Sportech PLC

22 August 2013

Sportech PLC ("Sportech" or "the Group")
Interim results for the six months ended 30 June 2013

Progress made against strategic objectives with continued momentum in the US

Sportech, one of the world's leading operators and suppliers of pools and tote betting services, is pleased to announce its interim results for the six months ended 30 June 2013.

Financial highlights

- Revenue broadly stable at £57.0m (2012: £57.7m)
- EBITDA* reduced to £11.8m (2012: £12.6m)
  - Sportech Racing up 22%
  - Football Pools down 6%
  - e-Gaming loss after increase in marketing spend
- Adjusted profit before tax** of £5.9m (2012: £7.4m)
- Profit before tax of £1.9m (2012: £3.2m)
- Earnings per share of 0.7p (2012: 1.1p)
- Net bank debt of £56.7m (31 December 2012: £57.1m)
- VAT claim now anticipated at approximately £95m

Strategic and operational highlights

- Sportech Racing – continued momentum across the business
  - New tote betting contracts signed with major gaming businesses in the USA, Denmark and UK
  - eBet Online acquisition performing well, integration on track, synergies to be realised this year
  - Launched exclusive online horserace betting platform for Connecticut customers
  - Ongoing business development activities underway to drive growth

- VAT – First-tier Tax Tribunal found in favour of Sportech
  - HMRC given leave to appeal – next hearing at Upper Tribunal to be held on 29 and 30 April 2014
  - VAT claim increased from previous estimates and now anticipated at approximately £95m

- Football Pools – modernisation programme continues
  - Increase in spend per customer helped to offset anticipated decline in player numbers
  - System and process improvements to increase efficiency

- e-Gaming – platform migrations complete, although trading remains challenging
  - Increase in marketing spend has depressed profitability
  - Full range of e-Gaming products from a single wallet soon to be available

Ian Penrose, Chief Executive of Sportech PLC, said:

"We have delivered a solid set of results and continue to make strategic and operational progress and build on our unique market position.

The United States is a strategically important market for Sportech and I am delighted that our efforts have led to a 22% growth in EBITDA in our Sportech Racing business, which now accounts for over 40% of Sportech's operational EBITDA. With several significant new contracts in place, new products coming into the market soon, a flagship betting and sports bar opening later this year in Connecticut and full launch of Connecticut's only legal online horseracing betting platform by the year end, we are pleased with the momentum in our US business for 2014 and beyond. The strong performance of this business and its importance to the Group's future success has helped mitigate the challenges faced in e-Gaming during the period.

We were delighted when, in March 2013, our VAT rebate claim anticipated at approximately £95m was determined in our favour by the First-tier Tax Tribunal, although HMRC was subsequently given leave to appeal to the Upper Tribunal. Whilst this is proving a lengthy process, with the claim first lodged in March 2009, we are pleased with our success to date and look forward to the appeal hearing in April 2014."

* EBITDA is stated before exceptional costs and share option expense.

** Adjusted profit figures are stated before amortisation of acquired intangibles, exceptional costs, share of loss after tax of joint venture and other finance income/charges.

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Forward-looking statements

Certain statements in this Interim Statement are forward-looking. Although the Group believes that the expectations reflected in this forward-looking statement are reasonable, it can give no assurance that these expectations will prove to be correct. As these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Sportech PLC (“Sportech” or “the Group”)
Interim results for the six months ended 30 June 2013

Overview

Sportech is one of the world’s leading operators and suppliers of pools and tote betting services, occupying a unique position in the highly regulated and emerging gaming markets worldwide. These results reflect continued progress made by the Group with EBITDA growth of 22% in its predominantly US based Sportech Racing business, solid performance of the Football Pools and the challenges faced in e-Gaming which generated a loss in the period.

We were delighted with the favourable decision of the First-tier Tax Tribunal (“FTT”) to determine the Group’s VAT claim repayment, which was first lodged in March 2009. This claim is now anticipated to be approximately £95m in total including simple interest. Her Majesty’s Revenue and Customs (“HMRC”) has been given leave to appeal this decision to the Upper Tribunal and the appeal will be held on 29 and 30 April 2014. We are pleased with our success to date and remain confident in our arguments and a successful outcome of the appeal. In the meantime, we are exploring the options available to secure financial benefit in the event of the favourable decision of the FTT being ultimately reversed.

