

**An International  
Betting Technology Business**



*Annual Report and Accounts 2020*

Sportech

# STRATEGIC REPORT HIGHLIGHTS

## REVENUE<sup>1</sup>

£20.0m

2019: £33.6m

## GROSS PROFIT<sup>1</sup>

£10.5m

2019: £18.3m

## ADJUSTED EBITDA<sup>1</sup>

£(2.3)m

2019: £1.6m

## LOSS BEFORE TAX<sup>1</sup>

£(10.6)m

2019: £(9.7)m

## (LOSS)/PROFIT FROM DISCONTINUED OPERATIONS

£(2.6)m

2019: £1.0m

## ADJUSTED CASH AT 31 DECEMBER<sup>2</sup>

£16.8m

2019: £13.0m

1. From continuing operations.

2. Excluding customer balances and including cash held by discontinued operations.

## FINANCIAL OVERVIEW

### Continuing operations:

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

### Discontinued operations:

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

### Group:

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

## GROUP DEVELOPMENTS

- ▶ **Corporate:** Executed agreements to sell (a) Global Tote Business with proposed transaction to BetMakers Technology Group Ltd; (b) Bump 50:50, and (c) to dispose of a freehold property in New Haven, Connecticut. In aggregate providing estimated net cash of £36.1 million upon completion from these transactions, all three expected to complete in H1 2021.
- ▶ **Tote:** Delivered further growth within international Tote pool commingling, and executed contract extensions with key international partners. Completed an integration with Lottery providers to facilitate betting on racing through Lottery points of sale and successfully launched new terminal software to deliver cost and capital efficiencies. Completed delivery of a new digital platform to UK Tote Group and launched a new mobile betting option. All of this ultimately supported the proposed sale of the business in December 2020.
- ▶ **Bump 50:50:** Continued record-setting client acquisition, with emphasis on online raffles and non-sports charities, ultimately resulting in a sale of the business, announced February 2021.
- ▶ **Venues:** COVID-19 severely impacted the business resulting in a 28% decline in total retail betting handle versus 2019, mitigated to an extent by a 72% growth in online handle. The required focus on cost management continued. The Group is engaging with the Governor's office following statements that appear to deny Sportech equal rights to a Connecticut State Sports Betting licence. Legal opinions have been sought and provided to the Connecticut Administration. The Board will appraise shareholders as events develop.
- ▶ **Lottery:** Working with core partner to deliver online growth opportunity.
- ▶ **Other:** Reduced Group capex by 37% and materially reduced separately disclosed items.



# We are an international betting technology business.

Sportech delivers technology and service solutions to gaming companies, sports teams, racetracks, casinos and lottery clients across 35 countries and owns and operates sports gaming venues in Connecticut, United States.



## CONTENTS

### Strategic Report

Overview	2
Business Model and Strategy	4
Chairman's Statement	6
Operating Review	8
Financial Review	12
s172 Statement	18

### Corporate Governance

Directors and Officers	22
Risk Management	23
Viability Statement	27
Corporate Social Responsibility Report	28
Corporate Governance Report	30
Report of the Remuneration Committee	39
Directors' Report	62
Report of the Auditors	67

### Financial Statements

Consolidated Financial Statements	76
Company Financial Statements	134
Advisors and Corporate Information	142

# Overview

## Sportech at a glance

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

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

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

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

**Richard McGuire**  
Chief Executive Officer

### Sportech Venues

The operator of legal pari-mutuel betting in the State of Connecticut under an exclusive and in perpetuity licence, Sportech Venues offers online, mobile, call centre and retail betting with venues located across major population centres. Key locations within the network offer food and beverage services in premium restaurant and sports bar environments. With 11 venues in operation currently, the Division has the licensing to expand to 24 venues.

Sportech Venues is well positioned to offer legal online and in-venue Sports Betting in Connecticut should the state progress appropriate licensing.



	2020	2019
<b>Revenue (£m)</b>	<b>17.1</b>	<b>28.6</b>
<b>Adjusted EBITDA (£m)</b>	<b>(1.1)</b>	<b>2.2</b>
<b>Capital Expenditure (£m)</b>	<b>-</b>	<b>0.2</b>

*In the table above, prior year figures are at constant currency.*

## Sportech Lottery

Sportech Racing and Digital's continuing operations, Sportech Lottery, includes a supplier of technology solutions to the global regulated Lottery industry. Sportech's proprietary Lottery platforms have been servicing Lottery clients for over 24 years and process US\$103 million (2019: US\$165 million) in handle annually for licensed Lottery clients. Lottery handle totals for 2020 were significantly impacted by COVID-19 related closures.



## Sportech Racing and Digital – Discontinued Operations

Sportech Racing and Digital's discontinued operations consists of a prominent supplier of technology solutions to the global regulated betting industry and of electronic raffles to sports, entertainment and non-profit charitable organisations. In 2020, the Division sought to strengthen and enhance its global position in Tote betting by leveraging its gaming licences, technology platforms, global client relationships, and investment. It also continued expanding its Bump 50:50 client base of charitable foundations seeking innovative fundraising platforms, including platforms for online raffles.

Sportech's proprietary betting solutions processed an estimated US\$9 billion in handle in 2020 for licensed Tote clients in 35 countries (2019: US\$12.2 billion). Bump 50:50 increased its total client base to 168 clients by year's end. Betting handle, and in particular raffle jackpot, totals for 2020 were significantly impacted by COVID-19 related closures.

### Locations

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

	2020	2019
<b>Revenue (£m)</b>	<b>2.9</b>	<b>4.7</b>
<b>Adjusted EBITDA (£m)</b>	<b>1.0</b>	<b>2.7</b>
<b>Capital Expenditure (£m)</b>	<b>0.4</b>	<b>0.1</b>

	2020	2019
<b>Revenue (£m)</b>	<b>25.8</b>	<b>31.2</b>
<b>Adjusted EBITDA (£m)</b>	<b>4.6</b>	<b>5.9</b>
<b>Capital Expenditure (£m)</b>	<b>2.0</b>	<b>3.4</b>

In the table above, prior year figures are at constant currency.

# Business Model and Strategy

## THE GROUP'S STRATEGIC AIMS FOR 2021 INCLUDE:

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

Sportech is an international betting technology business that 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, United States.

The Group focuses on regulated markets worldwide and seeks to achieve long-term shareholder returns by leveraging Sportech's heritage, gaming licences, technologies, client relationships, investor engagement and smart capital deployment.

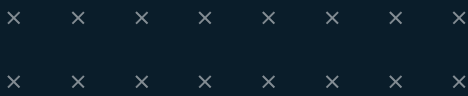
The Group also maintains a strong focus on driving operational efficiencies throughout its businesses. Where appropriate, this includes exiting certain businesses and assets to generate both tangible investor returns and proceeds that can be used to deliver growth, including in the existing Connecticut Venues business where the Company hopes to position for potential gaming expansion opportunities.

In 2020, the Group agreed the sale of the Racing and Digital division's Global Tote Business to BetMakers Technology Group Ltd and the sale of Bump 50:50 to Canadian Bank Note Company Limited. These transactions are anticipated to close in H1 2021 and mark a significant change in the Group's operations and underlying business. The dedicated men and women engaged in these business lines will be transferring with the businesses. Each buyer demonstrated the highest levels of professionalism and integrity throughout and we know these businesses, and our people departing, will be in good hands.

Through 2020 the Group maintained its international focus with clients in 35 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.

Sportech navigated the well-documented global challenges of 2020. Having restructured the business, strengthened its capital reserves, and reduced currency exposure, it is well positioned to execute the five core strategies noted above. Following completion and settlement of announced corporate transactions, the Group will initiate a tender offer to shareholders and buyback shares, precise details of which will be disclosed at an appropriate time.





# VENUES

Sportech Venues operates legal betting on racing and jai alai under an exclusive in-perpetuity licence in the State of Connecticut. It offers omni-channel betting through venues, web, mobile and phone, and holds the right to expand to up to 24 locations. The Division continues to pursue strategies to deliver a return on the significant capital invested in developing our venues and digital platforms that appeal to and reach a wider clientele.

The Group and senior management are actively engaged in pursuing a Sports Betting licence to complement its Tote betting, in venue and online. Sportech is ready to deliver Sports Betting to Connecticut consumers as it seeks a resolution that promotes equal licensing to each of the State's four existing gaming partners.

# LOTTERY

Sportech has been providing draw-based Lottery platforms and services – including central systems, agent ePOS terminals, game development, and on-going maintenance and support – for over 24 years.

The Group is currently pursuing opportunities with private and national lotteries, drawing on the Sportech brand and legacy in the global regulated Lottery market, along with our new range of Lottery products, digital gaming platforms and expertise, to offer enhanced Lottery capabilities.





# Chairman's Statement

**I am pleased to once again address you as Sportech PLC's Chairman of the Board. 2020 was a challenging year for all and I consider it a privilege to be leading the Sportech team in this transformational era.**

2020 presented challenges that none of us could have foreseen but I am happy to report that the Sportech team took the necessary immediate steps to protect the Group's assets and execute a reformed strategic plan.

The Group began 2020 focused on implementing the strategic plan we outlined at the start of the year. This included leveraging cost containment strategies applied across the Group in 2019; launching new products, and enhancing our operational platform; continuing to campaign for a Sports Betting licence in Connecticut; and evaluating corporate opportunities to deliver tangible investor returns.

One element of this plan included bolstering the Board, and the Group announced in March the appointment of a new Non-Executive Director. An exhaustive search was conducted for an individual bringing extensive technology experience and we were delighted to appoint Ben Warn, who also stepped up to chair the Remuneration Committee.

In Connecticut, legislation to close loopholes that were being exploited by unlicensed online operators went into effect in late 2019, and our Connecticut team continue to work with the State regulator to recapture revenue and taxes.

In February, Racing and Digital introduced a new terminal software line to the industry at the prestigious Asian Racing Conference and secured contract extensions with key clients in the US. Sportech's international commingling service delivered solid improvement in H1, growing our international commingling pools and extending international commingling contracts with key clients, including UK Tote Group and New York Racing Association. Hong Kong Jockey Club took steps early in 2020 to race 'behind closed doors', which continues through to time of this writing, March 2021, providing high quality racing product for Sportech's global commingling clients worldwide.

The global pandemic forced the industries we serve to enter various degrees of closure, impacting every aspect of our Group and significantly altering the course of our business. The Group's 2019 focus on costs and processes and an increase in investment and capacity in digital, resulted in a more streamlined, digital-focused organization that was better prepared to combat the business impacts of the pandemic.

The financial reporting for 2020 will be more complex to follow as we exclude the contribution from the significant businesses held as 'assets for sale' at year end, whilst not reducing many of the corporate costs associated with managing the larger Group. As we progress through 2021 we are scaling back the corporate cost base to be more reflective of the smaller Group, following the completion of the sale of the Global Tote Business and Bump 50:50.

On a constant currency basis, revenue from continuing operations declined 40% to £20.0 million. Adjusted<sup>1</sup> EBITDA from continuing operations declined by £3.9m to a loss of £2.3 million. Revenue in discontinued operations declined 17% to £25.8 million and EBITDA from discontinued operations fell by £1.3m to £4.6m.

With the onset of the pandemic, management immediately established a COVID-19 response team to develop and implement plans to protect employees, clients and operations. The team enacted policies to move critical operations from in-person to remote work, adjust resources to shifting demand, and provide support to team members who were directly impacted by client closures.

Our Connecticut Venues implemented a voluntary closure of all retail betting and food and beverage operations in March followed by a state mandated closure that persisted until late July. As of March 2021, operations are still on a dramatically reduced capacity. Wagering shifted significantly to digital platforms; resources were reallocated to address this shift and handle increased 43% year on year. Four venues in smaller markets were closed; the Division retains the ability to open up to 24 locations if and when conditions are suitable for expansion.

With the Connecticut 2020 legislative session cut short by the pandemic, there was no legislation passed to legalise Sports Betting, but we continued to maintain a scaled back advocacy campaign, engaging media through op-ed pieces and communicating with lawmakers.

Despite the challenges of the pandemic, the Racing and Digital team delivered an integration to support the sale of racing bets through vast lottery networks, rolled out new terminal and digital products, and secured contract renewals with key clients including UK Tote Group, TVG, Monmouth Park, Veikkaus and Danske Spil.

1. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, separately disclosed items and share option charges; a full reconciliation to EBITDA is given in note 1.



x	x	x	x	x	x	x	x
x	x	x	x	x	x	x	x
x	x	x	x	x	x	x	x

Bump 50:50's clients were similarly impacted by the pandemic. With no spectator sporting events, Bump's shift toward non-stadium digital platforms and progressive jackpots on traditional 50/50 raffles, and their move into the non-sports related charities market, positioned them to adjust to the pandemic's disruption. With in-person fundraising events virtually prohibited, Bump 50:50 remained focused on building value, increasing its client base by 70%, to 168 clients. Almost all of that growth came from non-sporting related non-profits offering online raffles. Bump also began to prepare for the post-pandemic environment, integrating with Paysafe to offer safe touchless in-person payments and signing contracts for in-stadia and digital raffles with teams such as the Texas Rangers (MLB®), Florida Panthers (NHL®) and Las Vegas Raiders (NFL®).

In the second half of 2020, focus shifted to the delivery of tangible investor returns and investment in businesses poised for long term growth.

In December 2020, the shareholders supported the Board's recommendation to sell the Global Tote Business to Australia based BetMakers Technology Group Ltd. and in January 2021 to sell Bump 50:50 to Canadian Bank Note Company Limited. These transitions will significantly alter the Group going forward, generating tangible investor returns whilst we continue to evaluate further investment prospects within the Connecticut Venues business and in global Lottery.

These agreed sales represent a strong vote of confidence in the technology, strategy and talent in both of these businesses. The buyers are well respected, growth-oriented firms who excel in their areas of concern and the Board is confident that the businesses, and our valued team members, will flourish under their new ownership. We wish them well, with our thanks.

At the start of Connecticut's 2021 legislative session in January, the Board – anticipating that this session would see Governor-led expanded Gaming initiatives – redoubled its efforts, seeking to secure a Sports Betting licence with a progressive marketing and public relations campaign. As I write this, the Governor's office has announced the initial outline of a plan to expand Gaming within Connecticut. We are seeking clarity on the details, which, based on an unfavourable initial summary, may require further action to vigorously defend our interests in Connecticut should

the process and proposed gaming expansion be deemed unconstitutional and prejudicial to our interests. We will keep shareholders apprised of developments in this legislative session, which ends in June 2021.

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. The Board took swift action to address the impact of the global COVID-19 pandemic, particularly in the US where we have consumer venues and the majority of our employees. The Board implemented strategies to manage the cost base, secure staff safety and meet the needs of continuing client operations. The Group remains in dialogue with clients, regulators and the State of Connecticut to manage future risks associated with global pandemic. The Group continues to view the potential risks associated with Brexit to be immaterial to the business due to the primarily North American focus of our business operations.

Sportech PLC enters 2021 as a business in transformation, seeking to deliver significant returns to investors from the proposed sale of the Global Tote and Bump 50:50 businesses, and with new opportunities to further invest in emerging gaming opportunities in Lottery and in Connecticut Venues, including Sports Betting.

I join the rest of the Board in extending thanks to our clients and customers for placing their trust in Sportech as a partner in the dynamic global gaming industry. We offer our heartfelt thanks as well to our employees worldwide, who have persevered in the face of unprecedented professional and personal challenge to help sustain our business and execute strategies to generate shareholder value.

**Giles Vardey**  
Chairman of the Board  
31 March 2021

# Operating Review

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

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

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

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

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

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

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

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

As the Group transitions into 2021, opportunity conversion, profitability and capital repatriation will continue to be key metrics. It is difficult to provide meaningful guidance on the future outlook given uncertainty around the timing of when sporting events will return in full and the potential impact of further lockdowns. However, management remain confident in the quality of the Group's products, our services and our strategy, and in the strength of the Company balance sheet to help deliver in the medium term.

During 2020 the Group delivered the following notable achievements:

- Delivered significant business contract growth during the period.
- Reduced Group capex by 37%.
- Materially reduced separately disclosed items.
- Delivered 43% growth from Connecticut online retail initiative.
- Delivered 26% growth from International commingling Tote handle.

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

## RACING AND DIGITAL – GLOBAL TOTE

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

### Developments during the year:

- Introduced new digital terminal software suite for teller ePOS, self-service, mobile and roaming teller, supporting a more flexible hardware strategy to deliver cost efficiencies and reduction in capital intensive investment. The division also progressed its terminal project, identifying and demonstrating an impressive new terminal hardware line that will not only streamline capex and improve efficiency, but will also provide an innovative and engaging end user experience.
- The Tote Superpool combined the betting pools on Royal Ascot races generated by UK Tote Group with Tote betting from global outlets and the Royal Ascot pools hosted by the Hong Kong Jockey Club. Despite no on-track contribution to the pools as a result of COVID-19 restrictions, the 2020 Tote Superpool generated £137 million in handle, up from £92 million in 2019. This year, Sportech facilitated the expansion of Superpools to all 36 races.
- Extended commingling and core Tote services agreements with UK Tote Group.
- Completed a key integration project for Danske Spil, providing expansion of horseracing wagers via their network of SG lottery terminals, leading to further wagering footprint expansion.

- Extended contract and deployed Tote Service Layer for Finnish client Veikkaus who will utilize Sportech's platform to offer horseracing wagering alongside Sports Betting and Lottery from 4,500 points of sale, a significant increase of 3,500 over the current level.
- Joined the World Tote Association.
- Successfully launched Tote betting services for live races held at the historic Central Moscow Hippodrome for client Pari Engineering Rus. Prior to launching Tote for live racing, Sportech provided services to Pari Engineering Rus for the operation of their OTB locations and for commingling into international pools.
- Brought the popular French Quinté+ pool to Denmark through Danske Spil's DanToto off-track betting venues, web and mobile channels.

## BUMP 50:50

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

### Developments during the year:

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

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

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

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

# Operating Review continued

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

### Developments during the year:

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

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

During the shortened 2020 legislative session in Connecticut, management campaigned vigorously in support of expanded gaming legalisation and for Sportech to be part of the solution to offer online and retail Sports Betting in the State. The Division undertook a multi-level campaign of lobbying, advertising, and targeted public relations. Management and employees also attended 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 expanded gaming legislation in the abbreviated 2020 legislative session, due primarily to disputed claims of exclusivity under prior agreements by the two recognised Tribal entities.

Given the importance of Sports Betting licensing to our Venues business and the Group, we continue to be proactively engaged in seeking a solution to break the impasse during the 2021 legislative session which adjourns on 9 June 2021. Our online campaign can be found at [www.sportsbettingforct.com](http://www.sportsbettingforct.com). The Group is engaging with the Governor's office following statements that appear to deny Sportech equal rights to a Connecticut State Sports Betting licence. Legal opinions have been sought and provided to the Administration and the Board will appraise shareholders as events develop.

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

### Looking forward

Managing a physical retail operation is clearly challenging in this environment. The Group remains focused on managing the fixed cost base and are assessing options to enhance profitability via a combination of lower product costs and improved licence revenues in 2021.

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

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

× × × × × × × ×  
 × × × × × × × ×  
 × × × × × × × ×

## SPORTECH LOTTERIES

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

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

### Developments during the year:

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

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

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

## GROUP OUTLOOK

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

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

During 2019 and 2020, Sportech enhanced its global credentials and expanded the reach of Quantum™ System, providing seamless connectivity between our diverse clients and partner racecourses around the world as never before. We invested time during the year assessing our entire product range and user experience and commenced development of a digital software platform that changed the way we approached terminal hardware and capital investment going forward. This strategic map ultimately resulted in certain businesses becoming attractive acquisitions for others and, in line with our strategy of delivering tangible returns to shareholders, we progressed that interest to the deals announced.

The Group continues to make significant strides in challenging cultural behaviours and business practices that perhaps focused on previous financial metrics rather than promoting an entrepreneurial ownership ethos; this shift ultimately resulted in some of the benefits noted at the start of this section.

