%
Sportech Venues California, LLC	United States	3	Ordinary	100%
Sportech Venues CA Holdco, LLC	United States	3	Ordinary	100%
Sportech Games Holdco, LLC	United States	3	Ordinary	100%
Sportech Racing, LLC	United States	4	Ordinary	100%
Bump Worldwide, Inc.	Canada	5	Ordinary	100%
Sportech Racing Canada, Inc.	Canada	5	Ordinary	100%
Sportech Racing Panama, Inc.	Panama	6	Ordinary	100%
Sportech Racing Limited	British Virgin Islands	7	Ordinary	100%
Racing Technology Ireland Limited	Ireland	8	Ordinary	100%
Autotote Europe GmbH	Germany	9	Ordinary	100%
Sportech Racing GmbH	Germany	10	Ordinary	100%
Sportech Racing Turkey	Turkey	11	Ordinary	100%
Sportech Racing SAS	France	12	Ordinary	100%

Joint ventures and associates	Country of incorporation	Registered address	Class of shares held	Shareholding
Sportshub Private Limited (non-trading)	India	13	Ordinary	50%
S&S Venues California, LLC	United States	3	Ordinary	50%
DraftDay Gaming Group, Inc (non-trading)	United States	14	Ordinary	30%

Notes to the financial statements continued

Dormant companies	Country of incorporation	Registered address	Class of shares held	Shareholding
Sportech Trustees Limited	England & Wales	1	Ordinary	100%
Thepools.com Limited	England & Wales	1	Ordinary	100%
C&P Promotions Limited	England & Wales	1	Ordinary	100%
Pools Promotions Limited	England & Wales	1	Ordinary	100%
Sportech Pools Competitions Company Limited	England & Wales	1	Ordinary	100%
Bet 247 Limited	England & Wales	1	Ordinary	100%
Pools Company Limited	England & Wales	1	Ordinary	100%
Sportech Management Limited	Scotland	15	Ordinary	100%
Sportech Pools Trustee Company Limited	Scotland	15	Ordinary	100%

Registered addresses

Number	Country	Address
1	England & Wales	Icarus House, Hawkfield Close, Hawkfield Business Park, Whitchurch, Bristol, BS14 0BN
2	Mauritius	Intercontinental Trust Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius
3	United States	600 Long Wharf Drive, New Haven, CT 06511
4	United States	1095 Windward Ridge Parkway, Suite 170, Alpharetta, GA 30005
5	Canada	CSC North America Inc., 45 O'Connor Street, Suite 1600, Otawa, Ontario K1P 1A4
7	Panama	Arias, Fabrega & Fabrega, Plaza 2000 Building, 50th Street, Panama
7	British Virgin Islands	Trident Chambers, POB 146, Road Town, Tortola, British Virgin Islands
8	Ireland	Unit 3, IDA Technology Park, Garrycastle, Athlone, Co. Westmeath, Ireland
9	Germany	Nienhausenstrasse 42, 45883 Gelsenkirchen, Germany
10	Germany	Katernbergerstrasse 107, 45327 Essen, Germany
11	Turkey	AksuKosuyolu Cad. KalaykiogluSitesi No: 19/1 Bakirkoy Istanbul
12	France	8 Rue des Freres Caudron, 78140 Velizy, Villacoublay, France
13	India	Tower 2, 4th Floor, International Infotech Park, Vashi Railway Station, New Mumbai
14	United States	Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington, DE 19808
15	Scotland	Collins House, Rutland Square, Edinburgh, Midlothian, EH1 2AA