Financial performance

Overall, Group revenue remained broadly in line with last year at £57.0m (2012: £57.7m). The challenges experienced in e-Gaming, together with movement in the timing of the one-off Tote system sales from H1 2013 to H2 2013, are the key factors accounting for EBITDA reducing to £11.8m (2012: £12.6m). Adjusted profit before tax was £5.9m (2012: £7.4m) and profit after tax was £1.3m (2012: £2.1m). Basic and adjusted earnings per share were 0.7p and 2.1p (2012: 1.1p and 2.7p) respectively. Net debt at 30 June was £56.7m (2012: FY £57.1m).

An analysis of Group revenue and EBITDA performance by business segment is shown in the table below:

	Revenue		EBITDA	
£m	**2013 H1**	2012 H1	**2013 H1**	2012 H1
Sportech Racing	**34.3**	33.6	**6.1**	5.0
Football Pools	**20.0**	21.7	**8.2**	8.7
e-Gaming	**2.8**	2.6	**(0.7)**	0.7
Inter-segment elimination and corporate costs	**(0.1)**	(0.2)	**(1.8)**	(1.8)
Total Group	**57.0**	57.7	**11.8**	12.6

Sportech Racing

In order to establish a significant presence in the gaming and technology industry in the US, at the end of 2010 we completed the acquisition of Sportech Racing, a business that has been operating in the US for over 70 years. The US business is licensed in 26 states, has over 700 employees, offices and operation centres in Connecticut, Atlanta, New Jersey and California, 15 betting and entertainment venues in Connecticut, an online and telephone betting business, racing customers across the world, and processes $13bn of bets annually. The European business has an operation centre in Germany and an online and land-based betting business in the Netherlands.

We have invested a significant amount of management time to turn around what was a declining business and we are pleased to report that momentum is gradually building both offline and online (helped by the acquisition of eBet), with EBITDA up by 22% to £6.1m (2012: £5.0m) on an increase in revenue of 2% to £34.3m (2012: £33.6m). Furthermore, the opening of our new flagship sports bar and betting venue and the full launch of the only legal online horseracing betting site in Connecticut later this year, together with the ongoing contract wins, should see this momentum continue. These activities further strengthen our US operations and position the business to capitalise on future regulatory developments.

The results can be analysed further as follows:

£m	**2013 H1** Revenue	**2013 H1** EBITDA	2012 H1 Revenue	2012 H1 EBITDA
Tote Services and equipment sales	**15.0**	**3.3**	15.4	2.8
Interactive Products and Services	**2.0**	**0.3**	0.7	(0.2)
	17.0	**3.6**	16.1	2.6
Venues – Connecticut	**14.7**	**2.8**	14.6	2.5
Venues – Netherlands	**2.6**	**–**	2.9	0.1
	17.3	**2.8**	17.5	2.6
Central costs	**–**	**(0.3)**	–	(0.2)
Total Sportech Racing	**34.3**	**6.1**	33.6	5.0

Tote Services, Interactive and equipment

We continue to invest in order to improve our core tote technology offering and to build our interactive products capability, including new terminals, mobile betting and a new online betting platform. These investments should underpin the future success of the business, ensuring we remain competitive and generate opportunities for increasing efficiency.

We have further strengthened Sportech's international presence by securing several major new contracts in the period to supply a variety of retail, online and mobile wagering technologies and services, together with terminal equipment sales. These customers include a six year agreement with Penn National Gaming ("PNG"), the largest owner and operator of racetrack and associated betting facilities (together with numerous casino and slot machine venues) in the US, a five year agreement with Danske Spil, the state owned Danish gaming operator, and the UK Tote, where new terminals were delivered on time for a successful launch at Royal Ascot in June.

Within the Tote Services business, we have seen a strong performance from our customer in the Dominican Republic following our significant investment in new terminals last year. Overall, within the division, revenue is £15.0m (2012: £15.4m), primarily due to a £1.1m reduction in system sales in the first half of this year, compared to last year, while EBITDA improved to £3.3m (2012: £2.8m). The second half of 2013 will see a rebalancing of this.

In order to accelerate the development of our online activities in the US, we acquired eBet in December 2012. This division provides customised websites, mobile applications and telephone betting services to 26 licensed gaming and racing customers across the USA. We are pleased with the early progress of the business, which is performing well, and its integration with the previous Sportech online activities is on track to deliver the expected £0.2m synergies this year following the rationalisation of the call centre and certain back-office functions. Whilst still in its infancy, our Interactive Product and Services business has generated revenues of £2.0m (2012: £0.7m) and EBITDA of £0.3m (2012: loss of £0.2m).