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

A summary of our strategic objectives for 2021 includes:

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

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

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

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

# Financial Review

## INCOME STATEMENT – DETAILED VIEW

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

- Adjusted loss before tax for the year from continuing operations is the aggregate of adjusted EBITDA, normal share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles), and normal finance charges (see note 1 for reconciliation).
- The 2019 reported results are restated to exclude discontinued operations, the results of which are aggregated and shown as discontinued operations below result after taxation – continuing operations.
- Adjusted operating expenses exclude depreciation, amortisation, impairments, share option charges and separately disclosed items.



## REVENUE – CONTINUING OPERATIONS

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

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

## ADJUSTED EBITDA

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

Revenue reductions impacted EBITDA although mitigating actions were taken, such as use of furlough schemes, rent abatement requests and general freeze on operating expenses to the extent possible. During the COVID-19 lockdowns, the Group did maintain employee health benefits for furloughed staff. The increase in central costs was a result of the change in focus of staff away from Sports Betting to COVID-19 operations management, and increased legal costs related to agreements with staff and landlords.

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

## DISCONTINUED OPERATIONS

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

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



# Financial Review continued

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

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

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

The table below shows the results of the discontinued operations.

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

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

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

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

## SEPARATELY DISCLOSED ITEMS

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

The costs in the table above have been restated to exclude the separately disclosed items incurred within the discontinued operations.

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

**Corporate activity costs (note a)**

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

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

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

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

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

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

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

# Financial Review continued

## TAXATION

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

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

The Group's current tax liability includes a provision for uncertain tax liabilities of £4.6 million in relation to corporation tax on the 2016 VAT refund. The Group is working with HMRC to resolve the issue. The Group had a current tax receivable balance of £1.4 million as at 31 December 2020 in relation to an overpayment from prior years. The refund was received in February 2021.

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

## CASH FLOW

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

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

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

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

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

# 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, 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 (and wider workforce e.g contractors), shareholders, regulators, customers, local communities and suppliers are considered in more detail in the Corporate Responsibility Report on page 28.
- 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 consider opportunities for enhancement in the future. 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, factors and stakeholders the Directors consider relevant in complying with s172(1)(a)-(f) and how they have formed that opinion.
- 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 continuously enhances 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 at the time 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. No such visits took place in 2020 due to COVID-19, although during 2020, to ensure employee engagement and assist with employee wellness during the COVID-19 pandemic, an employee intranet was created and rolled out for all employees to access including the Chair and NEDs.
- We aim to work responsibly with our stakeholders, including suppliers, and the anti-corruption and anti-bribery, equal opportunities and whistleblowing policies are reviewed annually and updated where required.

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

Significant events/ decisions	Key s172 matter[s] affected	Actions and impact
<b>Disposal of Sportech's "Global Tote" and "Bump 50:50" groups</b>	Shareholders, employees, customers, regulators	<ul style="list-style-type: none"> <li>Shareholder consultation took place in accordance with regulatory requirements.</li> <li>Employee talent management and retention programme was created and implemented, and ongoing employment opportunities were a key consideration in choosing a sale partner.</li> <li>Continuity of service to customers was also a key consideration in determining a sale partner as well as the "good-standing" of the purchasers and therefore their likelihood of assuming licences.</li> <li>Key suppliers were notified of the prospective change in ownership following announcement of the disposal.</li> </ul>
<b>The COVID-19 Pandemic</b>	Employees, Customers, Shareholders	<ul style="list-style-type: none"> <li>As a result of the pandemic and various governments' mandated closure of our and our customers' facilities, the Company furloughed employees. Employee's health benefits were maintained and government programs were utilised to ensure employees were compensated to the extent possible.</li> <li>Costs were reduced as much as possible in order to ensure the long-term viability of the Company.</li> </ul>
<b>Downturn in the Pari-mutuel sector</b>	Customers	<ul style="list-style-type: none"> <li>Customers have been consulted in relation to how the Company's technology could be used to reduce overhead costs, with a focus on digital offerings.</li> <li>The Company's product offering is being updated and diversified to assist customers to generate more revenue from eCommerce. The Company used race days during the COVID-19 pandemic, where audience sizes were restricted, to re-enforce how digital offerings could be used to maintain or expand revenue opportunities at less cost than traditional methods.</li> </ul>
<b>Expansion of the product management department</b>	Customers, employees	<ul style="list-style-type: none"> <li>Customer consultation in relation to the Company's roadmap has increased to ensure that products developed match customer needs, with a focus on expanding digital offerings versus traditional brick and mortar offerings.</li> <li>The development teams have been consulted and trained to work with an expanded product management department.</li> </ul>
<b>Share option participation</b>	Employees, shareholders	<ul style="list-style-type: none"> <li>The existing VCP continues to operate, however given the change in structure of the Group following disposals the Board concluded that the introduction of any new LTIP should be postponed until the future structure of the Group is known and appropriate incentives can be implemented.</li> </ul>

# Corporate Governance

22	Directors and Officers
23	Risk Management
27	Viability Statement
28	Corporate Social Responsibility Report
30	Corporate Governance Report
39	Report of the Remuneration Committee
62	Directors' Report
67	Report of the Auditors





# 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

Non-executive Chairman of the Board, Chairman of the Nomination Committee and Chairman of the Remuneration Committee to 1 June 2020

**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:** Audit Committee to 1 June 2020, Nomination Committee, Remuneration 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.

**Committees:** Audit Committee, Nomination Committee, Remuneration Committee

## BEN WARN

Independent Non-Executive Director and Chairman of the Remuneration Committee from 1 June 2020

**Nationality and residence:** UK  
**Date appointed to the board:** June 2020

Ben is a digital specialist bringing over 20 years' experience in senior commercial, business development and marketing roles within the betting and gaming industry. His passion is combining sports content with technology to create new products, drive revenue and increase user engagement. Ben has held Senior Executive positions with Ukbetting PLC, Rank Interactive, and Sky Betting and Gaming, the most recent being at the Perform Group, where he was CEO of their Gaming Division.

**Committees:** Audit Committee, Nomination Committee, Remuneration 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 has established and approved a risk appetite statement which is reviewed and updated annually and 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**

<b>Impact</b>	High	4	8	12
	Medium-High	3	6	9
	Medium-Low	2	4	6
	Low	1	2	3
		Low	Medium	High
		<b>Mitigated likelihood</b>		

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 focusses 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. A new principal risk was identified during the year being Global Pandemics as a result of the impacts on the Group of the COVID-19 pandemic during 2020. The Board is also assessing emerging risks which are as a result of the disposals agreed in 2020/21, such as the reduced size of the Group's operations and reduction in diversity of revenue streams. The Board has not identified any specific new principal risks resulting from the structural changes to date.

# 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
<b>Regulatory</b>	<p>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.</p> <p><b>Data protection</b> 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.</p>	<p>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.</p> <p>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.</p>	<b>4</b>
<b>Product</b>	<p>Horseshoe 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.</p>	<p>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.</p> <p>The Group is developing new Sports Betting products to compete where appropriate.</p>	<b>9</b>
<b>Technology</b>	<p>The Group is dependent on the sale of technology-led products and the effective delivery of services through such products.</p> <p>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.</p> <p>Any disaster at our data centres could cause significant outage times.</p> <p>More and more products are being consumed on mobile devices which are in their infancy in the pari-mutuel world.</p>	<p>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.</p> <p>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.</p>	<b>6</b>

Risk area	Description	Mitigation	Mitigated rating
<b>Client concentration and industry competition</b>	<p>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.</p> <p>Competition for gambling revenues is emerging in North America from more casino openings and European operators entering the market.</p> <p>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.</p>	<p>We constantly assess our competition and strategy and use our global licence positioning, regulatory status and trading reputation to secure business.</p> <p>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.</p> <p>The Group continues to lobby the states to enforce their laws in pain of losing taxation revenues.</p> <p>In 2019 Connecticut passed a law to protect the Group's exclusive pari-mutuel licence from external parties. The Group is continuing negotiations with the external parties to enforce its licence rights, having made agreements with some parties in 2020.</p>	
<b>Foreign Exchange</b>	<p>The bulk of the business is generated in North America.</p> <p>Our European business is conducted via an Irish company. The Group's results are reported in GBP.</p>	<p>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.</p>	
<b>Failure to implement Sports Betting strategy following the repeal of PASPA</b>	<p>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.</p>	<p>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 2020, 21 states have legalised Sports Betting and are operational, a further five states have passed legislation but are not yet operational. It is anticipated that more states will follow in 2021, including Connecticut.</p> <p>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.</p>	

# Risk Management continued

Risk area	Description	Mitigation	Mitigated rating
<b>Global Pandemics</b>	<p>For our service and sales revenue, we rely on our customers' racetracks and our Venues locations to be open. Most of our customers shut down their operations and suspended horse racing for some period of time during the COVID-19 pandemic in 2020, with a few notable exceptions. All North American sporting leagues also suspended operations and games from mid-March 2020 through the middle of Q3 2020.</p> <p>The result was reduced tote fees and racing revenues in our Racing and Digital business, the closure of all of our venues in Connecticut (our online offering continued to trade), and the suspension of raffles almost entirely in our Bump 50:50 business.</p> <p>Some of our customers started resuming operations in June 2020, and more were reopening in July and August. We began opening Venues locations in late July and early August, and sporting events are taking place, but generally without audiences.</p> <p>We saw the return of the impact of the Pandemic through winter 2020/2021, and expect further disruptions in our clients' operations throughout 2021 and potentially into 2022.</p>	<p>The Board took action to manage the Group's cost base, cutting costs and effectively managing cash where possible. This included the furloughing of approximately 550 staff, mostly in field operations and at our Venues locations. We suspended all travel and closed all of our offices. We also renegotiated rent payments on our office and Venues locations. Where available, the Group availed themselves of government programs to supplement employee wages and salaries. The Group remained in constant dialogue with customers and maintained digital operations. The remaining staff worked from home, mainly in field operations and our Quantum™ Data Centre, research and development, and finance and administrative functions.</p> <p>A pandemic response team was put in place, comprising executive and senior management, who met regularly via online tools available to coordinate the Group response to the pandemic.</p> <p>Our operations and human resource teams created employee portals for employee wellness and support during the pandemic and implemented "COVID-safe" reopening plans. Our online, mobile and phone betting platforms remained available throughout the crisis and saw significant growth.</p> <p>The Group delivered a significant reduction in operational costs in 2020 to partially offset severe revenue declines, and we sought support from governments globally where available. Determined vigilance of the cost base will continue whilst operating efficiently and effectively during staggered reopening.</p> <p>The Bump team had launched a new online progressive jackpot in early 2020, before the pandemic started, and has focused on sales initiatives and targeted growth from within the 'not for profit' charitable sector outside of sport.</p> <p>Despite core divisions reopening, there remains uncertainty to when all businesses will return to full operational capacity. Management will continue to focus on delivering a compelling international product to our clients, resulting in additional long-term contracts, and ultimately providing core long term growth beyond the prevailing global situation.</p> <p>The risk of further waves which results in local or more widespread "lockdowns", or a new pandemic, remains and management have the tools in place to react proportionately once again.</p>	

# 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 64. The Board conducted this review for a period up to December 2023, 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 31 March 2021) considered the Group's cash flows, earnings, leverage and other key financial ratios over the period as well as market conditions generally, the renewals of significant customers, and the anticipated completion of disposals of the Global Tote Business, Bump 50:50 and the New Haven property. The market conditions continue to indicate declines in bricks and mortar handle on horseracing in the US offset by online growth. The renewals in the forecast represent a significant element of the Group's EBITDA.

The scenarios were subject to sensitivity analysis which involved flexing a number of the main assumptions underlying the forecast (including failure of disposals to complete/buyer default, customer attrition, handle decline and variable revenue reduction as well as cash flow impacts of higher capex, tax and separately disclosed items and further impacts from restrictions placed on trading as a result of the continuing COVID-19 pandemic), both individually and in unison.

The assumptions included the impact of the potential occurrence of the Group's principal risks (set out on page 23) and the effectiveness of available mitigating actions. We did not include the potential to raise finance given the Group's debt-free current status nor any potential upside from the Group potentially acquiring a sports betting licence in Connecticut, USA.

Following the completion of the anticipated disposals in 2021, the Group will have a substantial amount of cash on balance sheet. The Board will continue to engage with shareholders to assess the optimal use of capital.

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 global pandemics on the business and its cash flows.

On behalf of the Board

**Thomas Hearne**  
Director  
31 March 2021



# 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, regulators 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.

In response to the COVID-19 pandemic, Sportech took a proactive approach to protect the health and safety of its employees and customers. More specifically, Sportech took actions both unilaterally and in collaboration with governmental orders and officials to either modify or temporarily suspend certain activities worldwide in response to the pandemic. Throughout 2020 and continuing today, the Group protected and maintained its various licensing and compliance functions.

## ENVIRONMENT AND STREAMLINED ENERGY AND CARBON REPORTING (“SECR”)

The Group recognises its responsibility to achieve good environmental practice and continues to strive to improve its environmental impact. We have implemented the SECR required reporting for year-end reports commencing on or after 1 April 2019 for the first time and as such are disclosing the Group's UK energy use and carbon emissions.

The nature of our business results in the principal environmental impact arising from energy and paper consumption (scope 2), the Group has no direct emissions from owned assets (scope 1).

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. Since the introduction of paperless voting, no paper form proxies have been requested and all voting has been recorded electronically. The Group also continues to advocate to its shareholders the use of electronic communications via its website. Shareholders can request to receive communications electronically and be notified by email by contacting the Registrar at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk).

The Company has, for some time, had a large number of team members who telecommute. Due to the COVID-19 pandemic, this expanded; the vast majority of the Group's employees worked from home and all non-essential business travel was suspended during times of high infection rates. This vastly reduced the Group's carbon footprint from travel (scope 3 emissions) which the Group will endeavour to keep low in future years.

The Company has obligations under the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("the 2013 Regulations") and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") to report on greenhouse gas ("GHG") emissions. The Group has calculated an intensity ratio for 2020 of 68.9 which is 3,150 tonnes of CO<sub>2</sub> divided by the Group's total revenue including discontinued operations of £45.7m, compared to a prior year ratio of 72.6, which is calculated as 4,700 CO<sub>2</sub> tonnes divided by revenue of £64.8m. On a constant currency basis, the prior year intensity ratio would have been 73.4. Therefore, on a constant currency basis the Group's intensity ratio has decreased by 6.1% due to closure of venues, a milder winter in Connecticut and a drive to decrease energy usage.

The Group's global GHG emissions in the year ended 31 December 2020 were 4,873,000 kWh, 63,995 kWh of which were in the UK, which is 1.3% of the Group's total emissions. The emissions and energy data noted above has been collated, calculated and presented using the methodology set out in WRI / WBCSD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004, including separate guidance on Scope 2 and Scope 3 emissions.

## SOCIAL AND COMMUNITIES

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 over US\$10m for sports and other philanthropic organisation foundations in the US and Canada in 2020 (2019: US\$21m), including those associated with the Chicago Cubs, Las Vegas Golden Knights, Tampa Bay Lightning, and the Hospital for Sick Kids Foundation.

## 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 consulted regularly on a wide range of matters affecting their interests.

The Group has an employee newsletter "Sportech in Focus" to reflect the progressive transparency, training, and development programmes that are in place within the business.

In 2020, with an enhanced need to keep in communication with employees around the world during the pandemic, the Company introduced an employee-only website to share information about the Company's response to COVID-19 and general company information. The site makes available forums that employees can use to engage with one another on topics of interest.

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 30.

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.

With the outbreak of the pandemic, Sportech provided necessary accommodations to protect workers including remote work where feasible, enhanced cleaning regimens, provision of hygiene products for frequent cleaning and sanitising hands, and provision of personal protective equipment. Documents outlining standards for personal protection and safe COVID-19 prevention practices were shared extensively via company email, the employee website, in team meetings and with posters mounted in common spaces to ensure that all employees were informed of and in compliance with local guidelines for the prevention of the spread of COVID-19.

During the pandemic shut-downs, the Group continued to provide all furloughed workers in the US with health benefits and our Human Resources personnel provided extensive support to furloughed workers across multiple states and countries as they sought to access government resources available to them.

# Corporate Governance Report

Sportech is committed to a high standard of corporate governance and, throughout the financial year ended 31 December 2020, 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](http://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 search consultancy Wheale Thomas Hodgins PLC ("WTH") undertook the search for a new non-executive director. WTH has no connection to the Company or the Directors. The Board was mindful of its responsibility to appoint an individual who achieved the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

Director	Status
<b>Giles Vardey</b>	Non-executive Chairman from 2 July 2019 (NED from 17 November 2017 to 2 July 2019). Not independent.
<b>Chris Rigg</b>	NED. Independent. Senior Independent Non-executive Director.
<b>Ben Warn</b>	NED. Independent.
<b>Richard McGuire</b>	Chief Executive Officer from 2 July 2019 (Executive Chairman from 13 November 2018 to 2 July 2019). Not independent.
<b>Thomas Hearne</b>	Chief Financial Officer. Not independent.

The Company had one Independent Director until Ben Warn was appointed to the Board on 1 June 2020. Following the appointment of Ben Warn the Company has been compliant 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. Giles Vardey stepped down from chair of Remuneration Committee and also stepped down from the Audit Committee on the appointment of Ben Warn. The Chairman chairs the Nomination Committee.

## 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:

<b>Company's purpose</b>	Generate sustainable value for shareholders whilst contributing to the wider community.
<b>Company values</b>	<ul style="list-style-type: none"> <li>• Leadership: The courage to shape the future.</li> <li>• Accountability: Responsibility for actions.</li> <li>• Passion: Committed to excellence.</li> <li>• Diversity: All are included and valued.</li> <li>• Quality: What we do, we do well.</li> </ul>
<b>Strategy</b>	Up until December 2020, the focus was 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. From 2021, we continue with the same strategy albeit having exited the technology provision to the racing market in the US and Europe.
<b>Culture</b>	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 page 23.

### 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](http://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 2020 AGM resolutions

All resolutions at the 2020 AGM held on 26 June 2020 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

# Corporate Governance Report continued

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 – 6.91% against) and the reappointment of Giles Vardey (resolution 4 – 13.75% against) at the 2020 AGM. We understood that concerns were raised about the termination payments relating to the length of notice to former directors. The Board acknowledged this, as it was also raised at the prior year AGM, 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, changes in key staff and has a section each quarter focussing 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.

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.

In 2020, a Sportech employee intranet was launched with information for employees and a forum to communicate on a

wide range of Company related and personal issues, further information can be found in the Corporate Social Responsibility Report on page 28. The Chief Executive regularly sent out communications to the workforce during 2020 in response to the COVID-19 pandemic and the impacts on both the Company and individual employees.

## 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.

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 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.



# Corporate Governance Report continued

## BOARD MEETINGS

The Board meets regularly, remotely or in person. 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 2020:	17	3	3	1
<b>Executive Directors</b>				
Richard McGuire	17	–	–	–
Thomas Hearne	17	–	–	–
<b>Non-executive Directors</b>				
Giles Vardey	Stepped down from Audit Committee on 1 June 2020	17	2 (2)	1 (1)
Chris Rigg		16	3	3
Ben Warn	Appointed 1 June 2020	11 (11)	1 (1)	2 (2)
				– (–)

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

### Nomination Committee

The Nomination Committee currently comprises the Non-executive Chairman and the Non-executive Directors and is chaired by Giles Vardey.

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 564 employees, 35% are female and out of 17 members of senior management 29% 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 is 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 Ben Warn as Non-executive Director with effect from 1 June 2020.

### Audit Committee

The Audit Committee currently comprises the Independent Non-executive Directors (Chris Rigg – Chair of the Committee). Ben Warn was appointed to the Committee on 1 June 2020 and Giles Vardey stepped down as of this date.

The Committee is scheduled to meet at least three times a year. 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.

The Group acknowledges that the Corporate Governance Code was breached from 2 July 2019 until 1 June 2020, in relation to the requirement for the Chairman not to be a member of the Audit Committee. Following the appointment of Ben Warn, Giles Vardey stood down from the Committee and rectified 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 Auditor; and
- any correspondence from regulators in relation to financial reporting.

The Committee considered internal reports from the senior finance staff together with the external Auditor's 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 2020 financial statements were:

- risk of misstatement on revenue recognition;
- disposal accounting and discontinued operations;
- the assumptions underlying impairment testing of the Group's intangible assets;
- the recoverability of deferred tax 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;
- challenge of requirements of IFRS 5 for classification as held for sale and discontinued operations;
- detailed review and discussion of models and forecasts used for impairment testing and review of recoverability of deferred tax assets; 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



# Corporate Governance Report continued

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 Auditor 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 Auditor.