Company Balance Sheet

AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
ASSETS			
Non-current assets			
Intangible fixed assets	C5	**775**	998
Investment in subsidiaries	C7	**64,071**	92,673
Trade and other receivables	C8	**2,846**	3,844
Deferred tax assets		**7**	73
		67,699	97,588
Current assets			
Trade and other receivables	C8	**1,477**	1,505
Income tax receivable		**429**	421
Cash and cash equivalents		**5,699**	8,303
		7,605	10,229
TOTAL ASSETS		**75,304**	107,817
LIABILITIES			
Current liabilities			
Trade and other payables	C9	**(21,977)**	(19,754)
Net current liabilities		**(14,372)**	(9,525)
NET ASSETS		**53,327**	88,063
EQUITY			
Ordinary shares		**37,750**	37,350
Other reserves		**10,626**	10,312
Retained earnings carried forward		**4,951**	40,401
TOTAL EQUITY		**53,327**	88,063

The loss after tax for the Company for the year was £36,872k (2018: profit of £1,159k).

The Company financial statements on pages 129 to 136 were approved and authorised for issue by the Board of Directors on 18 March 2020 and were signed on its behalf by:

Richard McGuire
Director
Company Registration Number: SC069140

Thomas Hearne
Director

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Ordinary shares £000	Other reserves: Capital redemption reserve £000	Other reserves: Other reserve £000	Other reserves: Retained earnings £000	Total £000
At 1 January 2018	37,123	10,312	–	38,087	85,522
Comprehensive income					
Profit of the year	–	–	–	1,159	1,159
Transactions with owners					
Share option charge	–	–	–	1,222	1,222
Employer taxes paid on vesting of options	–	–	–	(67)	(67)
New shares issues in relation to the PSP	227	–	–	(227)	–
Shares gifted to the EBT	–	–	–	227	227
At 31 December 2018	37,350	10,312	–	40,401	88,063
Comprehensive expense					
Loss for the year	–	–	–	(36,872)	(36,872)
Transaction with owners					
Share option charge	–	–	–	1,422	1,422
New shares issues in relation to Lot.to Systems Limited acquisition	400	–	314	–	714
At 31 December 2019	37,750	10,312	314	4,951	53,327

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

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operations, before exceptional items	C11	**2,355**	2,522
Interest paid		**(81)**	(19)
Interest received		**120**	125
Tax paid		**(9)**	(152)
Net cash generated from operating activities before exceptional items		**2,385**	2,476
Exceptional cash outflows		**(553)**	(1,863)
Net cash generated from operating activities		**1,832**	613
Cash flows from investing activities			
Investment in subsidiaries	C7	**(4,390)**	(3,374)
Investment in intangible fixed assets	C5	**(46)**	(62)
Net cash used in investing activities		**(4,436)**	(3,436)
Net decrease in cash and cash equivalents		**(2,604)**	(2,823)
Net cash and cash equivalents at the beginning of the year		**8,303**	11,126
Net cash and cash equivalents at the end of the year		**5,699**	8,303

Notes to the Company Financial Statements

C1. ACCOUNTING POLICIES

The accounting policies applied by the Company are consistent to those disclosed on pages 82 to 93 where applicable.

C2. RESULT OF COMPANY

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement and statement of comprehensive income for the Company alone.

The individual income statement of Sportech PLC was approved by the Board on 18 March 2020.

C3. AUDITOR REMUNERATION

Fees payable to the Company auditors for the audit of these financial statements are £60k (2018: £60k). Other amounts payable to the Company auditors during the year are disclosed in note 7 of the Group Consolidated Financial Statements.

C4. DIRECTORS AND KEY MANAGEMENT REMUNERATION

	Directors		Key management	
	2019 £000	2018 £000	2019 £000	2018 £000
Short-term employee benefits	**978**	714	**1,067**	752
Consultancy fees	**–**	76	**–**	76
Share-based payments	**149**	388	**149**	388
Accelerated IFRS 2 charge for departing management	**706**	–	**706**	–
Pay in lieu of notice	**296**	–	**296**	–
Post-employment benefits	**2**	5	**2**	5
Total remuneration	**2,131**	1,183	**2,220**	1,221

The Company had four employees at 31 December 2019 (2018: three).