We continue to make progress in California under our licence to install 45 wagering facilities and will roll-out two further facilities in the second half of 2013 following the completion of local licensing requirements. This will bring the total to six facilities in California.

Sportech Venues

In the state of Connecticut, Sportech Venues operates all betting on horseracing under an exclusive and in perpetuity licence for retail, telephone and internet wagering.

We have continued to invest in both our venues and online opportunities, both of which should bring positive benefits in 2014 and beyond. Our newly developed internet wagering platform was soft launched during the period and, following positive feedback from customers and regulators, Connecticut's only legal online horserace betting platform will be fully launched later this year. We continue to develop the retail estate to combine sports bars with betting facilities at certain sites, thereby broadening the customer base, who will be in an entertainment venue, combining restaurant, bar and watching sport, whilst being able to bet on horseracing. We will complete a significant flagship redevelopment of our venue by the airport in Bradley in the second half and are looking to progress with the development of a potential new site close to the New York border.

Revenues in the period were £14.7m (2012: £14.6m) with EBITDA increasing by 12% to £2.8m (2012: £2.5m) due to ongoing business efficiencies. Strong volumes generated in our venues on the Kentucky Derby and the other Triple Crown race days offset a small decline in our telephone betting revenues.

In the Netherlands, we operate a number of OTBs, point of sale terminals and online betting on horseracing, all on an exclusive basis under a licence from the Ministry of Justice. Revenue for the period decreased to £2.6m (2012: £2.9m) and the business broke even in EBITDA terms (2012: £0.1m). During the period the Government announced its draft law on online gaming, with licences expected in 2015. We continue to provide input into the Government's consultation process.

Football Pools

Our strategy remains to improve our customer retention rates, increase spend per head from our large core customer base through increasing the opportunities to play our core Classic Pools game, and to add new players to the Football Pools through telephone-based recruitment to direct debit and online. Furthermore, we continue to modernise the business, generating improvements in working practices and cost efficiencies.

Revenue for the period amounted to £20.0m (2012: £21.7m), generating £8.2m of EBITDA (2012: £8.7m). Average weekly customer spend has increased to £2.61 (2012: £2.55). As at 30 June 2013, at the seasonally low point in the football calendar, we had a total of 350,000 Football Pools customers compared to 394,000 at June 2012. Importantly, 71% (2012: 68%) of our customers now play by direct methods, and customer loss in this channel was just 16,000 (6.0%) compared to 38,000 (12.5%) in prior year. We continue to focus on recruitment and retention activities to reduce this customer loss further. Our continued investment in modernising the Football Pools has led to further cost reductions with operational overheads reduced by £0.7m (8%).

We have also been working to broaden our distribution of the Football Pools products and, further to the announcement of our agreement with France-Pari, one of the oldest betting operators licensed in France, we are pleased to announce that we are ready to launch our products on their platform early in the 2013/14 football season.

We have signed an agreement to integrate the pools products on Footballpools.com into our e-Gaming platform and therefore benefit from the shared wallet. This will be integrated during 2014 to enable greater cross-sell opportunities between our Footballpools.com players and our e-Gaming customers, whilst driving operational and cost efficiencies.

e-Gaming

The performance of our e-Gaming business in 2013 has been disappointing, with the challenges of the brand and platform migrations during 2012 having had an impact on the established customer base.

Revenue has increased to £2.8m (2012: £2.6m) but, following a significant increase in marketing spend, EBITDA is a loss of £0.7m (2012: profit of £0.7m). The period focused around rebuilding and growing the customer base with the increased marketing spend, which has lead to growth in both active players to 24,000 (2012: 20,000) and first-time depositors to 18,000 (2012: 10,000). However the low yield from these players combined with the increased cost of acquisition of new players generated the first half EBITDA loss.

With a full range of e-Gaming products from a single wallet, and a full mobile offering, this larger player base is expected to return the business to a profitable second half, but without reaching full year profitability.

Corporate costs

Corporate costs of £1.7m (2012: £1.8m) have been tightly controlled. In addition, we also have a non-cash share option expense under IFRS 2 of £1.0m (2012: £0.7m).

Depreciation and amortisation

The Group's normal depreciation and amortisation charge increased in the period to £2.8m (2012: £2.5m) principally due to the ongoing capital expenditure in our businesses in North America. In addition, the Group incurred a non-cash amortisation charge of £3.5m (2012: £3.0m) on the intangible assets acquired with Vernons in 2007 and eBet in 2012. The Vernons charge continues at an annualised £6.0m until June 2014.