In assessing the carrying value of the Company's investment in Sportech Group Holdings Limited, the Committee reviewed financial projections for all divisions and sales values used. The projections are inherently judgemental and the ongoing impact of the COVID-19 pandemic is difficult to predict. The Committee robustly challenged management on the assumptions included in the models.

## **External audit**

The Committee is responsible for the relationship with the external Auditor. The Committee considers the nature and extent of non-audit services provided by the Auditor 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 Auditor 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 Auditor and also with other financial advisers. The Committee also notes and takes due account of the ethical guidelines issued in December 2019 which "whitelist" services an Auditor can provide.

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 Auditor 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 Auditor 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 Auditor is disclosed in note 7 in the Notes to the financial statements. The Company paid non-audit fees of £24k to the Auditor in 2020 for an interim review (2019: £11k). Fees in relation to corporate activity of £50k were paid during 2020 and £110k were accrued but unpaid as at 31 December 2020 (2019: £50k accrued but unpaid).

## **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 2020 the significant and elevated risks identified were in relation to:

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

The Committee meets with the external Auditor without management present at each meeting to provide additional opportunity for open dialogue and feedback. Matters typically discussed include the Auditor's 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 Auditor, including the rotation of the audit partner each year, and also assesses their independence on an ongoing basis. The external Auditor are required to rotate the audit partner responsible for the Group audit every five years. The lead BDO audit partner, Kieran Storan, has performed the role since 2019 and therefore will be required to rotate off the Sportech audit in 2024. BDO LLP have been the Company's external Auditor since 2019. A competitive tender process will be conducted as and when the Committee sees fit and in any event prior to 2029. 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 Auditor, 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 23 through 26 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 2020 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 Auditor 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 Chairman and the Non-executive Director during the year until 1 June 2020 when Ben Warn was appointed to the Board. From his appointment date, Ben Warn has chaired the Committee and Giles Vardey stepped down from the Committee.

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 39 to 61.

## **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 April 2020. The performance of Non-executive Directors and the functioning

# Corporate Governance Report continued

of the Committees was also appraised as part of this evaluation process. The process involves all Directors completing an anonymous online questionnaire set by the Company Secretary and returned direct to them, who summarises the results and feeds back to the Board. The aim of the process is to ensure the roles are being carried out properly (and as expected), procedures are adhered to and to have an open discussion on the overall functioning of the Board. The evaluation covered all key board duties. The results were analysed and following the discussions, a number of proposed recommendations were made, including; a clear succession plan is to be developed; the additional NED appointment should chair the Remuneration Committee; 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  
31 March 2021

# Report of the Remuneration Committee

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

As Chair of Sportech's Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2020.

I was appointed to the Board as an Independent Non-executive Director on 1 June 2020 and assumed the role of Chair of the Remuneration Committee. As such, Giles Vardey stepped down from Chair of the Committee. I would like to thank Giles for his service as Chair of this Committee and for the support since my appointment. Although I have not served on a remuneration committee prior to my appointment I have held senior executive positions including within publically owned entities. I have received an in-depth hand over from the previous Chair and training and support for the Committee's advisors. Given the size of the Group and the limited Board membership, which requires each non-executive to Chair a committee, the Board concluded that to ensure the correct skills and knowledge on the Board from an industry perspective that my appointment to Chair of the Remuneration Committee was appropriate given guidance and support was available from the independent advisors in relation to remuneration matters.

This report comprises three sections: the Remuneration Committee Chair's Statement; the Remuneration Policy Report, which sets out the proposed policy for the next three years commencing with the year ending 31 December 2021, and the Annual Report on Remuneration which describes how the shareholder approved Directors' remuneration policy was implemented for the year ended 31 December 2020.

At the 2021 Annual General Meeting ("AGM"), the Company will be asking shareholders to vote on two resolutions:

- the binding vote of the Directors' Remuneration Policy, which subject to shareholder approval will formally become effective as at the date of the AGM; and
- An advisory vote on the Annual Report on Directors' Remuneration, which provides details of the remuneration earned by Directors for performance in the year ended 31 December 2020.

## Proposed amendments to our Directors' Remuneration Policy for 2021

The current directors' remuneration policy received binding shareholder approval at the General Meeting on 24 May 2017 and came into formal effect from that date and has been implemented through to the present time. The approval of the Policy and how it has been implemented has been strongly supported by shareholders over the life of the Policy. Regulatory requirements are that remuneration policies should be subject to a binding vote every three years and

the Board had intended to put a revised policy to shareholders for approval at the 2020 AGM. However, the Resolution was removed from the meeting due to the continuing changes in the Group's structure and long-term strategy. The Committee had intended to gain shareholder approval for a revised policy before the end of 2020, however, the significant impact of the disposal of the Global Tote division on the Group's structure led the Committee to conclude that it would be more appropriate to allow time for further consideration of the details of the remuneration policy going forward and therefore to seek approval for the revised policy at the AGM in 2021. The Committee acknowledges that this delay to approval of a revised policy results in the Company not being compliant with the regulations. It is therefore seeking to rectify this by approval of a revised policy at the 2021 AGM that it hopes will receive strong support.

The Committee has reviewed current arrangements in light of the evolving strategy for the business over the lifetime of the new policy and developments in remuneration governance and best practice. The policy has been thoroughly reviewed and updated this year. The Board and the Remuneration Committee value shareholder interaction and spoke with many of our key shareholders during 2020 on the changes proposed. The intention is for the new policy to operate over the three-year period to 2023. The principal change is that no long-term incentive scheme will be operated at this time. The Board will continue to monitor this closely and if it is considered appropriate to reintroduce an LTIP a revised policy will be put to shareholders in a binding vote. An overview of the proposed 2021 policy changes is set out below, with full details on pages 42 to 53.

## Policy changes at a glance

- Simplification of the remuneration structure; removing the LTIP; and
- introduction of a two-year post-cessation shareholding requirement.

## Performance and remuneration for 2020

The COVID-19 global pandemic has had a material impact on the performance of the Company. Sportech is reliant on sporting events to generate revenue. Owing to the focus on operational efficiency, cash generation, and diverting attention to online products, the Group's cash resources were protected as far as possible. Management took difficult decisions to furlough staff across North America and Europe whilst operations were closed, but ensured benefits (particularly health insurance in North America) were continued. Redundancies were kept to a minimum following end of furlough periods. Cash generation was our key metric for 2020.

# Report of the Remuneration Committee

## continued

Outlined below, the Remuneration Committee and management has taken a number of actions in order to ensure that the impact of the pandemic on our business and its employees has been shared equitably (including significant reductions to salaries beyond the level at other companies) whilst ensuring that management was incentivised and rewarded for preserving value for shareholders.

### Salary

The Committee considered whether there was a need to reduce the remuneration of Executive Directors in light of the pandemic. Richard McGuire voluntarily reduced his salary by 50% for a six-month period beginning April 2020. Thereafter he volunteered a permanent reduction to £300,000. Giles Vardey also voluntarily reduced his fees by 50% to £60,000 per annum from 1 April to 31 August 2020. These reductions go beyond those seen at other companies and reflect the seriousness with which the Board have sought to ensure that the impact of the pandemic was shared equitably. For 2021 and beyond, the Remuneration Committee is cognisant of the anticipated reduced scale of the business and are in discussions with Directors regarding fixed compensation should the scale of operations reduce further.

### Annual bonus

Given the extraordinary circumstances applying to the Company in 2020, the Committee felt it was critical to prioritise preservation of the Group's assets for shareholders. As a result, targets linked to year-end net cash and the cash generated from disposals accounted for the majority of the bonus and strategic objectives accounted for the balance.

In order to incentivise the maximisation of the cash generated from disposals and therefore the preservation of value for shareholders, the cash generation goal was based on part of each senior manager's bonus being linked to a share of a notional pool of 3.5% of proceeds from any sale of any divisional or business disposals commenced during 2020 and subject to each participant's maximum bonus opportunity and performance against other goals. The successful approval of the disposal of the Global Tote Business to BetMakers Technology Group Ltd for £30.9m during the year resulted in awards to Richard McGuire and Tom Hearne of 40% and 70% of their maximum bonus opportunity, respectively. These bonuses remain conditional on completion of the disposal in 2021 and will be paid immediately following.

In addition, management's determined control of costs resulted in the maximum year end net cash target being exceeded, resulting in payments to Richard McGuire and

Tom Hearne of 10% of maximum and 15% of maximum, respectively for that element.

Strategic measures relating to successful completion of long-term contracts set by the Remuneration Committee resulted in 5% of maximum being payable to Richard McGuire and 0% to Tom Hearne.

This resulted in bonuses of £207,650 and CAD227,370 being paid to Richard McGuire and Tom Hearne, representing 55% and 85% of the maximum entitlement respectively.

The Committee considers that this level of outturn is appropriate given the other actions taken by the Board during the year and is reflective of the wider business performance and rewards received by other employees and no discretion was applied in determining the level of payout.

### VCP

No awards under the existing VCP were made during 2020 and no awards vested.

### Implementation of remuneration policy for 2021

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. As discussed above, the Board does not currently intend to grant awards of long-term incentives to Executive Directors.

We remain focussed on taking the appropriate steps during the current pandemic that will protect the interests of all our key stakeholders and best ensure the long-term strength of the business. We will be taking the following approach to the implementation of the remuneration policy for the year ending 31 December 2021:

- **Salary** – Salary levels will remain frozen. Richard McGuire's basic annual salary will remain at the reduced level of £300,000. Tom Hearne's basic annual salary will remain at CAD\$357,000 (approximately £210,000) for 2021.
- **Pension** – Richard McGuire receives a pension contribution of 5% of salary, while Tom Hearne does not participate in the pension plan. Pension contributions for the majority of the UK workforce are between 6% and 8%.

- **Bonus** – In light of the ongoing COVID-19 pandemic and previously announced corporate divestments the 2021 target setting has been delayed until there is greater clarity. Similar to 2020, and in accordance with the new policy, the company will not be operating any long-term incentives. It is intended that the majority of the 2021 bonus will be designed to incentivise Group valuation growth subject to appropriate hurdles and a cap on the value of potential payments.
- **Long-term incentives** – The proposed Policy does not include a long-term incentive. This will be kept under review.
- **Shareholding requirements** – The in-post shareholding requirement will remain at 200% of salary for the CEO and 150% of salary for other Executive Directors. A two-year post-employment shareholding requirement will be introduced at the level of the in-post requirement, or the actual shareholding on departure if lower.

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 success of the Company.

The Committee ensures compliance with the new Corporate Governance Code which was 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 Code following the Remuneration Policy being updated, which will be put to shareholders for approval at the 2021 AGM.

On behalf of the Committee, I thank shareholders for their support last year and hope you will be able to continue to support the resolutions on our directors' remuneration report and policy at the 2021 AGM.

**Ben Warn**

Non-executive Director and Chair of the Remuneration Committee

31 March 2021



# Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2020

## DIRECTORS' REMUNERATION POLICY

This Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (as amended) (the "Regulations"), the UK Corporate Governance Code (the "Code") and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant guidelines of shareholder representative bodies.

The policy contained in this part will be subject to a binding vote at the AGM to be held on 29 June 2021 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 2021 and will continue to apply until the 2023 AGM subject to any revised policy being approved by shareholders. 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 seeks 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 incentives will bring the largest benefits to the Group and its stakeholders at this time.

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;
- follows the following broad principles when considering the design, implementation and assessment of remuneration in line with the recommendations set out in Provision 40 of the 2018 UK Corporate Governance Code:
  - **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 seeks to keep structures as simple as possible to enable operation and understandability for shareholders. The main elements of remuneration in the new policy are base salary, benefits and pension and annual bonus;
  - **Risk:** The Committee reviews the remuneration policy, and in particular any 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 and mitigation is provided through malus and clawback provisions. 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 that no excessive awards result from the policy, with individual caps to participation in our incentive plans and that incentives drive behaviours in line with Group strategy and the interests of all stakeholders (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

During 2020, the Committee undertook 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. 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. The current Policy already contains a number of features that are in line with the

updated Code. The primary proposed change to the current policy is that no new long-term incentives can be granted. The Committee will continue to monitor this closely and if it becomes appropriate to reintroduce an LTIP in the future, a revised policy will be put to shareholders at that time.

Additionally, to reflect developments in market practice over the past three years we will introduce a post-cessation shareholding requirement. From 2021 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 acquired on the vesting of awards under the VCP and under any future discretionary share plan. 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 44 to 48, which should be read in conjunction with the recruitment/promotion policy on page 52, and the “Detailed remuneration policy for 2021” section of the Annual report on remuneration, which starts on page 53.



# Remuneration report continued

## Proposed Executive Directors' remuneration policy

The following table summarises each element of our proposed Remuneration Policy for the Executive Directors, explaining how each element operates. The Policy will become formally effective following shareholder approval at the 2021 AGM, with those parts of the Policy applicable to the annual bonus applying for the full 2021 financial year. If approved, this Policy supersedes that approved by shareholders in 2017. Awards made under the existing approved Policy remain subject to the provisions of that Policy.

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
<p><b>Base salary</b></p> <p>To attract and retain key individuals.</p> <p>Reflects the relevant skills and experience in role.</p>	<ul style="list-style-type: none"> <li>Salary increases are normally reviewed annually with any changes effective from 1 January</li> <li>Salaries are set by the Committee taking account of performance, experience, responsibilities, relevant market information, internal reference points and the level of workforce pay increases.</li> </ul>	<ul style="list-style-type: none"> <li>The current salaries are set out in the Annual Report on Remuneration on page 53.</li> <li>There is no maximum but salary increases will typically be commensurate with those of the wider workforce (in percentage of salary terms) as well as reflective of the overall financial performance of the Group.</li> <li>If there are significant changes in responsibility or a change in scope, increases may exceed this level.</li> <li>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.</li> </ul>	<p>A broad-based assessment of individual and Company performance is considered as part of any salary review.</p>	<ul style="list-style-type: none"> <li>No changes proposed.</li> </ul>

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
<p><b>Pension</b></p> <p>To provide cost-effective, yet market competitive, retirement benefits.</p>	<ul style="list-style-type: none"> <li>– Contribution to a personal pension arrangement or cash in lieu of pension by way of a salary supplement.</li> </ul>	<ul style="list-style-type: none"> <li>– In line with general workforce, up to 8% of salary, or such other amount from time to time, for UK Executive Directors.</li> <li>– Only basic annual salary is pensionable</li> </ul>	Not applicable.	<ul style="list-style-type: none"> <li>– No changes proposed, Executive Director provision already below general workforce.</li> </ul>
<p><b>Benefits</b></p> <p>To provide cost-effective, yet market competitive, benefits.</p>	<p>Benefits typically include a combination of the following:</p> <ul style="list-style-type: none"> <li>– Car or car allowance for travel.</li> <li>– Family cover private health insurance.</li> <li>– Life insurance cover.</li> </ul> <p>Benefits such as relocation allowances may also be offered if considered appropriate and reasonable by the Committee.</p> <p>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.</p> <p>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.</p> <p>Any reasonable business-related expenses (including tax thereon) can be reimbursed.</p>	<ul style="list-style-type: none"> <li>– 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.</li> <li>– Participation in the all-employee share plans is subject to the limits set out by HMRC.</li> </ul>	Not applicable.	<ul style="list-style-type: none"> <li>– No changes proposed.</li> </ul>

# Remuneration report continued

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
<p><b>Annual bonus plan</b></p> <p>To motivate Executive Directors and incentivise the achievement of key financial and strategic goals and targets over the financial year.</p>	<ul style="list-style-type: none"> <li>– Bonus is typically paid in cash, but may be paid in shares at the discretion of the Remuneration Committee.</li> <li>– Performance conditions are set by the Committee based on current conditions and strategic goals.</li> <li>– Based on the achievement of performance metrics with a sliding scale from a threshold to maximum level of performance.</li> <li>– Levels of award are determined by the Committee after the year end based on performance against the targets set.</li> <li>– Bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year when determining the final bonus amount to be awarded.</li> <li>– Malus and clawback provisions may be applied in the event of circumstances such as material misconduct and/or an error in the calculation of the bonus payable.</li> </ul>	<ul style="list-style-type: none"> <li>– The previously approved policy has matured and shareholders will be presented with an updated policy to consider at the 2021 Annual General Meeting.</li> </ul>	<p>The majority of the bonus will normally be based on financial measures such as capital structure, corporate activity, cash position, profit-based Group targets (and divisional targets as defined to meet annual corporate objectives). A minority of the bonus will normally be based on Group strategic objectives and/or personal objectives tailored to the achievement of the Group strategic goals.</p> <p>The minimum 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.</p> <p>The Committee retains the ability in exceptional circumstances to adjust targets and/or set different measures and alter weightings for the annual bonus if certain events occur which causes it to determine they are no longer appropriate and a change is required to ensure they achieve their original purpose and are not materially less difficult to satisfy.</p>	<ul style="list-style-type: none"> <li>– The previously approved policy has matured and shareholders will be presented with an updated policy to consider at the 2021 Annual General Meeting.</li> </ul>

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
<p><b>Executive share ownership</b></p> <p>To align Executive Directors' and shareholders' interests.</p>	<p><b>In-post requirement</b></p> <ul style="list-style-type: none"> <li>– 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.</li> <li>– Newly appointed Executive Directors would normally be expected to achieve the required shareholding within a 5-year period of appointment to the Board.</li> <li>– Executive Directors are expected to retain at least 50% of net awards under any Company long-term incentive plans to achieve the shareholding, until the target shareholding is attained.</li> <li>– 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.</li> </ul> <p><b>Post-cessation requirement</b></p> <ul style="list-style-type: none"> <li>– Executive Directors are also required to maintain their shareholding requirement or the actual shareholding on departure, if lower, for two years post-cessation of employment.</li> </ul>	<p><b>In-post requirement</b></p> <ul style="list-style-type: none"> <li>– 200% of salary for the Chief Executive and 150% of salary for other Executive Directors.</li> </ul> <p><b>Post-cessation requirement</b></p> <ul style="list-style-type: none"> <li>– 200% of salary for the Chief Executive and 150% of salary for other Executive Directors (or the actual shareholding on departure).</li> </ul>	<p>Not applicable.</p>	<ul style="list-style-type: none"> <li>– Introduction of a timeframe under which executives are to build the in-post shareholding requirements.</li> <li>– Introduction of post-cessation shareholding requirement.</li> </ul>

# Remuneration report continued

Remuneration element and purpose	Operation	Opportunity	Performance metrics	Amendments to previous policy
	<p>The post cessation shareholding will apply to shares (net of tax) acquired from the VCP or any other discretionary share plan introduced in future. Any shares purchased by an Executive will not count towards the requirement.</p>			
<p><b>Non-executive Director fees</b></p> <p>To attract and retain high-calibre Non-executive Directors.</p> <p>To set remuneration by reference to the responsibilities and time commitment undertaken by each Non-executive Director.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Any increase in fees will also take account of increases in salaries across the workforce.</li> <li>- 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.</li> </ul>	<ul style="list-style-type: none"> <li>- The Non-executive Chairman's fee and Non-executive Directors' fees are set out in the Annual report on remuneration on page 53.</li> <li>- 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.</li> </ul>	<p>Not applicable.</p>	<ul style="list-style-type: none"> <li>- No changes proposed.</li> </ul>

### 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.

### Discretions retained by the Committee in operating variable pay schemes

The Committee operates the Group's 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 relating to the operation and administration. The extent of such discretion is set out in the relevant plan rules. 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;
- setting the performance criteria and respective weightings of performance conditions;
- 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;
- 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;
- 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, major changes in the Group's capital structure and special dividends); and

- whether malus and/or clawback shall be applied to any award and, if so, the extent to which they shall apply.

### Clawback and malus

No clawback and malus clauses apply to current bonus schemes, however such clauses are in place in the currently operating VGP. In the event of any new LTIP being implemented, malus and clawback terms will be included.