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 51 to 60. This information forms part of the financial statements. Retirement benefits are accruing under defined benefit pension schemes for nil Directors (2018: nil). Nil Directors exercised share options in the year (2018: nil).

Key management is considered to be the Directors of the Company. Consultancy fees are amounts payable to Richard Cooper in providing additional services to Group companies in his capacity as Non-executive Director following the resignation of Mickey Kalifa, as detailed in the Remuneration report of the 2018 Group Consolidated Financial Statements.

C5. INTANGIBLE FIXED ASSETS

2019	Software £000	Total £000
Cost		
At 1 January 2019	18,140	18,140
Additions	46	46
Disposal	(83)	(83)
At 31 December 2019	18,103	18,103
Accumulated amortisation		
At 1 January 2019	17,142	17,142
Charged during the year	269	269
Disposal	(83)	(83)
At 31 December 2019	17,328	17,328
Net book amount at 31 December 2019	**775**	**775**

2018	Software £000	Total £000
Cost		
At 1 January 2018	18,078	18,078
Additions	62	62
At 31 December 2018	18,140	18,140
Accumulated amortization		
At 1 January 2018	16,835	16,835
Charged during the year	307	307
At 31 December 2018	17,142	17,142
Net book amount at 31 December 2018	998	998

Software owned by the Company relates primarily to in-house developed proprietary pari-mutuel software serving racing customers worldwide but also costs in relation to the implementation and customisation of the Group ERP system.

C6. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £000	Total £000
Cost		
At 1 January	224	224
Disposal	(41)	(41)
At 31 December 2019	183	183
Accumulated depreciation		
At 1 January 2019	224	224
Disposal	(41)	(41)
At 31 December 2019	183	183
Net book amount at 1 January and December 2019	**–**	**–**

Notes to the Company Financial Statements continued

	Plant and machinery £000	Total £000
Cost		
At 1 January and 31 December 2018	224	224
Accumulated depreciation		
At 1 January 2018	214	214
Charged during the year	10	10
At 31 December 2018	224	224
Net book amount at 31 December 2018	–	–

C7. INVESTMENTS IN SUBSIDIARIES

A full list of the Company's subsidiaries and other related undertakings is included in note 32 of the Group Consolidated Financial Statements.

At 31 December 2019, the Company held direct investments in the following entities:

Company	Nature of business
Sportech Group Holdings Limited ("SGHL")	Holds investments in Group companies
Sportech Trustees Limited	Dormant
Sportech Management Limited	Dormant
Lot.to Systems Limited	Lottery software supplier

Movement in the book value of the Company's investments is shown below:

	2019 £000	2018 £000
At 1 January	**92,673**	231,989
Addition	**2,014**	–
Capital contributions	**4,390**	3,374
Impairment	**(35,006)**	(142,690)
At 31 December	**64,071**	92,673

The addition in the year represents the acquisition of 100% of the ordinary share capital of Lot.to Systems Limited on 1 February 2019 for fair value consideration of £2,014k.

Analysis of capital contributions made:

	2019 £000	2019 US$000	2018 £000	2018 US$000
2 January 2019	**1,891**	**2,400**	–	–
5 March 2019	**345**	**450**	–	–
26 March 2019	**1,149**	**1,500**	–	–
31 May 2019	**1,005**	**1,300**	–	–
22 August 2018	**–**	**–**	1,143	1,500
6 September 2018	**–**	**–**	1,077	1,400
20 September 2018	**–**	**–**	1,154	1,500
	4,390	**5,650**	3,374	4,400

Each contribution was translated at the exchange prevailing at the time.