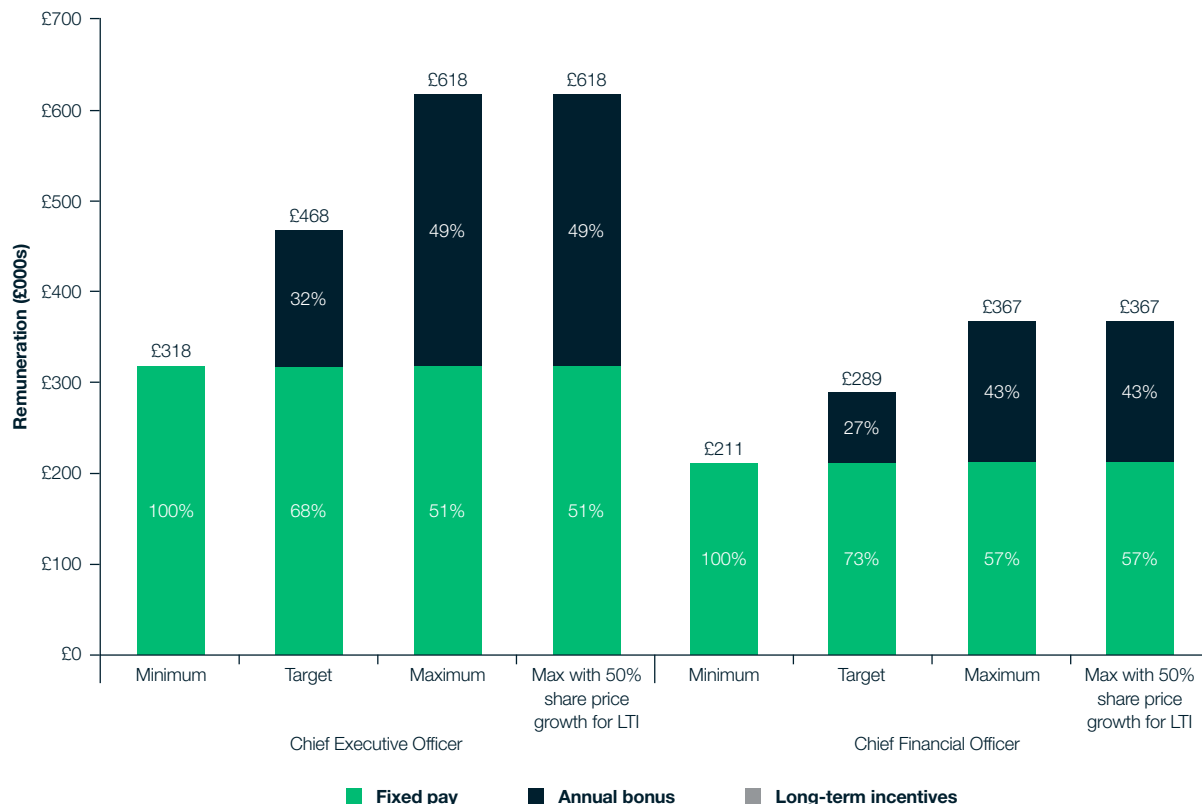
### Legacy arrangements

For the avoidance of doubt, any commitments entered into by the Group prior to the approval and implementation of the Policy outlined above may be honoured, even if they are not consistent with the Policy prevailing at the time the commitment is fulfilled.

# Remuneration report continued

## Executive Director reward scenarios for 2021

The remuneration package comprises both fixed elements (base salary, pension and benefits) and performance-based variable pay (annual bonus). In accordance with the regulations, total remuneration for each Executive Director for a minimum, target, maximum and maximum + 50% share price growth performance is presented in the chart below.



The following assumptions have been made:

- Minimum – fixed pay (salary as at 1 January 2021), benefits (as paid in 2020) and pension).
- Target – fixed pay plus annual bonus paying out at 50% of the maximum.
- Maximum – fixed pay plus annual bonus paying out in full.
- Maximum + 50% share price growth – based on annual bonus paying out in full.

### Policy on contracts of service

Details of the service contracts and letters of appointment in place as at 31 December 2020 for Directors are as follows.

Executive Director	Date of Service Contract	Notice Period*
Richard McGuire	24.08.16	6 months
Tom Hearne	04.05.18	12 months

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

Copies of the Executive Directors' service contracts are available for inspection at the office of the Company Secretary.

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.

Non-Executive Director	Date of Letter of Appointment	Notice Period
Giles Vardey	04.12.17	3 months
Chris Rigg	01.01.19	3 months
Ben Warn	01.06.20	3 months

### Policy on Termination

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 or other reasonable costs 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 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.

### 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 provided that these do not interfere with their ability to perform their duties at Sportech 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. Pay levels and elements of remuneration differ by level but the broad themes and philosophy remain consistent across the Group.

- Salaries are reviewed annually with increases ordinarily (in percentage of salary terms) in line with those of the wider workforce.
- Annual bonus – provisions are based on core objectives and corporate initiatives aligned to long-term Group success.
- Eligibility for benefits varies by level and local market practice.
- Pension contribution levels for Executive Directors are currently below those of the majority of the UK workforce.
- The Committee is also responsible for reviewing the participants of long-term incentive plans and participation levels in any employee plan.

For information on "employee voice", see page 32 of the Corporate Governance Report.



# Remuneration report continued

## Policy on Executive Director recruitments/promotions

New Executive Director remuneration arrangements will be based on the limits of the prevailing approved Directors' Remuneration Policy. 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
<b>Base salary</b>	<p>Salary levels will be set based on:</p> <ul style="list-style-type: none"> <li>• the particular experience, knowledge and skill of the individual;</li> <li>• market rates for comparable positions in companies of a similar size and complexity; and</li> <li>• internal Company relativities.</li> </ul> <p>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.</p>
<b>Benefits</b>	<p>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.</p> <p>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.</p>
<b>Pension</b>	<p>A defined contribution or cash supplement (or equivalent in line with local market practice) at up to the level provided to the general workforce.</p>
<b>Annual bonus</b>	<p>The Committee would envisage the annual bonus for any new appointment operating as set out in the Policy Table for current Executive Directors.</p> <p>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.</p>
<b>Buy-out awards</b>	<p>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 in addition to the limits set out above.</p> <p>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.</p>

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

## Statement of consideration of shareholder views

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 the development of the new policy the Committee has consulted with its major shareholders. 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

### Application of the Remuneration Policy for 2021

#### Basic annual salary

The Committee has reviewed base salaries for 2021 taking into account market conditions and potentially reduced operational demands and determined that no increase be awarded to Executives. In addition, the voluntary reduction in Richard McGuire's salary to £300,000 will remain in effect. For reference, full-time salaries across the Group were increased by an average of 1.0%.

The base salaries for 2021 are as follows:

Director	2021	2020	% change
Chief Executive Officer <sup>1</sup>	£300,000	£400,000 <sup>2</sup>	(25)%
Chief Financial Officer	CAD\$357,000	CAD\$357,000	–

<sup>1</sup>Until March 2020, Richard McGuire was paid in USD through the North American payroll using an exchange rate of 1.4 USD to 1 GBP. From April 2020, Richard McGuire was paid in GBP through the UK payroll.

<sup>2</sup>Richard McGuire agreed to reduce his base salary to £200,000 per annum from 1 April 2020 to 30 September 2020 and agreed to reduce his base salary to £300,000 per annum from 1 October 2020.

#### Performance related bonus

Details of the 2021 bonus scheme for Executive Directors are currently still being finalised, with full details planned to be set out in advance of the 2021 Company Annual General Meeting.

Richard McGuire's and Tom Hearne's performance related bonuses will be based on Group financial performance and delivering on Group strategic objectives, specifically growth in the valuation of the Company assets, which would include any capital returns made to shareholders during 2021. Details of the structure, metrics and weightings of measures will be disclosed before the 2021 Annual General Meeting. Any bonus achieved is typically payable in cash.

#### Pension arrangements

For Richard McGuire the Company pension contribution level is 5% of base salary; £4,000 is paid into a SIPP and the balance as cash in lieu. The Company matches to a limit of 50% of the first 6% of Canadian Directors' contributions up to a maximum of CAD\$8,000. No Company contributions are made since Tom Hearne makes no contributions.

Company pension contributions for the majority of the UK workforce are currently between 5% and 8% of salary.

#### 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.

#### Long Term Incentive

No long-term incentive awards will be granted.

#### Non-executive Directors' fees

The Non-executive Director fee for 2021 is £60,000 which is unchanged since May 2017. This is intended to cover all Board duties and no separate Committee fees are payable. 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.

# Remuneration report continued

## Application of the shareholder-approved 2017 Remuneration Policy for 2020

There were no deviations from the procedure for the implementation of the remuneration policy in the year.

## Single total remuneration figure for the Directors [audited]

Details of the remuneration for each Director in office during the financial year ended 31 December 2020 are given in the table below. The bonus figure includes amounts awarded for the successful approval of the disposal of the Global Tote Business to BetMakers Technology Group Ltd, £151,400 for Richard McGuire and £108,150 for Tom Hearne. This

element of the bonus is included in the single figure table for FY2020 as the performance target for this element of the bonus was substantially met in 2020 given shareholder approval was obtained having completed contractual negotiations, due diligence and the required regulatory process. The completion of the disposal remains contingent on the buyer obtaining relevant licences and payment of this element of the bonus has been deferred until completion of the disposal. In the event the disposal does not complete, this would be reflected in the single figure table disclosures for FY2021. The remaining bonus amounts of £56,250 for Richard McGuire and £23,202 for Tom Hearne will be paid in March or April 2021.

## Directors' remuneration for 2020

	Year of appointment	Fees/salary £000	Taxable benefits £000	Pension £000	Total fixed remuneration £000	Bonuses £000	Total variable remuneration £000	2020 Total £000
<b>Executive Directors</b>								
Richard McGuire	2017	275	3	20	298	208	208	506
Tom Hearne	2018	206	3	–	209	131	131	340
<b>Non-executive Directors</b>								
Giles Vardey	2017	95	–	–	95	–	–	95
Chris Rigg	2019	60	–	–	60	–	–	60
Ben Warn (appointed to the Board 1 June 2020)	2020	35	–	–	35	–	–	35
Aggregate emoluments		671	6	20	697	339	339	1,036

– Richard McGuire was paid a basic annual salary of £400,000 per annum with effect from 1 January 2020 until 31 March 2020. Richard voluntarily reduced his salary by 50% for a six month period beginning April 2020. Thereafter annual salary was reduced to £300,000 from 1 October 2020. He was paid in US dollars during Q1 2020, translated at an exchange rate of 1.4.

– The Company paid 8% of base salary paid for pension benefits for Richard McGuire from 1 January 2020 to 30 September 2020 and 5% of base salary from 1 October onwards, £4,000 of which was paid into his SIPP and the balance being paid in cash in lieu of pension contributions.

– Richard McGuire was entitled to a car allowance until 30 September 2020, which he waived.

– Tom Hearne was paid a basic salary of CAD\$357,000 during the year, an average exchange rate of 1.731 has been used to translate to Sterling in the above table.

– No company pension contributions were made for Tom Hearne.

– Richard McGuire's bonus was based on a salary of £400,000 for 9 months to October 2020 and 3 months at £300,000.

– Tom Hearne's bonus was based on a converted salary of £206,000.

– Giles Vardey voluntarily reduced his fees to £60,000 per annum from 1 April 2020 to 31 August 2020.

## Directors' remuneration for 2019

	Year of appointment	Fees/salary £000	Taxable benefits £000	Pension £000	Total fixed remuneration £000	Bonuses £000	Total variable remuneration £000	2019 Total £000
<b>Executive Directors</b>								
Richard McGuire	2017	400	42	–	442	80	80	522
Tom Hearne	2018	216	3	–	219	42	42	261
<b>Non-executive Directors</b>								
Giles Vardey (appointed Non-executive Chairman on 2 July 2019)	2017	90	–	–	90	–	–	90
Chris Rigg (appointed to the Board 1 January 2019)	2019	60	–	–	60	–	–	60
Aggregate emoluments		766	45	–	811	122	122	933

– Richard McGuire was paid a basic annual salary of £400,000 per annum with effect from 1 January 2019. He was 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.

– Richard 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 Vardey 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.

### Performance related bonus (audited)

The maximum bonus potential for the Chief Executive Officer for the 2020 financial year was 100% of basic salary, and for the Chief Financial Officer was 75% of basic salary with the majority of the bonus based on financial measures.

Given the extraordinary circumstances applying in 2020, the Committee determined that bonuses for the Executive Directors and other senior management should reward objectives that improve the Company's cash position, with a particular emphasis on maximising cash generation from disposals. For each Executive Director, their performance related bonus was therefore based on:

(i) Financial measures:

- a. Cash generation: Subject to the maximum bonus opportunity under the approved Remuneration Policy, Executive Directors participated along with other employees in a pool of 3.5% of the value of any disposals or transfer of assets realised during the year. The allocation from the pool was based on individual engagement and level of involvement in any successful transaction. Any transaction being subject to Board, and in certain cases shareholder, consent.

- b. Net cash at 31 December 2020 of at least 8.0m, the award to be linear between £8.0m and £9.0m.
- (ii) Strategic objectives aligned with Group strategic goals. Including, the delivery of core new business opportunities and the extension of key contracts.

# Remuneration report continued

		Richard McGuire Weighting	Richard McGuire Outturn	Tom Hearne Weighting	Tom Hearne Outturn
<b>Financial</b>					
Cash generation	Successful disposal of Global Tote for £30.9m	65%	40%	70%	70%
Net cash at 31 December 2020	Stretch performance of £9.0m exceeded	10%	10%	15%	15%
<b>Strategic</b>					
	Delivery of core new business and extension of key contracts	25%	5%	15%	0%

The table below summarises the overall bonus result.

Individual	Total bonus: % Maximum (% salary payable)
Chief Executive Officer (Richard McGuire)	55% out of the maximum entitlement (55% of salary payable)
Chief Financial Officer (Tom Hearne)	85% out of the maximum entitlement (64% of salary payable)

The Committee considers that the level of incentives paid to Executive Directors reflects both the Company and individual performance during the year.

## Pension arrangements [audited]

The Company did not pay into a defined contribution scheme for Tom Hearne in 2020. The Company paid £4,000 into a SIPP for Richard McGuire during the year and paid the balance in cash in lieu of pension contributions of 8% of base salary paid through to 30 September 2020 and 5% of base thereafter. This is in line with that available to the majority of the UK workforce, currently between 5% and 8% of salary.

## Long Term Incentive Plans ["LTIPs"] [audited]

### LTIP awards granted during 2020

#### Value Creation Plan ["VCP"]

No awards were granted to Executive Directors during 2020.

#### Directors' share-based incentives

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

#### 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 2020 Units	Awarded during the year Units	As at 31 December 2020 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		12,250	-	12,150	60.75%

The performance period for the VCP Award comprises the five years commencing on 1 January 2017. The award size to Richard McGuire 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.

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.

Ian Penrose 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 set out in the 2019 report.

### Director interests and shareholding guidelines (audited)

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 2019	Total shareholding at 31 December 2020	PSP award held unvested	Share ownership guideline	% of guideline met by 31 December 2020
Richard McGuire	1,000,000	<b>1,100,000</b>	–	200%	88.6%
Tom Hearne	25,000	<b>25,000</b>	–	150%	5.1%
Giles Vardey	–	–	–	N/A	N/A
Chris Rigg	–	–	–	N/A	N/A

The total shareholding which counts towards the measurement of the guideline is calculated on the basis of legally owned shares plus vested LTIP awards (net of tax). 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 retain additional shares equivalent to the value of any increase in base salary.

### Exit payments (audited)

No other exit payments were made to Directors during the year.

### Payments to past Directors (audited)

No other payments were made to former directors during the year.

### Payments to third parties

No payments were made to third parties for making available the services of any of the Directors during 2020.

The disclosures on Directors' remuneration set out on page 54 commencing with the table of Directors' remuneration for 2020 to page 57 up to this statement have been audited as required by the Regulations.

### External directorships

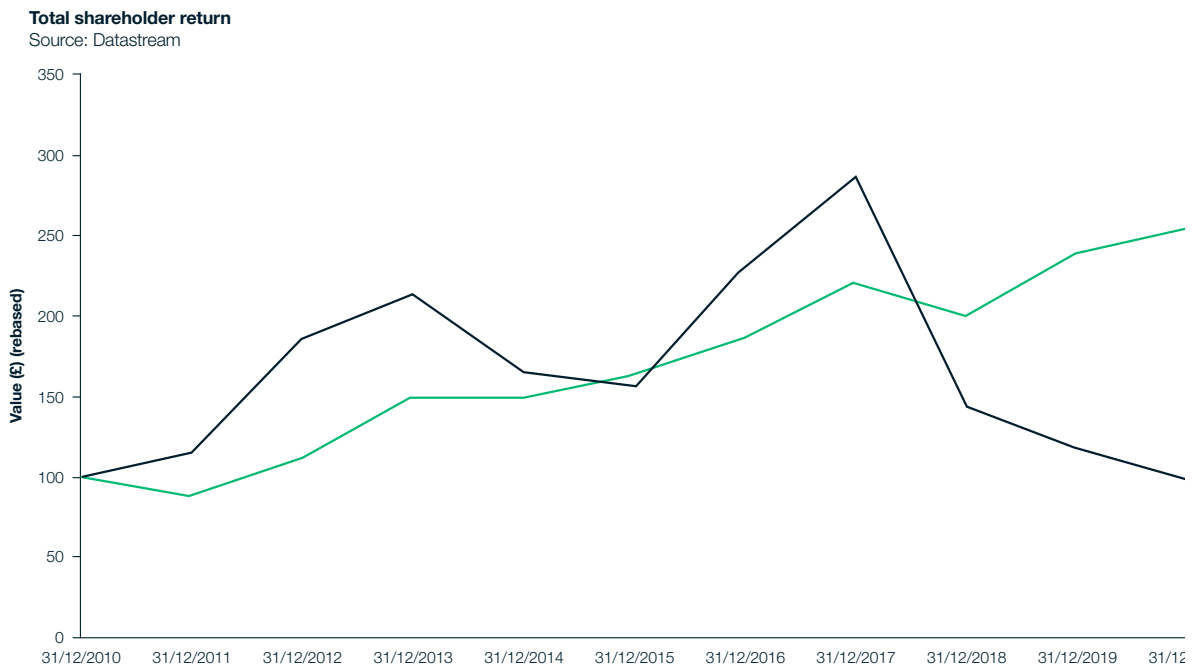
Richard McGuire and Tom Hearne do not hold any external directorships.

# Remuneration report continued

## REVIEW OF PAST PERFORMANCE

### Performance graph and Chief Executive pay chart

The graph below shows the TSR (share value movement plus reinvested dividends) over the ten years to 31 December 2020 of shares in Sportech PLC compared with that of a hypothetical holding in the FTSE SmallCap Index. The FTSE Small Cap Index is considered to be an appropriate comparator group for assessing Sportech's TSR as it provides a well-defined, understood and accessible benchmark and is the index most closely aligned to Sportech PLC.



The following table sets out the Chief Executive Officer's total remuneration (single figure of remuneration), together with annual bonus and LTIP awards as a percentage of the maximum available, for the current financial year and the preceding nine years:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Remuneration before LTIPS (£000)	502	542	575	515	517	1,233 <sup>1</sup>	609 <sup>3</sup>	268 <sup>4</sup>	522 <sup>5</sup>	506
LTIPS (£000)	–	233	836	158	–	–	223	–	–	–
Total remunerations (£000)	502	775	1,411	673	517	1,233	832	268	522	506
Annual bonus	50.0%	25.0%	40.0%	21.25%	20.5%	39.2% <sup>2</sup>	40.0%	–	20.0%	55.4%
LTIP vesting	–	62.0%	82.7%	29.7%	–	–	50.0%	–	–	–

<sup>1</sup> Including exceptional bonus of £637,000.

<sup>2</sup> Excluding exceptional bonus.

<sup>3</sup> Excluding loss of office and pay in lieu of notice payments of £520,000.

<sup>4</sup> Relates to Andrew Gaughan, all prior years related to Ian Penrose.

<sup>5</sup> Relates to Richard McGuire and all future years.

### Annual percentage change in the remuneration of directors and employees

The table below shows the percentage change in the annual remuneration from the prior year for all Directors and the average full-time salaried employee

	Salary/fees change (%)	Benefits change (%)	Bonus change (%)
<b>Executive Directors</b>			
Richard McGuire <sup>(1)(2)</sup>	(31.25)	(92.86)	106
Tom Hearne	–	–	212
<b>Non-Executive Directors</b>			
Giles Vardey <sup>(3)</sup>	(5.56)	n/a	n/a
Chris Rigg <sup>(4)</sup>	–	n/a	n/a
Ben Warn <sup>(5)</sup>	n/a	n/a	n/a
<b>Comparator group</b>			
Group full time employees	(0.09)	17.17	57.40

<sup>1</sup> Richard McGuire was paid a basic annual salary of £400,000 per annum with effect from 1 January 2020 until 31 March 2020. Richard voluntarily reduced salary by 50% for a six month period beginning 1 April 2020. Thereafter annual salary was reduced to £300,000 from 1 October 2020.

<sup>2</sup> Richard was entitled to a car benefit until 30 September 2020, however he waived this entitlement. Benefits consist of private health and disability insurance for himself, spouse and children and personal life insurance.

<sup>3</sup> Giles Vardey voluntarily reduced his fees to £60,000 per annum from 1 April 2020 to 31 August 2020.

<sup>4</sup> Chris Rigg joined the Board on 1 January 2019.

<sup>5</sup> Ben Warn was appointed to the Board on 1 June 2020.



# Remuneration report continued

## Relative importance of spend on pay

	2020 £000	2019 £000	% change
Staff costs – continuing operations	<b>6,785</b>	9,329	(27)
Staff costs – discontinued operations	<b>11,282</b>	17,689	(36)
Staff costs – Total Group	<b>18,067</b>	27,018	(33)
Distributions to shareholders	–	–	N/A

The majority of our employees are based in North America, with only approximately 37 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 and lottery platform development, 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.

## Shareholders' vote on remuneration

At the last Annual General Meeting on 26 June 2020, 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 2019	91,253,851 (93.09%)	6,772,603 (6.91%)	13,249,113

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](http://www.sportechplc.com/investors/corporate-governance).

See the Corporate Governance Report for number of Committee meetings held and attended.

- Chris Rigg and Ben Warn satisfied the independence condition on their respective appointments as Non-Executive Director.
- Giles Vardey was an Independent Non-executive Director until his appointment to Non-executive Chairman. Following the appointment of Ben Warn, Giles Vardey stepped down as Chair of the Remuneration Committee and Ben Warn was appointed chair.
- 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.

Key activities of the Committee:

- review the ongoing appropriateness and relevance of the Remuneration Policy;
- review of best practice;
- assessment and approval of bonus awards for achievement of FY2020 targets;
- review the operation of the bonus plan and approval of bonus measures and targets for 2021;
- consideration of the operation of a long-term variable pay incentive;
- review of base salaries for the Executive team;
- review the policy for shareholding requirements, both in-employment and post cessation; and
- approval of changes to remuneration terms for Richard McGuire and Giles Vardey.

The Committee's recommendations in 2020 and early 2021 were all accepted and implemented by the Board.

### Remuneration Committee advisors

Wholly independent advice on executive remuneration was received from the Executive Compensation practice of Aon PLC, up until October 2020 when Alvarez and Marsal Tax and UK LLP ("A&M") were appointed as advisors to the Committee. Aon PLC advised during the year under review on the drafting of the DRR and the revised remuneration policy including the structure of the LTIP to be issued going forward, A&M continued this advisory role from their appointment date. Aon and A&M are members of the Remuneration Consultants Group and are signatories to its Code of Conduct. Aon nor A&M has a connection with Sportech. The terms of engagement with Aon and A&M are available from the Company Secretary on request. The fees of Aon PLC in relation to the services provided by them to the Company during the financial year were £23,920 (excluding VAT), the fees of A&M during the financial year were £nil (excluding VAT).

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:

#### **Ben Warn**

Non-executive Director and Chairman of the Remuneration Committee

31 March 2021

# Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020. General information of the Company can be found in the Accounting Policies on page 82.

The Strategic report and Corporate Governance report are set out on pages 2 to 38. 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 2 to 18 of the Strategic report.

## DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The Directors who held office at 31 December 2020 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 31 March 2021 Number	At 31 December 2020 Number	31 December 2019 Number
Richard McGuire	1,100,000	1,100,000	1,000,000
Thomas Hearne	25,000	25,000	25,000
Giles Vardey	–	–	–
Chris Rigg	–	–	–
Ben Warn (appointed 1 June 2020)	–	–	–

Details of Value Creation Plan awards held by the Directors are set out in the Remuneration report on pages 56 to 57.

## 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 page 29.

## SUBSTANTIAL SHAREHOLDINGS

	22 March 2021		31 December 2020	
	Ordinary shares of 20p	% of issued share capital	Ordinary shares of 20p	% of issued share capital
Lombard Odier Asset Management (Europe) Ltd	50,707,504	26.87	50,245,385	26.62
North Atlantic Smaller Companies Investment Trust PLC	22,000,000	11.66	22,000,000	11.66
Mr Richard I Griffiths and entities	15,519,094	8.22	15,519,094	8.22
Artemis Investment Management LLP	12,576,421	6.66	13,366,421	7.08
Schroder Investment Management	10,312,045	5.46	10,312,045	5.46
Oryx International Growth Fund	10,000,000	5.30	10,000,000	5.30
HSBC Securities	8,801,561	4.66	8,314,641	4.41
Bank of America Merrill Lynch	8,408,708	4.46	8,282,294	4.39
Citigroup as principal	6,162,724	3.26	–	–
Deutsche Bank	–	–	6,255,226	3.31
<b>Total of substantial shareholdings</b>	<b>144,488,057</b>	<b>76.55</b>	<b>144,295,106</b>	<b>76.45</b>
All other shareholdings	44,263,200	23.45	44,456,151	23.55
<b>Total shares in issue</b>	<b>188,751,257</b>	<b>100.00</b>	<b>188,751,257</b>	<b>100.00</b>

## DIVIDEND

No dividend is proposed for 2020 (2019: £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 28. We have implemented the SECR required reporting for year-end reports commencing on or after 1 April 2019 for the first time and as such disclosure of the Group's UK energy use and carbon emissions can be found in the Strategic report on page 29.

## CORPORATE GOVERNANCE

The Group's statement on corporate governance is set out on pages 30 to 38 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.

# Directors' Report continued

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 page 63. There are no restrictions on the transfer of shares.

As part of the resolutions approved at the 2020 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 £12,583,417. 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 £12,583,417 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 27 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 2022. Accordingly, it is deemed appropriate to prepare the financial statements on a going concern basis for the financial year ended 31 December 2020. Following the completion of agreed disposals in 2021, the Group will realise significant cash, the Board will continue to engage with shareholders to assess the optimal use of capital.

## 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 THE AUDITOR

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 Auditor is 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 Auditor is aware of that information.

The Auditor, BDO LLP, has 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 regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Under company law the Directors must not 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 for the Group and Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

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

company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

## WEBSITE PUBLICATION

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

# Directors' Report continued

## ANNUAL GENERAL MEETING (“AGM”)

The Notice convening the AGM of the Company on 29 June 2021 will be sent to shareholders by 4 June 2021. 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 Auditor's Reports, to approve the Remuneration Policy set out on pages 42 to 53, to approve the Remuneration Report set out on pages 53 to 61, to reappoint the Auditor and to authorise the Directors to determine their remuneration.

On behalf of the Board,

**Ben Harber**

Company Secretary  
SGH Company Secretaries Limited

31 March 2021



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

## OPINION ON THE FINANCIAL STATEMENTS

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Sportech PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

## Independence

Following the recommendation of the audit committee, we were appointed by the Board 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 including retenders and reappointments is 2 years, covering the years ending 31 December 2019 to 31 December 2020. We remain 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

## CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Management's assessment of going concern: we obtained an understanding of the process undertaken by management to prepare the going concern assessment and how the impacts of Covid-19 on the business had been evaluated and incorporated into the forecasts.
- Assessment of assumptions within the cashflow forecasts: we challenged the key assumptions used in the forecasts including revenue, the impact of disposal of held for sale operations and the impacts of COVID-19 with reference to current year and post year-end financial results.
- We tested the numerical accuracy of the model used to prepare the forecasts.
- Sensitivity analysis: evaluation of management's sensitivities over the Group's cashflows to changes in the significant inputs and assumptions used. The analysis considered reasonably possible adverse effects that could arise as a result of a decrease in

# Independent auditor’s report to the members of Sportech PLC continued

trading related to continuing activities assuming the disposal of assets held for sale completing in the going concern period and other downside scenarios and the impact on cash should the completion of the held for sale assets not occur in the going concern period.

- Disclosures: evaluation of the adequacy of the disclosures in relation to the specific risks posed and scenarios the Group has considered in their going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and Parent Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company’s reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors’ statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## OVERVIEW

<b>Coverage</b>	90% (2019: 86%) of Group revenue 89% (2019: 93%) of Group net assets	
<b>Key audit matters</b>	2020	2019
Appropriateness of revenue recognition	✓	✓
Impairment of Investments:	✓	✓
Parent Company Only		
Uncertain tax provisions		✓
Impairment of intangible assets		✓
Key audit matters in relation to uncertain tax provisions and impairment of intangible assets present in 2019 are no longer considered to be key audit matters because the related uncertainties now have been resolved		
<b>Materiality</b>	<b>Group financial statements as a whole</b> £204,000 based on 0.5% of revenue (2019: £204,000 based on 2.7% of EBITDA before exceptional items and expenses)	

## 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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We identified 25 separate components making up the Group, of which five were deemed significant components that required a full scope audit given their contribution to the Group’s revenue and net assets (Sportech Racing, Racing Dominican Republic, Sportech Venues CT, Racing Technology Ireland and Sportech Plc). This work, combined with the work performed over consolidation journals and intergroup eliminations accounted for 90% of group revenue (2019: 86%) and 89% of Group net assets (2019: 93%).

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.

## 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.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Appropriateness of revenue recognition</b></p> <p>The Group recognises revenue from a number of revenue streams. The details of the accounting policies applied during the year are set out in note 2 of the financial statements.</p> <p>There is a risk that revenue is incorrectly calculated and recognised due to the different underlying contracts with customers and the variations in contract terms for each contract.</p> <p>Additionally, as the Group enters into new contracts there may be separate elements in the contract that requires application of different revenue recognition policies.</p>	<p>We completed the following audit procedures:</p> <p><b>Revenue from rendering of services</b></p> <ul style="list-style-type: none"> <li>Reviewed the Group's revenue recognition policies against the requirements of applicable accounting standards, challenging and where necessary corroborating to supporting documentation the key judgements made by management, which related to compliance with customer contracts including commission rates.</li> <li>Selected a sample of contracts and agreed key terms, recalculated commission and verified to underlying records, to check that revenue had been recognised in accordance with the contract and the requirements of applicable accounting standards.</li> <li>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.</li> </ul> <p><b>Revenue from food and beverage sales</b></p> <ul style="list-style-type: none"> <li>Performed a reconciliation of revenue recorded in the nominal listing to the cash receipts for the full year, using sales system reports to support the existence of revenue and verification of items included in the reconciliation.</li> <li>Obtained reports from the sales system for a random sample of sites and months, which we used to verify the revenue per these sales reports were correctly recorded in the nominal listing.</li> </ul> <p><b>All revenue streams</b></p> <ul style="list-style-type: none"> <li>Reviewed manual and automated journal entries to revenue nominal ledger codes, to identify any unusual journal entries which may indicate fraud or error in revenue recognition.</li> <li>Performed cut-off procedures on transactions around the year-end with reference to supporting documentation, to verify the recording of revenue in the appropriate accounting period.</li> </ul> <p><b>Key observations</b></p> <p>Nothing has come to our attention as a result of performing the above procedures that causes us to believe that revenue recognition is inappropriate.</p>

# Independent auditor’s report to the members of Sportech PLC continued

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Impairment of Investments: Parent Company only</b></p> <p>In accordance with the requirements of relevant accounting standards, management have performed an impairment review on investments in the current year. The details of the accounting policies applied during the year are set out in Note 2 of the financial statements.</p> <p>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.</p>	<p>We completed the following audit procedures:</p> <p>Checked that the cash flows used to assess the recoverability of the parent company investments were consistent with those used in the recoverability of Intangibles assets model. Additionally, consideration was given to the values expected to be received on the completion of disposals of assets held for sale to confirm that these would also not give rise to an impairment.</p> <p>Challenged the key assumptions used in the impairment model which included the following:</p> <ul style="list-style-type: none"> <li>• Assessment of the discount rate used to calculate the present value of future cash flows by involving our internal valuations expert to determine the appropriateness of the discount rate used across the CGUs.</li> <li>• Assessed the historical accuracy of the directors forecasts previously used in the impairment model against actual outturn to assess the reasonableness of current forecasts.</li> <li>• Challenged management on the growth rates used in the model for particular revenue streams such as Venues and sought detailed explanations from management to support revenue projections taking into account historical performance, post year-end trading against budget and post balance sheet events.</li> <li>• Performed sensitivity analysis over the assumptions used in the model such as flexing the discount rate and growth rates used in the model in order to evaluate the levels of headroom available over the CGUs in reasonable and worst case scenarios.</li> </ul> <p>Considered publicly available information and other information obtained during our audit work to determine whether there were any contradictory pieces of information or other potential indicators of impairment that were not identified by the directors.</p> <p><b>Key observations</b></p> <p>Nothing has come to our attention as a result of performing the above procedures that the assumptions made by management in their impairment review was inappropriate.</p>

## 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 financial statements as a whole and performance materiality as follows:

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

	Group financial statements		Parent company financial statements	
	2020	2019	2020	2019
<b>Materiality</b>	£204,000	£204,000	£40,000	£75,000
<b>Basis for determining materiality</b>	0.5% of Revenue	2.7% of EBITDA before exceptional items and expenses	0.1% of net assets	4% of EBITDA before exceptional items and expenses
<b>Rationale for the benchmark applied</b>	We have changed the basis on which we have determined materiality in the current period from EBITDA before exceptional items and expenses to revenue to reflect the volatility in EBITDA results arising from the impact of COVID-19 with a negative EBITDA arising in 2020.	2019 Adjusted EBITDA is considered to be the primary measure used by the shareholders in assessing the performance of the Group.	We consider an asset based measure to reflect the nature of the Company which acts as a parent holding company for the Group's investments to be most relevant.	2019 Adjusted EBITDA is considered to be the primary measure used by the shareholders in assessing the performance of the Group.
<b>Performance materiality</b>	£142,800	£132,600	£28,000	£48,750
<b>Basis for determining performance materiality</b>	70% (2019: 65%) based on our assessment of past misstatements and management's attitude towards proposed adjustments. The performance materiality percentage was increased from 65% to 70% given that 2019 was our first year as auditors.			

### Component materiality

We set materiality for each component of the Group based on a percentage of between 20% and 55% of Group materiality dependent on the size and our assessment of the risk of material misstatement of the group financial statements. Component materiality ranged from £40,000 to £110,000.

In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,200 (2019: £6,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our

# Independent auditor’s report to the members of Sportech PLC continued

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. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company’s compliance with the

provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

## OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of directors’ responsibilities 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

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"> <li>• The Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 64; and</li> <li>• The Directors’ explanation as to its assessment of the entity’s prospects, the period this assessment covers and why the period is appropriate set out on page 27.</li> </ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"> <li>• Directors’ statement on fair, balanced and understandable set out on page 65;</li> <li>• Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 23;</li> <li>• The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 37; and</li> <li>• The section describing the work of the audit committee set out on page 35.</li> </ul>

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

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>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</li> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>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.</p>
<b>Directors' remuneration</b>	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
<b>Matters on which we are required to report by exception</b>	<p>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:</p> <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>

decisions of users taken on the basis of these financial statements.

### Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We 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 being contrary to applicable laws and regulations, including fraud. 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, UK listing rules, UK Corporate Governance Code, Gaming Regulation and Licences and tax legislation.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by understanding where there was a susceptibility of fraud. We also considered performance

targets and management remuneration incentives and how they could influence management to manage reported revenue and earnings.

- We obtained an understanding of the procedures and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on the understanding obtained we designed audit procedures to identify non-compliance with the laws and regulations, as noted above. This included enquiries of in-house legal counsel, management, the Audit Committee, review of Board minutes, and correspondence with legal advisors and regulators.
- We tested manual and automated journal entries, including those to revenue, focusing on journal entries containing characteristics of audit interest, and year end consolidation journals.
- We tested and challenged the key estimates and judgements made by management in preparing the financial statements for indications of bias or management override when presenting the results and financial position of the group.



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

- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 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

31 March 2021

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

# FINANCIAL STATEMENTS

76	Consolidated Financial Statements
134	Company Financial Statements
142	Advisors and Corporate Information

# Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	Restated 2019 £000
Revenue	2	19,966	33,571
Cost of sales	3	(9,432)	(15,228)
<b>Gross profit</b>		<b>10,534</b>	18,343
Marketing and distribution costs	3	(319)	(839)
<b>Contribution</b>		<b>10,215</b>	17,504
Operating costs	3	(20,225)	(26,430)
<b>Operating loss</b>		<b>(10,010)</b>	(8,926)
Finance costs	8	(568)	(787)
Finance income	8	11	52
<b>Loss before tax from continuing operations</b>		<b>(10,567)</b>	(9,661)
Tax – continuing operations	9	297	(5,793)
<b>Loss for the year – continuing operations</b>		<b>(10,270)</b>	(15,454)
(Loss)/profit after taxation from discontinued operations	11(a), 11(b)	(2,562)	990
<b>Loss for the year</b>		<b>(12,832)</b>	(14,464)
<b>Attributable to:</b>			
Owners of the Company		(12,832)	(14,464)
<b>Basic (loss)/earnings per share attributable to owners of the Company</b>			
From continuing operations	12	(5.4)p	(8.2)p
From discontinued operations	12	(1.4)p	0.5p
Total	12	(6.8)p	(7.7)p
<b>Diluted (loss)/earnings per share attributable to owners of the Company</b>			
From continuing operations	12	(5.4)p	(8.2)p
From discontinued operations	12	(1.4)p	0.5p
Total	12	(6.8)p	(7.7)p
<b>Adjusted loss per share attributable to owners of the Company</b>			
Basic	12	(2.2)p	(0.9)p
Diluted	12	(2.2)p	(0.9)p

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.

Prior year comparatives have been adjusted for discontinued operations.