The Directors considered the carrying value of the investments for impairment during the year. It was concluded that as at 31 December 2019 the enterprise value of the subsidiaries of SGHL amounted to £64,071k and as a result an impairment of £35,006k has been charged to operating costs in the income statement. Following the impairment, the Directors consider the carrying value of £64,071k to be supported by the underlying net assets and cash flows of the Group including those forecasts outlined in note 14 of the consolidated financial statements. Significant judgement is involved in forecasting the cashflows of the Group and if these forecasts are not achieved further impairment to the investment in SGHL would result. Principal risks of the Group are identified in the Risk Management section of the Consolidated Financial Statements.

In 2018, an impairment charge was recognised to the Company's investment in SGHL following a dividend receipt from SGHL of £150,000k and a review of the carrying value of the investment.

C8. TRADE AND OTHER RECEIVABLES

	2019 £000	2018 £000
Non-current		
Amounts owed by Group companies	**2,846**	3,844
Current		
Amounts owed by Group companies	**1,375**	622
Other receivables	**84**	842
Prepayments	**18**	41
Current trade and other receivables	**1,477**	1,505
Total	**4,323**	5,349

Amounts due in more than one year are from:

	2019 £000	2018 £000
Datatote (England) Limited	**839**	247
Racing Technology (Ireland) Limited	**–**	2,075
Lot.to Systems Limited	**600**	–
Bump (Worldwide) Inc	**177**	176
Sportech Racing GmbH	**1,230**	1,346
	2,846	3,844

Amounts owed by Group companies due in more than one year have no fixed repayment date and carry interest charges of Bank of England base rate plus 3%. Interest is charged quarterly in arrears and added to the loans. The Directors consider the intercompany loans to be recoverable in full.

C9. TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Trade payables	**201**	101
Amounts owed to Group companies	**20,614**	19,129
Social security and other taxes	**20**	23
Accruals	**642**	501
Deferred consideration	**500**	–
Total	**21,977**	19,754

Notes to the Company Financial Statements continued

Amounts due to Group companies are repayable on demand and carry interest charges of Bank of England base rate plus 3%, other than loans with the Football Pools companies. Interest is charged quarterly in arrears and added to the loans. It is expected that the loans with the Football Pools companies which are all now dormant, will be settled via dividend payments during 2020. Given the expected settlement no interest has been charged on these payables during the year. The payables to the Football Pools companies amount to £13,925k (2018: £15,047k).

Deferred consideration is in relation to the acquisition of Lot.to Systems Limited on 1 February 2019. It was paid in full on 2 January 2020.

C10. CONTINGENCIES AND COMMITMENTS

Contingent items

The Company is exposed to certain contingent items for corporation tax, M&A activity and legal claims. Further details of those are disclosed in note 28 of the Group Consolidated Financial Statements.

C11. CASH GENERATED FROM OPERATIONS

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

	Note	2019 £000	2018 £000
(Loss)/profit before taxation		**(36,732)**	6,422
Adjustments for:			
Investment income		**–**	(150,000)
Net exceptional costs		**797**	1,058
Depreciation of property, plant and equipment	C6	**–**	10
Amortisation of intangible assets	C5	**269**	307
Impairment of investments	C7	**35,006**	142,690
Finance costs		**81**	19
Finance income		**(120)**	(125)
Other finance expense/(income)		**178**	(157)
Share option charge		**1,422**	1,222
Shares gifted to EBT		**–**	227
Changes in working capital:			
Movement in trade and other receivables		**1,026**	(2,100)
Movement in trade and other payables		**428**	2,949
Cash generated from operating activities, before exceptional items		**2,355**	2,522

C12. RELATED PARTY TRANSACTIONS

The Company had the following transactions with subsidiaries during the year:

	2019 £000	2018 £000
Management charges received	**631**	833
Management charges paid	**(65)**	–
Royalty income received	**1,967**	1,866
Investment income	**–**	150,000
Interest paid on inter-company loan balances	**(81)**	(19)
Interest received on inter-company loan balances	**71**	46

The amount outstanding in relation to management charges at the balance sheet date was £196k (2018: £77k).
All inter-company transactions are on an arm's-length basis.

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