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

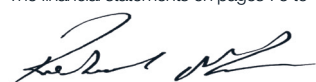
	Note	2020 £000	2019 £000
Loss for the year		(12,832)	(14,464)
<b>Other comprehensive (expense)/income:</b>			
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial loss on retirement benefit liability	26	(344)	(399)
Deferred tax on movement on retirement benefit liability	19	88	117
		(256)	(282)
<i>Items that may be subsequently reclassified to profit and loss</i>			
Currency translation differences		(77)	(1,682)
<b>Total other comprehensive expense for the year, net of tax</b>		<b>(333)</b>	<b>(1,964)</b>
<b>Total comprehensive expense for the year</b>		<b>(13,165)</b>	<b>(16,428)</b>
<b>Attributable to:</b>			
Owners of the Company		(13,165)	(16,428)

# Consolidated Balance Sheet

AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13	604	604
Intangible fixed assets	14	7,343	14,935
Property, plant and equipment	15	5,077	17,676
Right-of-use assets	16	1,133	6,312
Trade and other receivables	18	156	499
Deferred tax assets	19	4	990
Total non-current assets		14,317	41,016
<b>Current assets</b>			
Trade and other receivables	18	1,517	7,603
Inventories	20	120	2,616
Current tax receivable	9	1,442	-
Cash and cash equivalents	21	11,821	15,565
		14,900	25,784
Assets classified as held for sale	11	27,671	-
Total current assets		42,571	25,784
<b>TOTAL ASSETS</b>		<b>56,888</b>	<b>66,800</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	22	(14,104)	(12,853)
Provisions	23	(321)	(579)
Lease liabilities	24	(823)	(843)
Financial liabilities	25	-	(500)
Current tax liabilities	9	(4,700)	(4,880)
Deferred tax liabilities	19	(94)	(89)
		(20,042)	(19,744)
Liabilities directly associated with assets classified as held for sale	11	(7,507)	-
Total current liabilities		(27,549)	(19,744)
<b>Net current assets</b>		<b>15,022</b>	<b>6,040</b>
<b>Non-current liabilities</b>			
Retirement benefit liability	26	-	(1,079)
Lease liabilities	24	(3,059)	(6,881)
Deferred tax liabilities	19	-	(93)
Provisions	23	(1,121)	(1,026)
Total non-current liabilities		(4,180)	(9,079)
<b>TOTAL LIABILITIES</b>		<b>(31,729)</b>	<b>(28,823)</b>
<b>NET ASSETS</b>		<b>25,159</b>	<b>37,977</b>
<b>EQUITY</b>			
Ordinary shares	29	37,750	37,350
Other reserves		16,539	16,872
Retained earnings		(29,130)	(16,645)
<b>TOTAL EQUITY</b>		<b>25,159</b>	<b>37,977</b>

The financial statements on pages 76 to 193 were approved and authorised for issue by the Board of Directors on 31 March 2021 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 2020

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

\*Net of deferred tax

# Consolidated Statement of Changes in Equity continued

FOR THE YEAR ENDED 31 DECEMBER 2019

	Other reserves				Retained earnings £000	Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Foreign exchange reserve £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	-	-	-	-	(1,442)	(1,442)
Restated at 1 January 2019	37,350	10,312	(414)	8,537	(3,516)	52,269
<b>Comprehensive (expense)/income</b>						
Loss for the year	-	-	-	-	(14,464)	(14,464)
<b>Other comprehensive items</b>						
Actuarial loss on defined benefit pension liability*	-	-	(282)	-	-	(282)
Reserve transfer	-	-	-	87	(87)	-
Currency translation differences	-	-	-	(1,682)	-	(1,682)
Total other comprehensive items	-	-	(282)	(1,595)	(87)	(1,964)
Total comprehensive items	-	-	(282)	(1,595)	(14,551)	(16,428)
<b>Transactions with owners</b>						
Share option charge	-	-	-	-	1,422	1,422
Shares issued in relation to the acquisition of Lot.to Systems Limited (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



# Consolidated Statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations, before separately disclosed items	30	3,928	7,478
Interest received		13	62
Interest paid		(84)	(24)
Tax paid	9	(1,029)	(1,356)
Net cash generated from operating activities before separately disclosed items		2,828	6,160
Cash inflows – separately disclosed items	4	–	90
Cash outflows – separately disclosed items	4	(484)	(1,821)
Cash generated from operations		2,344	4,429
<b>Cash flows from investing activities</b>			
Investment in joint ventures and associates	17	–	(184)
Disposal of Sportech Racing BV (net of transaction costs)		–	236
Consideration paid for Lot.to Systems Limited, net of cash acquired	25	(500)	(729)
Receipt of Initial Payment for disposal of Global Tote		6,180	–
Proceeds from sale of property, plant and equipment	15	–	1
Investment in intangible fixed assets	14	(1,650)	(2,648)
Purchase of property, plant and equipment	15	(753)	(1,169)
Net cash generated from/(used in) investing activities		3,277	(4,493)
<b>Cash flows used in financing activities</b>			
Principal paid on lease liabilities	24	(1,316)	(1,399)
Interest paid on lease liabilities	24	(339)	(480)
Cash used in financing activities		(1,655)	(1,879)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Effect of foreign exchange on cash and cash equivalents		(72)	(407)
Cash and cash equivalents at the beginning of the year		15,565	17,915
<b>Cash and cash equivalents at the end of the year</b>		<b>19,459</b>	15,565
<b>Less cash held by assets held for sale</b>	11	<b>(7,638)</b>	–
<b>Group cash and cash equivalents at the end of the year</b>	21	<b>11,821</b>	15,565
<b>Represented by:</b>			
<b>Cash and cash equivalents</b>	21	<b>11,821</b>	15,565
Less customer funds – continuing operations	21	(465)	(2,580)
Adjusted net cash at the end of the year	21	11,356	12,985

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 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 2020 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the 'Group'). The principal activities of the Group are the provision of pari-mutuel betting (B2C) and the supply of wagering technology solutions (B2B). On 2 December 2020 the Group agreed the disposal of its supply of wagering technology solutions group, the "Global Tote division" and on 31 January 2021 agreed the disposal of its Bump 50:50 operation (see note 11).

## GOING CONCERN

As discussed in the Directors' report on page 64, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Following the completion of agreed disposals in 2021, the Group will realise significant cash, the Board will continue to engage with shareholders to assess the optimal use of capital.

## BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities.

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:

### Assets held for sale and discontinued operations

The Board is required to consider the requirements of IFRS 5 Non-current Assets Held for sale and Discontinued Operations as to whether the assets of any disposal group or asset which is potentially going to be disposed of, should be classified as Held for Sale. In general, the following conditions must be met for an asset (or 'disposal group') to be classified as held for sale:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active programme to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

In addition, a discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and

- (a) represents a separate major line of business or geographical area of operations;
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

The Board has applied judgement and concluded that the Global Tote business and the Bump 50:50 operation are held for sale and considered to be discontinued activities. The Group has also agreed the disposal of its freehold property in New Haven, Connecticut, USA known as “Sports Haven” and the Board considers this asset to be held for sale as at 31 December 2020.

As such the results of the Global Tote and Bump 50:50 have been presented separately in the income statement and the prior year comparatives have also been restated to present the results separately. The assets and liabilities associated with the divisions as well as the net book value of the Sports Haven property have been presented separately as assets held for sale and as liabilities directly associated with held for sale assets as appropriate.

#### 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; and
- the length of the lease during which the venue would be operated.

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;
- 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).

A critical judgement for the current year is the use of capital losses to offset the Spot the Ball gain, and the uncertainty of this results in a provision of £4.6m for corporation tax and £0.5m of interest thereon. The provision is included in the current tax liability, except that the calculated interest 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.

# Notes to the financial statements continued

## 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 prior year. Judgement was used to value the intangibles based on a markup 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. No adjustments were made during the hindsight period to 31 January 2020.

## 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 following its decision to exit its operations. During 2019 the venue in San Diego was closed and negotiations with the landlord commenced to agree a settlement, together with negotiations with a second landlord on another site.

Management has reassessed the provisions to exit these arrangements 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, 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.

A summary of more important Group accounting policies follows. These policies have been applied consistently to all the years presented.

### **(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
<b>Providing a full turn-key service for the operation of racebooks at casinos</b>	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.
<b>Food and beverage sales in venue</b>	Revenue is recorded at the price charged for the goods on the date the food/beverage is provided.
<b>Programme sales</b>	Revenue is recorded as the goods are transferred to the customer.
<b>Rental of space in venues for parties/events</b>	Revenue is recorded on the date of the event.
<b>Sale of lottery tickets on behalf of the state lottery</b>	Sportech retains a percentage of the ticket sales, revenue is recorded at the time the ticket is sold
<b>ATM transaction fees</b>	Fee are recognised on each transaction, recorded as the transaction occurs.
<b>Parking lot rental for events e.g. carnival, rodeo</b>	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.

# Notes to the financial statements continued

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.

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:

### **Continuing operations**

- Sportech Lotteries: provision of lottery software and services worldwide;
- Sportech Venues: off-track betting venue management; and
- Corporate costs: central costs relating to the overall management of the Group.

### **Discontinued operations**

- Sportech Racing and Digital: provision of pari-mutuel wagering services and systems worldwide principally to the horseracing industry and provision of 50:50 lottery software and services.

## **[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 applies IFRIC 23 Uncertainty over Income tax treatments in 2019. 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

### **[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.



# Notes to the financial statements continued

## **(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.

## **(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**

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.

# Notes to the financial statements continued

## **[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 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

#### (vi) 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.

#### (vii) 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.

# Notes to the financial statements continued

## (viii) 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 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 separately disclosed 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] Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

# Notes to the financial statements continued

## **[ab] 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 2020 and are therefore applicable for the 31 December 2020 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 2020.

New standards and amendments effective for periods beginning on or after 1 January 2020 and therefore relevant to these financial statements:

<b>Standard or interpretation</b>	<b>Applicable for financial year beginning on or after</b>
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Amendments to IFRS 3 Business Combinations: Definition of a Business	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – Phase 1	1 January 2020
Amendments to references to the Conceptual Framework in IFRS standards	1 January 2020

All of the other pronouncements are relevant other than IFRS 7, but do not result in the accounting applied by the Group changing.

## **[ac] 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.

<b>Standard or interpretation</b>	<b>Applicable</b>
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	1 January 2022
Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions	1 June 2020
Annual Improvements to IFRS Standards 2018–2020	1 January 2022

IFRS 4, IFRS 17 and Interest Rate Benchmark Reform are not relevant to the Group.

## 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 (separately disclosed items). The share option expense is also excluded given it is not directly linked to operating performance of the divisions. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. This measure provides the most reliable indicator of underlying performance of each of the trading divisions. This is considered the most reliable indicator as it is the closest approximation to cash generated by underlying trade, excluding the impact of separately disclosed items 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	2020 £000	Restated 2019 £000
Operating costs per income statement		<b>(20,225)</b>	(26,430)
Add back:			
Sports betting investment	2	<b>261</b>	1,773
Depreciation	15,16	<b>1,793</b>	2,413
Amortisation, excluding acquired intangible assets	14	<b>485</b>	250
Amortisation of acquired intangible assets	14	<b>509</b>	467
Impairment of property, plant and equipment and right-of-use assets	15,16	<b>4,349</b>	5,020
Share option charge, excluding acceleration of charge for departing management	29	<b>347</b>	676
Accelerated IFRS 2 charge for departing management	29	<b>–</b>	746
Separately disclosed items	4	<b>229</b>	1,003
Adjusted operating costs, pre sports betting investment		<b>(12,252)</b>	(14,082)

Adjusted EBITDA is calculated as below.

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



## Notes to the financial statements continued

Sports Betting investment represents the time and cost the Group has incurred on seeking to secure a Sports Betting licence in the State of Connecticut and also in seeking partnerships across the rest of the US in Sports Betting. It includes lobbying costs and consultants, and also in prior year, included an allocation of senior management time and travel. Of these costs, £261k (2019: £699k) were external costs and £nil (2019: £1,074k) were internal (payroll and travel, of which £nil was in respect of Executive Directors (2019: £482k)).

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

	2020 £000	Restated 2019 £000
From continuing operations:		
Adjusted EBITDA	<b>(2,298)</b>	1,649
Share option charge, excluding acceleration of charge for departing management	<b>(347)</b>	(676)
Depreciation	<b>(1,793)</b>	(2,413)
Amortisation (excluding amortisation of acquired intangibles)	<b>(485)</b>	(250)
Net finance costs (excluding certain finance costs – note 8)	<b>(254)</b>	(350)
Adjusted loss before tax	<b>(5,177)</b>	(2,040)
Tax at 20.2% (2019: 19.9%)	<b>1,045</b>	405
Adjusted loss after tax	<b>(4,132)</b>	(1,635)

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

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

## 2. SEGMENTAL REPORTING

2020	Sportech Lotteries £000	Sportech Venues £000	Corporate costs £000	Group £000
Revenue from food and beverage sales	–	1,472	–	1,472
Revenue from rendering of services	2,898	15,596	–	18,494
Total revenue	2,898	17,068	–	19,966
Cost of sales	(808)	(8,624)	–	(9,432)
Gross profit	2,090	8,444	–	10,534
Marketing and distribution costs	(8)	(311)	–	(319)
Contribution	2,082	8,133	–	10,215
Adjusted net operating costs (note 1)	(1,107)	(9,218)	(1,927)	(12,252)
<b>Adjusted EBITDA (pre sports betting investment)</b>	<b>975</b>	<b>(1,085)</b>	<b>(1,927)</b>	<b>(2,037)</b>
Sports betting investment	–	(261)	–	(261)
<b>Adjusted EBITDA</b>	<b>975</b>	<b>(1,346)</b>	<b>(1,927)</b>	<b>(2,298)</b>
Share option charge	–	–	(347)	(347)
Depreciation	(182)	(1,595)	(16)	(1,793)
Amortisation (excluding amortisation of acquired intangible assets)	(235)	–	(250)	(485)
Segment result before amortisation of acquired intangibles	558	(2,941)	(2,540)	(4,923)
Amortisation of acquired intangibles	(509)	–	–	(509)
Impairment of property, plant and equipment and right-of-use assets	–	(4,349)	–	(4,349)
Separately disclosed items	–	(18)	(211)	(229)
Operating profit/(loss)	49	(7,308)	(2,751)	(10,010)
Net finance costs				(557)
Loss before taxation from continuing operations				(10,567)
Taxation				297
Loss for the year from continuing operations				(10,270)
Loss after tax from discontinued operations				(2,562)
Loss for the year				(12,832)

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

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

# Notes to the financial statements continued

2019 Restated	Sportech Lotteries £000	Sportech Venues £000	Corporate costs £000	Group £000
Revenue from food and beverage sales	–	4,395	–	4,395
Revenue from rendering of services	4,745	24,431	–	29,176
Total revenue	4,745	28,826	–	33,571
Cost of sales	(1,210)	(14,018)	–	(15,228)
Gross profit	3,535	14,808	–	18,343
Marketing and distribution costs	(15)	(824)	–	(839)
Contribution	3,520	13,984	–	17,504
Adjusted net operating costs (note 1)	(825)	(11,756)	(1,501)	(14,082)
<b>Adjusted EBITDA (pre sports betting investment)</b>	<b>2,695</b>	<b>2,228</b>	<b>(1,501)</b>	<b>3,422</b>
Sports betting investment	–	(1,773)	–	(1,773)
<b>Adjusted EBITDA</b>	<b>2,695</b>	<b>455</b>	<b>(1,501)</b>	<b>1,649</b>
Share option charge, excluding acceleration of charge for departing management	–	–	(676)	(676)
Depreciation	(212)	(2,169)	(32)	(2,413)
Amortisation (excluding amortisation of acquired intangible assets)	(8)	–	(242)	(250)
Segment result before amortisation of acquired intangibles	2,475	(1,714)	(2,451)	(1,690)
Acceleration of IFRS 2 charge for departing management	–	–	(746)	(746)
Amortisation of acquired intangibles	(467)	–	–	(467)
Impairment of property, plant and equipment	–	(5,020)	–	(5,020)
Separately disclosed items (net)	–	(342)	(661)	(1,003)
Operating profit/(loss)	2,008	(7,076)	(3,858)	(8,926)
Net finance costs				(735)
Loss before taxation				(9,661)
Taxation				(5,793)
Loss for the year – continuing operations				(15,454)
Net profit from discontinued operations				990
Loss for the year				(14,464)

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

#### Information by geographical area

	Revenues from external customers Continuing operations		Revenues from external customers Discontinued operations		Non-current assets	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
United Kingdom	180	485	4,287	4,299	1,883	792
North and South America	19,786	33,001	15,774	20,927	12,434	39,751
Europe	–	85	4,871	5,579	–	473
Other	–	–	823	407	–	–
Total	19,966	33,571	25,755	31,212	14,317	41,016

# Notes to the financial statements continued

## 3. EXPENSES BY NATURE

	Note	2020 £000	Restated 2019 £000
<b>Cost of sales</b>			
Tote and track fees		7,821	11,624
F&B consumables		528	1,325
Betting and gaming duties and licences		79	571
Repairs and maintenance cost of sales		48	87
Ticket paper		148	125
Programs		196	498
Outsourced service costs		561	853
Other cost of sales		51	145
<b>Total cost of sales</b>		<b>9,432</b>	<b>15,228</b>
<b>Marketing and distribution costs</b>			
Marketing		294	819
Vehicle costs		16	–
Freight		9	20
<b>Total marketing and distribution costs</b>		<b>319</b>	<b>839</b>
<b>Operating costs</b>			
Staff costs – gross, excluding share option charges		7,015	9,459
Less amounts capitalised		(230)	(130)
<b>Staff costs - net</b>		<b>6,785</b>	<b>9,329</b>
Property costs		2,865	2,984
IT & Communications		499	508
Professional fees and licences		2,160	2,333
Travel and entertaining		66	279
Banking transaction costs and FX		114	165
Other costs		24	257
<b>Adjusted operating costs (including sports betting investment)</b>		<b>12,513</b>	<b>15,855</b>
Share option charge, excluding accelerated charges		347	676
Acceleration of IFRS 2 charge for departing management		–	746
Depreciation	15,16	1,793	2,413
Amortisation, excluding amortisation on acquired intangibles	14	485	250
Amortisation of acquired intangibles	14	509	467
Impairment of property, plant and equipment and right-of-use assets	15,16	4,349	5,020
Separately disclosed items	4	229	1,003
<b>Total operating costs</b>		<b>20,225</b>	<b>26,430</b>

## 4. SEPARATELY DISCLOSED ITEMS

	Note	2020 £000	Restated 2019 £000
<b>Continuing operations</b>			
<b>Included in operating costs:</b>			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business		–	87
Onerous contract provisions and other losses resulting from exit from Californian operations		–	(184)
Losses from Striders Sports Bar (S&S JV)		–	249
Corporate activity costs	4(a)	<b>118</b>	81
Costs in relation to the Spot the Ball VAT refund	4(b)	<b>44</b>	15
Costs in relation to legacy tax disputes (net of provision release)		–	(152)
Lot.to Systems Limited acquisition costs		–	51
One off start-up costs of new ventures, including new venue builds and joint ventures		–	266
Costs in relation to exiting the Group's interests in India	4(c)	<b>65</b>	20
UK defined benefit pension scheme buy-out		<b>2</b>	570
		<b>229</b>	1,003
<b>Discontinued operations</b>			
Included in operating costs	11	<b>1,224</b>	137
Total included in operating costs		<b>1,453</b>	1,140
<b>Included in finance costs:</b>			
Interest accrued on corporate tax potentially due and unpaid at the balance sheet date on STB refund received in 2017	8	<b>150</b>	151
Interest paid on VAT settlement reached in 2019	8	<b>83</b>	–
		<b>233</b>	151
Net separately disclosed items		<b>1,686</b>	1,291

### [a] Corporate activity costs

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

### [b] Costs in relation to the Sport the Ball refund

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

### [c] Costs in relation to exiting the Group's interests in India

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

# Notes to the financial statements continued

Below is a summary of cash (outflows)/inflows from separately disclosed items:

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

## 5. EMPLOYMENT COSTS

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

	Continuing 2020 Number	Discontinued 2020 Number	Total 2020 Number	Continuing 2019 Number	Discontinued 2019 Number	Total 2019 Number
<b>Continuing operations</b>						
Sales and marketing	4	12	16	4	13	17
Operations and distribution	121	203	324	207	272	479
Administration and management	26	13	39	27	5	32
Total employees	<b>151</b>	<b>228</b>	<b>379</b>	238	290	528

Their aggregate remuneration comprised:

	Continuing		Discontinued	
	2020 £000	2019 £000	2020 £000	2019 £000
Wages and Salaries	6,207	8,709	9,636	13,975
Social security costs	463	560	1,061	3,172
Pension costs – defined contribution scheme (note 26)	115	60	364	351
Pension costs – defined benefit scheme (note 26)	–	–	221	191
Employee remuneration, excluding share option charges	6,785	9,329	11,282	17,689
Share option expense, including acceleration of IFRS 2 charge for departing management	347	1,422	–	–
Total remuneration	7,132	10,751	11,382	17,689

## 6. DIRECTORS AND KEY MANAGEMENT REMUNERATION

	Directors		Key management	
	2020 £000	2019 £000	2020 £000	2019 £000
Short-term employee benefits	757	978	796	1,067
Share-based payments	103	149	103	149
Accelerated IFRS 2 charge for departing management	–	706	–	706
Pay in lieu of notice	–	296	–	296
Post-employment benefits	20	2	20	2
Total remuneration	880	2,131	919	2,220

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 53 to 61. This information forms part of the financial statements. Retirement benefits are accruing under defined benefit pension schemes for nil Directors (2019: nil). No Directors exercised share options in the year (2019: nil).

In the above table includes approved bonuses for 2020 and excludes any bonus contingent on the completion of the disposal of the held for sale assets (£221k, excluding employer's taxes).

Key management is considered to be the Directors of the Company (Executive and Non-executive).

## 7. AUDITOR REMUNERATION

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

	2020 £000	2019 £000
Audit fees – previous auditor	–	63
Audit fees – current auditor	354	269
Corporate finance services – current auditor	110	50
Other assurance services	24	11
Total fees	488	393



# Notes to the financial statements continued

## 8. NET FINANCE COSTS

	2020 £000	Restated 2019 £000
Continuing operations:		
Finance costs:		
Interest accrued and paid on tax liabilities	(233)	(151)
Interest on lease obligations (note 24)	(265)	(402)
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	(70)	(210)
Unwinding of interest on discounted provisions (note 23)	–	(24)
Total finance costs	(568)	(787)
Finance income:		
Interest received on bank deposits	11	49
Interest on defined benefit pension obligation (note 26)	–	3
Total finance income	11	52
Discontinued operations (note 11)	(68)	40
Net finance costs	(625)	(695)

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

	2020 £000	Restated 2019 £000
<b>Continuing operations:</b>		
Foreign exchange loss on financial assets and liabilities denominated in foreign currency	(70)	(210)
Interest accrued and paid on tax liabilities	(233)	(151)
Unwinding of interest on discounted provisions (note 23)	–	(24)
	(303)	(385)

## 9. TAXATION

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

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

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

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

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

US deferred tax assets were revalued downwards by £986k in 2020 (2019: £6,187k, predominantly foreign taxes paid in the Dominican Republic), following a review of recoverability. Group cash flow forecasts were used and any assets not showing as recoverable within five years were considered not recoverable and a valuation allowance was charged to the income statement.

These financial statements account for the change in the UK Corporation Tax rate from 17% to 19% based on enacted legislation. Deferred tax in the UK is provided at 19%. There are no changes expected in the US federal income tax rate from the current rate of 21%.

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

## Notes to the financial statements continued

An analysis of the net current tax liabilities is as follows:

	Note	2020 £000	2019 £000
At 1 January		4,880	6,563
Release of provision – transition to IFRIC 23		–	(1,562)
		<b>4,880</b>	5,001
Charged to the income statement – continuing operations		<b>(1,012)</b>	1,073
Charged to the income statement – discontinued operations		<b>293</b>	178
Paid during the year – continuing operations		<b>(686)</b>	(1,232)
Paid during the year – discontinued operations		<b>(343)</b>	(124)
Acquired with subsidiary		–	3
Transferred to liabilities associated with assets held for sale	11	<b>117</b>	–
Foreign exchange movements		<b>9</b>	(19)
At 31 December		<b>3,258</b>	4,880
Included in:			
Current assets		<b>(1,442)</b>	–
Current liabilities		<b>4,700</b>	4,880
		<b>3,258</b>	4,880

### 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. There were no changes during the period to the fair value assumptions applied at acquisition in relation to the net assets acquired and consideration paid disclosed in the 2019 financial statements.

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

## 11. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

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

	Note	Global Tote Group Note 11a £000	Bump (Worldwide) Inc. Note 11b £000	Sports Haven property Note 11c £000	Total £000
Intangible fixed assets	14	4,309	235	–	4,544
Property, plant and equipment	15	6,675	207	1,166	8,048
Right-of-use assets	16	833	–	–	833
Deferred tax assets	19	27	–	–	27
Trade and other receivables		3,718	71	–	3,789
Inventories		2,675	–	–	2,675
Income tax receivable	9	117	–	–	117
Cash and cash equivalents		7,514	124	–	7,638
<b>Total assets held for sale</b>		<b>25,868</b>	<b>637</b>	<b>1,166</b>	<b>27,671</b>
Trade and other payables		(5,186)	(87)	–	(5,273)
Provisions	23	(7)	–	–	(7)
Lease liabilities	24	(998)	–	–	(998)
Retirement benefit liability	26	(1,229)	–	–	(1,229)
<b>Total liabilities directly associated with assets held for sale</b>		<b>(7,420)</b>	<b>(87)</b>	<b>–</b>	<b>(7,507)</b>

### 11a] Global Tote Group

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

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

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

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

# Notes to the financial statements continued

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

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

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

## 11b] Bump [Worldwide] Inc. ["Bump"]

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

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

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

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

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

<b>Bump (Worldwide) Inc.:</b>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Revenue	<b>703</b>	2,002
Cost of sales, marketing and distribution and adjusted operating expenses	<b>(1,598)</b>	(1,703)
Adjusted EBITDA	<b>(895)</b>	299
Depreciation and amortisation	<b>(291)</b>	(241)
Separately disclosed items	<b>(65)</b>	–
Finance income	<b>45</b>	24
(Loss)/profit before tax	<b>(1,206)</b>	82
Tax, excluding tax arising on disposal	<b>–</b>	–
(Loss)/profit after tax	<b>(1,206)</b>	82
Net cash flow from operating activities	<b>(801)</b>	21
Net cash flow from investing activities	<b>(118)</b>	(302)
Net decrease in cash generated by the disposal group	<b>(919)</b>	(281)

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

#### 11c] Sports Haven land and building

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

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

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

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

# Notes to the financial statements continued

## 12. [LOSS]/EARNINGS PER SHARE

### [a] Basic

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

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

### [b] Diluted

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

	Continuing 2020 £000	Dis- continued 2020 £000	Total 2020 £000	Continuing 2019 £000	Dis- continued 2019 £000	Total 2019 £000
(Loss)/profit attributable to the owners of the Company	(10,270)	(2,562)	(12,832)	(15,454)	990	(14,464)
Weighted average number of ordinary shares in issue ('000)	188,751	188,751	188,751	188,543	188,543	188,543
Dilutive potential ordinary shares	N/A	N/A	N/A	N/A	N/A	N/A
Total potential ordinary shares	188,751	188,751	188,751	188,543	188,543	188,543
Diluted (loss)/earnings per share	(5.4)p	(1.4)p	(6.8)p	(8.2)p	0.5p	(7.7)p

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

### [c] Adjusted

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

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

## 13. GOODWILL

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

Movements in the Group's goodwill are shown below:

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

## 14. INTANGIBLE FIXED ASSETS

2020	Customer contracts and relationships £000	Software £000	Licences £000	Other £000	Total £000
	<b>Cost</b>				
At 1 January 2020	862	37,558	17,024	2,960	58,404
Additions – continuing operations	–	230	–	–	230
Additions – discontinued operations	–	1,366	–	54	1,420
Transferred to held for sale	(862)	(33,801)	(11,328)	(3,014)	(49,005)
<b>At 31 December 2020</b>	<b>–</b>	<b>5,353</b>	<b>5,696</b>	<b>–</b>	<b>11,049</b>
<b>Accumulated amortisation</b>					
At 1 January 2020	862	29,938	13,178	3,715	47,693
Charge for year – continuing operations	–	944	50	–	994
Charge for year – discontinued operations	–	3,376	–	–	3,376
Transferred to held for sale	(862)	(30,664)	(12,349)	(3,715)	(47,590)
<b>At 31 December 2020</b>	<b>–</b>	<b>3,594</b>	<b>879</b>	<b>–</b>	<b>4,473</b>
Exchange differences at 1 January 2020	–	1,158	1,989	1,077	4,224
Movement in the year	–	(74)	(201)	(53)	(328)
Transferred to held for sale	–	(1,084)	(1,021)	(1,024)	(3,129)
Exchange differences at 31 December 2020	–	–	767	–	767
<b>Net book amount at 31 December 2020</b>	<b>–</b>	<b>1,759</b>	<b>5,584</b>	<b>–</b>	<b>7,343</b>

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

### Impairment - Licences

The Group holds a licence in perpetuity to offer pari-mutuel off-track betting in the State of Connecticut in the US for its Venues division. This asset has a book value in USD at the reporting date, prior to any impairment that may be considered necessary, of



## Notes to the financial statements continued

£5,545k (US\$7,569k, 2019: £5,730k, US\$7,569k). Given this licence is in perpetuity, the book value of the asset is not amortised and the useful economic life allocated to the asset is indefinite.

As required by IAS 36, an impairment test has been carried out as at 31 December 2020. In testing for impairment, other assets used solely to generate cash flows in the Venues CGU are also included, totalling £9,876k, US\$13,479k (2019: £8,756k, US\$11,567k).

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

- EBITDA forecasts assume year-on-year handle decline in the core operating business of 5% in 2021 and 1% per annum thereafter and 1% decline into perpetuity;
- 3% increase in online handle in 2021, 5% in 2022, 2% in 2023 and 2024 and 2% into perpetuity;
- 61% increase in handle at our Stamford venue in 2021, 5% in 2022 and handle is assumed to remain flat thereafter and into perpetuity (handle is assumed to be transferrable to other nearby venues or to online when the lease expires in May 2025);
- a 90% increase in core F&B revenues, which excludes the Stamford venue, in 2021 reflecting recovery from COVID-19 restrictions, a 5% increase in 2022 and thereafter stable revenues into perpetuity;
- F&B revenues at the Stamford venue are forecasted to increase by 93% in 2021, again reflecting recovery from COVID-19 restrictions, to increase a further 50% in 2022 and 32% in 2023 and remain flat thereafter to the expiry of the lease in May 2025;
- capital expenditure was included in the cash flows at management's best estimate of industry norm for reinvestment in retail outlets of the kind under review; and
- a post-tax discount rate of 10.5% (2019: 9.5%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU. The pre-tax discount rate was 14.7% (2019: 13.3%).

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

Following the impairment review, the recoverable amount of those assets was deemed to be £10,967k and accordingly no impairment was identified (2019: no impairment).

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

- in 2021, extra income from enforcement of online exclusivity in Connecticut is only realised at 2020 levels;
- opex savings in the plan are not achieved and restructuring savings not achieved;
- Stamford's handle remains at 2019 levels;
- Online handle growth reduced to 1% per annum and into perpetuity; and
- Stamford food and beverage achieves breakeven margin only through to the end of the lease.

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

2019	Customer contracts and relationships £000	Software £000	Licences £000	Other £000	Total £000
<b>Cost</b>					
At 1 January 2019	862	32,870	16,874	2,792	53,398
Additions – continuing operations	–	176	–	–	176
Additions – discontinued operations	–	2,304	–	168	2,472
Acquired with subsidiary	–	1,377	150	–	1,527
Transferred from property, plant and equipment	–	831	–	–	831
<b>At 31 December 2019</b>	<b>862</b>	<b>37,558</b>	<b>17,024</b>	<b>2,960</b>	<b>58,404</b>
<b>Accumulated amortisation</b>					
At 1 January 2019	862	26,992	13,133	3,609	44,596
Charge for year – continuing operations	–	672	45	–	717
Charge for year – discontinued operations	–	2,274	–	106	2,380
<b>At 31 December 2019</b>	<b>862</b>	<b>29,938</b>	<b>13,178</b>	<b>3,715</b>	<b>47,693</b>
Exchange differences at 1 January 2019	–	1,447	2,225	1,077	4,749
Movement in the year	–	(289)	(236)	–	(525)
Exchange differences at 31 December 2019	–	1,158	1,989	1,077	4,224
<b>Net book amount at 31 December 2019</b>	<b>–</b>	<b>8,778</b>	<b>5,835</b>	<b>322</b>	<b>14,935</b>

The Group undertook a review of its assets registers during the prior 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.

# Notes to the financial statements continued

## 15. PROPERTY, PLANT AND EQUIPMENT

2020	Short leasehold land and buildings £000	Long leasehold and owned land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
<b>Cost</b>						
At 1 January 2020	299	16,274	11,785	5,423	74	33,855
Additions – continuing operations	–	–	121	–	29	150
Additions – discontinued operations	–	–	589	–	14	603
Transferred to held for sale	(215)	(7,965)	(9,473)	(1,870)	(86)	(19,609)
<b>At 31 December 2020</b>	<b>84</b>	<b>8,309</b>	<b>3,022</b>	<b>3,553</b>	<b>31</b>	<b>14,999</b>
<b>Accumulated depreciation</b>						
At 1 January 2020	162	11,158	4,260	4,225	–	19,805
Charge for year – continuing operations	–	401	203	382	–	986
Charge for year – discontinued operations	1	39	1,570	8	–	1,618
Transferred to held for sale	(79)	(8,790)	(4,520)	(1,974)	–	(15,363)
Impairment	–	1,888	–	633	–	2,521
<b>At 31 December 2020</b>	<b>84</b>	<b>4,696</b>	<b>1,513</b>	<b>3,274</b>	<b>–</b>	<b>9,567</b>
Exchange differences at 1 January 2020	29	1,974	1,198	425	–	3,626
Movement in the year	–	(27)	(24)	(126)	(2)	(179)
Transferred to held for sale	(29)	(1,825)	(1,846)	(104)	2	(3,802)
Exchange differences at 31 December	–	<b>122</b>	<b>(672)</b>	<b>195</b>	–	<b>(355)</b>
<b>Net book amount at 31 December 2020</b>	<b>–</b>	<b>3,735</b>	<b>837</b>	<b>474</b>	<b>31</b>	<b>5,077</b>

Depreciation charges have been included in operating costs.

### Impairment

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

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

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

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

2019	Short leasehold land and buildings £000	Long leasehold and owned land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
<b>Cost</b>						
At 1 January 2019	246	16,249	10,952	5,323	1,016	33,786
Additions – continuing operations	–	–	–	198	–	198
Additions – discontinued operations	–	–	931	2	38	971
Acquired with subsidiary	–	–	–	1	–	1
Disposal	–	–	(29)	–	(709)	(738)
Transfer	53	25	(69)	(101)	(271)	(363)
<b>At 31 December 2019</b>	<b>299</b>	<b>16,274</b>	<b>11,785</b>	<b>5,423</b>	<b>74</b>	<b>33,855</b>
<b>Accumulated depreciation</b>						
At 1 January 2019	139	5,517	2,231	3,788	709	12,384
Charge for year – continuing operations	2	549	255	565	–	1,371
Charge for year – discontinued operations	21	–	1,803	10	–	1,834
Disposal	–	–	(29)	–	(709)	(738)
Transfer	–	72	–	(138)	–	(66)
Impairment	–	5,020	–	–	–	5,020
<b>At 31 December 2019</b>	<b>162</b>	<b>11,158</b>	<b>4,260</b>	<b>4,225</b>	<b>–</b>	<b>19,805</b>
Exchange differences at 1 January 2019	36	2,326	1,470	494	609	4,935
Movement in the year	(7)	(352)	(272)	(69)	(609)	(1,309)
Exchange differences at 31 December 2019	29	1,974	1,198	425	–	3,626
<b>Net book amount at 31 December 2019</b>	<b>166</b>	<b>7,090</b>	<b>8,723</b>	<b>1,623</b>	<b>74</b>	<b>17,676</b>

The Group undertook a review of its asset registers during the year and concluded that certain transfers between asset categories was required in order to correctly define the nature of each asset and the associated accumulated depreciation.

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

# Notes to the financial statements continued

## 16. RIGHT-OF-USE ASSETS

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

Depreciation charges have been included in operating costs.

### Reassessment of lease assumption – break clause

Management had previously assumed that the break clause in the lease of the Stamford sports bar venue in Connecticut, USA would not be exercised, and that the venue would be occupied until the expiry of the lease in May 2035. On 30 June 2020, management took the decision that the most likely scenario was that the break clause would be exercised, and the lease terminated in June 2025. As a result, the lease liability has been remeasured resulting in a reduction in the liability (see note 24) and a corresponding reduction in the right-of-use asset.

### Impairment

Management considered that indicators of impairment of the right-of-use assets of the Stamford sports bar lease in Connecticut, USA had arisen during the period to 30 June 2020, based on its trading performance, the likely recovery from forced closure during the COVID-19 pandemic and also changes to strategy in relation to closure of nearby venues. As a result, an impairment test was carried out to determine the value-in-use of the right-of-use asset in relation to the lease at the venue. The carrying value of the asset at 30 June 2020, prior to any impairment, was £1,827k. The following same key assumptions were made in the value-in-use calculation as were used in the impairment test of the property, plant and equipment at the venue (note 15).

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

Further lease disclosures are given in note 24.

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

## 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

	2020		2019	
	S&S Venues £000	Total £000	S&S Venues £000	Total £000
At 1 January	–	–	–	–
Additions	–	–	184	184
Income statement items:				
Impairment	–	–	–	–
Share of loss after tax (see below)	(28)	(28)	(1,213)	(1,213)
Restriction of losses recognised	28	28	1,029	1,029
Net income statement charge	–	–	(184)	(184)
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 separately disclosed items (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 separately disclosed items, the original provision having been recorded through separately disclosed items 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.

## Notes to the financial statements continued

### 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:

	2020 £000	2019 £000
Non-current assets	401	401
Current assets	69	68
Total assets	470	469
Current liabilities	(259)	(205)
Non-current liabilities	(523)	(684)
Total liabilities	(782)	(889)
Net liabilities	(312)	(420)
Revenue	–	603
Expenses	(57)	(3,029)
Loss for the year	(57)	(2,426)

### 18. TRADE AND OTHER RECEIVABLES

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

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:

	2020 £000	2019 £000
At 1 January	875	1,569
Charged to the income statement – discontinued operations	362	32
Utilisation of provision	–	(720)
Transferred to held for sale	(1,167)	–
Foreign exchange movements	41	(6)
At 31 December	111	875

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

	2020 £000	2019 £000
Sterling	69	1,562
US Dollar	1,604	5,601
Euro	–	415
Other	–	524
Total	1,673	8,102

Trade receivables that are not more than three months past due are not considered impaired. As at 31 December 2020, £177k (2019: £956k) of trade receivables were more than three months past due and not impaired. Management also considers that these receivables are recoverable in full.

## 19. DEFERRED TAX

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

	Note	Asset 2020 £000	Liability 2020 £000	Net 2020 £000	2019 £000
Net deferred tax asset at 1 January		990	(182)	808	5,979
Transition to IFRS 16		–	–	–	(146)
Income statement (charge)/credit – continuing operations	9	(803)	88	(715)	(4,720)
Income statement charge – discontinued operations		(235)	–	(235)	(63)
Business combination		–	–	–	(271)
Tax credited directly to other comprehensive income		88	–	88	117
Deferred tax transferred to assets held for sale	11	(27)	–	(27)	–
Exchange differences		(9)	–	(9)	(88)
Net deferred tax asset at 31 December		4	(94)	(90)	808
Included in:					
Non-current assets		4	–	4	990
Current liabilities		–	(94)	(94)	(89)
Non-current liabilities		–	–	–	(93)
		4	(94)	(90)	808



# Notes to the financial statements continued

## Deferred tax assets

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

In addition to the deferred tax asset which has been recognised, the Group has not recognised further deferred tax assets on gross timing differences in continuing operations of: £21,637k (2019: £26,143k) arising from unutilised trading losses and carried forward foreign tax credits; £6,123k (2019: £6,230k) from capital tax allowances versus accounting charges; and £7,985k (2019: £3,019k) from other short term timing differences. The Directors reviewed the recoverability of the deferred tax assets in the US during the year and did not consider there is sufficient certainty of future profits against which these losses/credits which could be offset due to expected future profit generation levels in this particular business units. The increase in the deferred tax assets not recognised is due to this derecognition. The Directors expect a significant proportion of the tax losses unprovided for to be utilised against profits on disposal of the discontinued operations in the US, however accounting prevents the anticipation of such utilisation in the recognition of deferred tax assets.

Deferred tax assets are recognised when it is probable that future taxable profits will be generated against which assets can be utilised. All deferred tax is expected to unwind in more than one year's time.

## Deferred tax liabilities

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

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

## 20. INVENTORIES

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

The cost of inventories (food and beverage inventory) recognised as an expense and included in cost of sales amounted to £528k (2019: £1,325k). Food and beverage inventory is included in finished goods. There was no provision for obsolescence held against inventories at 31 December 2020 (2019: £455k). The provision for obsolete inventories within assets held for sale as at 31 December 2020 is £528k.

## 21. CASH AND CASH EQUIVALENTS

	Note	2020 £000	2019 £000
Cash and short-term deposits		<b>11,356</b>	12,985
Customer funds	22	<b>465</b>	2,580
		<b>11,821</b>	15,565

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 £465k (2019: £2,580k) 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).

## 22. TRADE AND OTHER PAYABLES

	Note	2020 £000	2019 £000
Trade payables		<b>3,581</b>	6,083
Other taxes and social security costs		<b>141</b>	327
Accruals		<b>3,737</b>	3,519
Deferred income		<b>6,180</b>	344
Player liability	21	<b>465</b>	2,580
		<b>14,104</b>	12,853

There is no difference between book values and fair values of trade and other payables. All amounts are due within one year. Deferred income in 2020 is consideration received in advance not yet recorded in income related to an Initial Payment received from BetMakers Technology Group Ltd for the potential acquisition of certain parts of the Racing and Digital division. The amount is unconditional and non-refundable and will be recognised in income on completion of the disposal.

# Notes to the financial statements continued

## 23. PROVISIONS

	Onerous contracts £000	Other Provisions £000	Total £000
At 1 January 2019	2,292	119	2,411
Derecognition on transition to IFRS 16	(214)	—	(214)
Utilised during the year	(247)	—	(247)
Credit to the income statement – share of loss of JV	(184)	—	(184)
Release to the income statement – discontinued operations	—	(109)	(109)
Expense discount interest to the income statement	24	—	24
Currency differences	(74)	(2)	(76)
At 1 January 2020	1,597	8	1,605
Utilised during the year	(105)	—	(105)
Transferred to liabilities associated with assets held for sale	—	(7)	(7)
Currency differences	(50)	(1)	(51)
<b>At 31 December 2020</b>	<b>1,442</b>	<b>—</b>	<b>1,442</b>
<b>Of which:</b>			
Current provisions	321	—	321
Non-current provisions	1,121	—	1,121
	<b>1,442</b>	<b>—</b>	<b>1,442</b>

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

The Group has committed financial obligations arising from leases associated with its joint venture in California. The amounts provided for represent management's best estimate based on scenario analysis of what the Group is expecting to pay to settle the liabilities. Management has estimated the expected liability for each site which is likely to be incurred. It is expected that settlement will be reached for one site within 12 months and the second site within one to two years. Actual liabilities and timings of cash flows could differ from management's expectations. The probability-based scenario analysis showed a range of expected liability from £1.2m to £2.0m. On transition to IFRS 16, provisions for onerous leases were derecognised and replaced by lease liabilities.

## 24. LEASE LIABILITIES

Maturity analysis – contractual undiscounted cash flows	2020 £000	2019 £000
Less than one year	1,085	1,685
Between 2 and 5 years	3,241	3,715
More than 5 years	—	5,423
Total	<b>4,326</b>	10,823

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

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

<b>Movement in lease liability during the year</b>		<b>2020 £000</b>	<b>2019 £000</b>
At 1 January (2019 - on transition to IFRS 16)		7,724	9,445
New leases entered into	16	654	—
Reassessment of lease term	16	(2,231)	—
Interest charged to the income statement – continuing operations	8	265	402
Interest charged to the income statement – discontinued operations		74	78
Lease rentals paid – continuing operations		(1,219)	(1,422)
Lease rentals paid – discontinued operations		(436)	(457)
Transferred to held for sale	11	(998)	—
Movement as a result of foreign exchange		49	(322)
<b>At 31 December</b>		<b>3,882</b>	<b>7,724</b>

## 25. FINANCIAL LIABILITIES

	<b>2020 £000</b>	<b>2019 £000</b>
Deferred consideration due within one year, recognised within:		
Current liabilities	—	500

Deferred consideration outstanding at the prior year 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:

	<b>2020 £000</b>	<b>2019 £000</b>
At 1 January	500	—
Arising in the year	—	1,300
Instalment payments made	(500)	(800)
<b>At 31 December</b>	<b>—</b>	<b>500</b>

## 26. PENSION SCHEMES

The Group operates defined contribution schemes, and up until its buy-out and dissolution in December 2020, 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:

	<b>2020 £000</b>	<b>2019 £000</b>
Defined contribution scheme contributions – continuing operations	115	60

# Notes to the financial statements continued

## Defined contribution schemes

### Continuing and discontinued operations

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.

### Discontinued operations only

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.

### Summary of pension contributions paid:

	2020 £000	2019 £000
Defined contribution scheme contributions – discontinued operations	364	351

### Defined benefit schemes – discontinued operations

The Group has a defined benefit scheme in the US which is administered by an insurance company 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 Group also retained a defined benefit pension scheme following disposing of certain business assets within the Football Pools division in 2018. 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 amounts recognised in the balance sheet within non-current liabilities in the prior year and within liabilities associated with assets held for sale in the current year are as follows:

	2020 £000	2019 £000
Fair value of plan assets	3,674	3,687
Present value of the scheme's liabilities	(4,903)	(4,766)
Deficit in the scheme	(1,229)	(1,079)

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 £248k (2019: £126k) and will be settled during 2021.

The figures below have been determined by qualified actuaries at the balance sheet date using the following assumptions:

	US 2020	US 2019	UK 2019
Discount rate	2.5%	3.25%	1.9%
Rate of increase in salaries	N/A	N/A	3.3%
Rate of inflation	N/A	N/A	3.3%
Mortality table	Pri-2012 Total Dataset (Employee/ Retiree) with Scale MP- 2020	Pri-2012 Total Dataset (Employee/ Retiree) with Scale MP- 2019	S2NxA CMI 2018 projections 1.5% per annum long- term rate of improvement

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 2020	4,766	(3,687)	1,079
Income statement expense/(income) – discontinued operations:			
– Current service cost	88	–	88
– Interest expense/(income)	147	(119)	28
– Administrative expenses	–	105	105
	235	(14)	221
Remeasurements:			
– Currency exchange movements	(256)	216	(40)
– Loss from change in actuarial assumptions	340	4	344
	84	220	304
Contributions:			
– Employer’s	–	(375)	(375)
Payments from plans:			
– Benefit payments	(182)	182	–
<b>At 31 December 2020</b>	<b>4,903</b>	<b>(3,674)</b>	<b>1,229</b>

# Notes to the financial statements continued

	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 (discontinued)	191	–	191
– Interest expense/(income) (continuing)	49	(52)	(3)
– Interest expense/(income) (discontinued)	183	(155)	28
– Administrative expenses (continuing)	–	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

### Effect of change of assumptions on liability values

Under the adopted mortality tables, if the future life expectancy were to be decreased by one year the liabilities would decrease by £11k.

If the discount rate were to be increased to 3.00% the liabilities would decrease by £223k.

### Future commitments – employer contributions

The expected employer annual contributions to the schemes for the financial year ending 31 December 2021 amount to £440k (year ended 31 December 2020: £454k).

### 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
2020: US pension scheme	929	285	834	6,396	8,444
2019: US pension scheme	590	464	932	6,796	8,782

The weighted average duration of the US scheme is approximately 10.2 years (2019: 9.8 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 and Sportech Lotteries segments 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 2020 (2019: £nil) 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 2020, there were no outstanding commitments on foreign exchange forward contracts (2019: none). The Group did not enter into any forward contracts during the year (2019: the Group did not enter into any forward contracts).

The functional currencies of the individual entities in the Group is kept under review.



# Notes to the financial statements continued

The average rate for the US Dollar and Euro in both the current and previous reporting period are as outlined below.

	2020		2019	
	Average	Closing	Average	Closing
US Dollars	1.29	1.36	1.27	1.32
Euro	1.13	1.11	1.14	1.18

If the exchange rates in 2020 were comparable to those in 2019, loss after tax would have been £12,220k and the net assets would have been £27,832k at 31 December 2020.

## 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:

	2020 £000	2019 £000
Financial assets measured at amortised cost	1,177	7,099
Financial liabilities measured at amortised cost	(7,924)	(13,009)

## 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

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 US\$5,000). Leases that qualify for these exemptions are included within the disclosures below.

The expenditure charged to the income statement was £67k (2019: £2k).

The future aggregate minimum lease payments under non-cancellable leases not accounted for elsewhere under IFRS 16, are as follows:

	2020 £000	2019 £000
No later than one year	50	2
Later than one year and no later than five years	10	15
Total	60	17

### Other financial commitments

The Group continues to provide a performance guarantee bond in Turkey amounting to US\$200k at 31 December 2020. 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.

#### *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 (£2019: 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

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

#### 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:

	2020 '000	2019 '000
Outstanding awards at 1 January	—	2,037
Lapsed as a result of failure to meet performance conditions	—	(2,037)
Outstanding awards at 31 December	—	—

##### *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.

# Notes to the financial statements continued

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.

## 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 2020 was nil (2019: nil). The weighted average exercise price of awards granted during the period was £nil (2019: £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

### 30. CASH GENERATED FROM OPERATIONS

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

	Note	2020 £000	2019 £000
Loss before tax – continuing operations		(10,567)	(9,661)
(Loss)/profit before tax – discontinued operations	11	(2,034)	1,231
Total loss before tax		(12,601)	(8,430)
<b>Adjustments for:</b>			
Separately disclosed items (included in operating costs)	4	1,453	1,140
Depreciation and amortisation	14, 15, 16	8,161	7,694
Profit on sale of property, plant and equipment	15	–	(1)
Impairment of assets	15, 16	4,349	5,020
Net finance costs	8	625	695
Share option expense		347	1,422
<b>Changes in working capital:</b>			
Decrease in trade and other receivables		2,791	734
Increase in inventories		(179)	(40)
Decrease in trade and other payables		(1,060)	(149)
Increase/(decrease) in customer funds		42	(607)
Cash generated from operating activities, before separately disclosed items		3,928	7,478

### 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:

- Key management compensation is disclosed in note 6.
- The Group also invested cash into its joint ventures during the prior year as outlined in note 16, there was no cash invested in 2020. There were no trading transactions between the Group and any of its joint ventures, and no amounts outstanding at the reporting date.

# Notes to the financial statements continued

## 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%

\* Sportech Racing Panama, Inc. was dissolved on 6 January 2020. Sportech Games Holdco, LLC was dissolved on 25 September 2020, Playlot.to Limited was dissolved on 19 January 2021.

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%
DrafftDay Gaming Group, Inc (non-trading)	United States	14	Ordinary	30%

<b>Dormant companies</b>	<b>Country of incorporation</b>	<b>Registered address</b>	<b>Class of shares held</b>	<b>Shareholding</b>
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%

\* Sportech Trustees Limited was dissolved on 13 October 2020.

#### Registered addresses

<b>Number</b>	<b>Country</b>	<b>Address</b>
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, Ottawa, 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. Kalaycioglu Sitesi 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	2020 £000	2019 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible fixed assets	C5	503	775
Investment in subsidiaries	C7	64,071	64,071
Trade and other receivables	C8	6,621	2,846
Deferred tax assets		7	7
		<b>71,202</b>	67,699
<b>Current assets</b>			
Trade and other receivables	C8	191	1,477
Income tax receivable		151	429
Cash and cash equivalents		10,597	5,699
		<b>10,939</b>	7,605
<b>TOTAL ASSETS</b>		<b>82,141</b>	75,304
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	C9	(30,635)	(21,977)
<b>Net current liabilities</b>		<b>(19,696)</b>	(14,372)
<b>NET ASSETS</b>		<b>51,506</b>	53,327
<b>EQUITY</b>			
Ordinary shares		37,750	37,750
Other reserves		10,626	10,626
Retained earnings carried forward		3,130	4,951
<b>TOTAL EQUITY</b>		<b>51,506</b>	53,327

The loss after tax for the Company for the year was £2,168k (2019: £36,872k).

The Company financial statements on pages 134 to 141 were approved and authorised for issue by the Board of Directors on 31 March 2021 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 2020

	Other reserves				Total £000
	Ordinary shares £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	
At 1 January 2019	37,350	10,312	—	40,401	88,063
<b>Comprehensive income</b>					
Loss of the year	—	—	—	(36,872)	(36,872)
<b>Transactions with owners</b>					
Share option charge	—	—	—	1,422	1,422
New shares issues in relation to Lot.to Systems Limited acquisition	400	—	314	—	714
<b>At 31 December 2019</b>	<b>37,750</b>	<b>10,312</b>	<b>314</b>	<b>4,951</b>	<b>53,327</b>
<b>Comprehensive expense</b>					
Loss for the year	—	—	—	(2,168)	(2,168)
<b>Transaction with owners</b>					
Share option charge	—	—	—	347	347
<b>At 31 December 2020</b>	<b>37,750</b>	<b>10,312</b>	<b>314</b>	<b>3,130</b>	<b>51,506</b>

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 2020

	Note	2020 £000	2019 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations, before separately disclosed items	C11	5,002	2,355
Interest paid		(118)	(81)
Interest received		12	120
Tax paid		23	(9)
Net cash generated from operating activities before separately disclosed items		4,919	2,385
Cash outflows from separately disclosed items		(232)	(553)
Net cash generated from operating activities		4,687	1,832
<b>Cash flows from investing activities</b>			
Dividends received		211	—
Investment in subsidiaries	C7	—	(4,390)
Investment in intangible fixed assets	C5	—	(46)
Net cash used in investing activities		211	(4,436)
<b>Net decrease in cash and cash equivalents</b>		<b>4,898</b>	<b>(2,604)</b>
Net cash and cash equivalents at the beginning of the year		5,699	8,303
<b>Net cash and cash equivalents at the end of the year</b>		<b>10,597</b>	<b>5,699</b>

# 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 94 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 31 March 2021.

## C3. AUDITOR REMUNERATION

Fees payable to the Company auditors for the audit of these financial statements are £64k (2019: £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	
	2020 £000	2019 £000	2020 £000	2019 £000
Short-term employee benefits	757	978	796	1,067
Share-based payments	103	149	103	149
Accelerated IFRS 2 charge for departing management	—	706	—	706
Pay in lieu of notice	—	296	—	296
Post-employment benefits	20	2	20	2
Total remuneration	880	2,131	919	2,220

The Company had five employees at 31 December 2020 (2019: four).

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 53 to 61. This information forms part of the financial statements. Retirement benefits are accruing under defined benefit pension schemes for nil Directors (2019: nil). Nil Directors exercised share options in the year (2019: nil).

Key management is considered to be the Directors of the Company.

# Notes to the Company Financial Statements continued

## C5. INTANGIBLE FIXED ASSETS

2020	Software £000	Total £000
<b>Cost</b>		
At 1 January 2020	18,103	18,103
Additions	—	—
<b>At 31 December 2020</b>	<b>18,103</b>	<b>18,103</b>
<b>Accumulated amortisation</b>		
At 1 January 2020	17,328	17,328
Charged during the year	272	272
<b>At 31 December 2020</b>	<b>17,600</b>	<b>17,600</b>
<b>Net book amount at 31 December 2020</b>	<b>503</b>	<b>503</b>
<b>2019</b>		
<b>Cost</b>		
At 1 January 2019	18,140	18,140
Additions	46	46
Disposal	(83)	(83)
At 31 December 2019	18,103	18,103
<b>Accumulated amortisation</b>		
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
<b>Net book amount at 31 December 2019</b>	<b>775</b>	<b>775</b>

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

2020	Plant and machinery £000	Total £000
<b>Cost</b>		
At 1 January and 31 December 2020	183	183
<b>Accumulated depreciation</b>		
At 1 January and 31 December 2020	183	183
<b>Net book amount at 1 January and 31 December 2020</b>	<b>—</b>	<b>—</b>

2019	Plant and machinery £000	Total £000
<b>Cost</b>		
At 1 January 2019	224	224
Disposal	(41)	(41)
At 31 December 2019	183	183
<b>Accumulated depreciation</b>		
At 1 January 2019	224	224
Disposal	(41)	(41)
At 31 December 2019	183	183
<b>Net book amount at 1 January and 31 December 2019</b>	—	—

## 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 2020, the Company held direct investments in the following entities:

Company	Nature of business
Sportech Group Holdings Limited ("SGHL")	Holds investments in Group companies
Sportech Management Limited	Dormant
Lot.to Systems Limited	Lottery software supplier

The Company held a direct investment in Sportech Trustees Limited during the year until it was dissolved on 13 October 2020.

Movement in the book value of the Company's investments is shown below:

	2020 £000	2019 £000
At 1 January	64,071	92,673
Addition	—	2,014
Capital contributions	—	4,390
Impairment	—	(35,006)
<b>At 31 December</b>	<b>64,071</b>	<b>64,071</b>

The addition in the prior 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:

	2020 £000	2020 US\$000	2019 £000	2019 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
<b>Total</b>	<b>—</b>	<b>—</b>	<b>4,390</b>	<b>5,650</b>

Each contribution was translated at the exchange prevailing at the time.

# Notes to the Company Financial Statements continued

The Directors considered the carrying value of the investments as at 31 December 2020 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. In the prior 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 was charged to operating costs in the income statement. Significant judgement is involved in forecasting the cashflows of the Group and if these forecasts are not achieved 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.

## C8. TRADE AND OTHER RECEIVABLES

	2020 £000	2019 £000
<b>Non-current</b>		
Amounts owed by Group companies	6,621	2,846
<b>Current</b>		
Amounts owed by Group companies	78	1,375
Other receivables	70	84
Prepayments	43	18
Current trade and other receivables	191	1,477
<b>Total</b>	<b>6,812</b>	<b>4,323</b>

Amounts due in more than one year are from:

	2020 £000	2019 £000
Datatote (England) Limited	833	839
Sportech Inc.	2,996	—
Lot.to Systems Limited	1,337	600
Bump (Worldwide) Inc	175	177
Sportech Racing GmbH	1,280	1,230
<b>Total</b>	<b>6,621</b>	<b>2,846</b>

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

	2020 £000	2019 £000
Trade payables	656	201
Amounts owed to Group companies	28,611	20,614
Social security and other taxes	29	20
Accruals	1,338	642
Deferred consideration	—	500
<b>Total</b>	<b>30,635</b>	<b>21,977</b>

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 remaining loans with the Football Pools companies which are all now dormant, will be settled via dividend payments during 2021. Given the expected settlement no interest has been charged on these payables during the year. The payables to the Football Pools companies amount to £15,882k (2019: £13,925k).

Deferred consideration was 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 separately disclosed items:

	Note	2020 £000	2019 £000
Loss before taxation		(2,007)	(36,732)
<b>Adjustments for:</b>			
Investment income		(211)	—
Separately disclosed items		1,413	797
Amortisation of intangible assets	C5	272	269
Impairment of investments	C7	—	35,006
Finance costs		268	81
Finance income		(12)	(120)
Other finance expense		54	178
Share option charge		347	1,422
<b>Changes in working capital:</b>			
Movement in trade and other receivables		(2,489)	1,026
Movement in trade and other payables		7,367	428
Cash generated from operating activities, before separately disclosed items		5,002	2,355

## C12. RELATED PARTY TRANSACTIONS

The Company had the following transactions with subsidiaries during the year:

	2020 £000	2019 £000
Management charges received	624	631
Management charges paid	(209)	(65)
Royalty income received	1,463	1,967
Investment income	211	—
Interest paid on inter-company loan balances	(153)	(81)
Interest received on inter-company loan balances	119	71

The amount outstanding in relation to management charges at the balance sheet date was £178k (2019: £196k). All inter-company transactions are on an arm's-length basis.

# Advisors and Corporate Information

## Stockbroker

Peel Hunt LLP  
Moor House  
120 London Wall  
London EC2Y 5ET

## Principal bankers

Bank of Scotland PLC  
10 Gresham Street  
London EC4M 9AF

Wells Fargo  
420 Montgomery Street  
San Francisco, California 94104

## Solicitors as to UK law

Dickson Minto W.S.  
Broadgate Tower  
20 Primrose Street  
London EC2A 2EW

## Lawyers as to US law

Duane Morris LLP  
1940 Route 70  
East Suite 100  
Cherry Hill, New Jersey 08003

## Statutory auditors

BDO LLP  
55 Baker Street  
Marylebone  
London W1U 7EU

## Registrars

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Any enquiries concerning your shareholding should be addressed to the Company's Registrar. The Registrar should be notified promptly of any change in a shareholder's address or other details.

Tel: 0371 664 0300

E-mail: [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)

## Company Secretary

SGH Company Secretaries Ltd  
6th Floor  
60 Gracechurch Street  
London EC3V 0HR

## Registered office

Sportech PLC  
Collins House  
Rutland Square  
Edinburgh EH1 2AA

## European head office

Sportech PLC  
Icarus House  
Hawkfield Business Park  
Bristol BS14 0BN

## North American head office

Sportech, Inc.  
600 Long Wharf Drive  
New Haven, Connecticut 06511

## Company registration number

SC69140

## Internet

The Group website can be found at [www.sportechplc.com](http://www.sportechplc.com). This site is regularly updated to provide information about the Group. The Group's press releases and announcements can be found on the site.



Designed and printed by Sterling  
[www.sterlingfp.com](http://www.sterlingfp.com)