Exceptional costs

The Group has incurred exceptional costs of £1.0m (2012: £1.0m) in the six month period. These costs include restructuring and other costs of £0.7m (2012: £0.7m) and compensation for loss of office of £0.3m (2012: £0.3m).

Net finance costs

The Group has incurred net interest payments in the period of £2.1m (2012: £2.0m). In addition, other finance income amounted to £0.6m (2012: charges of £0.1m), primarily being the fair value movement on interest rate swaps.

Net bank debt

The Group has a £75m revolving credit facility until August 2015, which is enabling the Board to capitalise on investing in strategic opportunities, particularly in the USA. Net bank debt has reduced by £0.4m in the six month period to £56.7m (31 December 2012: £57.1m), reflecting continuing investment in the assets of the Group. The Group's bank leverage ratio for covenant testing purposes (net bank debt/adjusted EBITDA) was 2.20x as at 30 June 2013 (31 December 2012: 2.12x).

The Group will pay $10.5m deferred consideration to Scientific Games Corporation in September 2013 in respect of the acquisition of Sportech Racing. The foreign exchange exposure associated with this payment has been hedged, fixing the Sterling equivalent payment at £6.6m.

Total shareholders' equity and the Group's net assets have increased to £139.3m (30 June 2012: £133.9m).

VAT claim

The VAT claim repayment, which was first lodged in March 2009, in respect of the "Spot the Ball" game, was successfully determined in the Group's favour by the First-tier Tax Tribunal ("FTT") in March 2013. This claim is for approximately £95m including simple interest, an increase from previous estimates. HMRC has been given leave to appeal this decision to the Upper Tribunal and the appeal hearing will be held on 29 and 30 April 2014. HMRC will agree the quantum of the claim following the outcome of the Upper Tribunal hearing.

We are pleased with our success to date and remain confident in our arguments and a successful outcome of the appeal. In the meantime, we are exploring the options available to secure financial benefit in the event of the positive decision of the FTT being ultimately reversed.

The claim has not been recognised in the Group's financial statements.

Dividend

No dividend is proposed. The Group's financial position and business performance is enabling the Board to evaluate its strategy as to when to commence the payment of a maiden dividend.

Taxation

A tax charge for the period of £0.6m (2012: £1.1m) has been provided at the expected weighted average annual tax rate for the Group of 29.1% (2012: 26.5%). The Group has a net deferred tax asset of £1.6m (31 December 2012: £1.3m), representing primarily foreign taxes withheld which can be utilised against future profits and deferred tax provided on interest rate swap liabilities. Tax payments of £0.9m were made during the period (2012: £0.9m), principally representing final payments for prior year tax liabilities and overseas tax deducted at source.

Board and employees

We were delighted that Cliff Baty joined the Board on 14 May 2013 as Chief Financial Officer. He brings relevant industry and financial experience from his roles at Ladbrokes Plc and Hilton Group Plc.

Mor Weizer left the Board on 20 June 2013 following Playtech Limited's sale of its 10% holding in Sportech PLC. In addition, David Schreff, who was not a Board member but held the position of COO Americas, left the business in July. The Board would like to thank them both for their contributions to the Group.

Sportech is a growing international business and places significant demands upon executives and employees. The Board would like to thank them for their continued dedication and commitment to the business.

Principal risks and uncertainties for the remainder of the year

The principal risks and uncertainties for the Group are outlined below and remain the same as those detailed on pages 16 and 17 of the 2012 Sportech PLC Annual Report and Accounts, where descriptions of mitigating activities carried out by the Group are also outlined.

Regulatory – licences

The Group operates under a number of licences across worldwide jurisdictions, including the UK and USA. 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 therefore on the Group's trading and results. In addition, such loss or inadvertent breach would potentially lead to the imposition of fines on the Group and could lead to substantial legal costs.

Regulatory – Bribery Act

Sportech operates in a number of jurisdictions around the world. The Bribery Act 2010 became effective during 2012.

Operational – technology

A significant proportion of the Group's annual income is dependent on technology-led products.

Operational – economy

A significant proportion of the Group's annual income is derived from consumer-facing activities and is thus subject to the impact of economic downturns. Any significant downturn in the economy could lead to a negative impact on the results of the Group and its cash flows.

Financial

The Group has historically been relatively highly leveraged and is dependent on the provision of debt financing to enable it to continue its operations. The Group refinanced its debt in July 2012, extending its term to August 2015.

Health and safety

The Group runs a number of venues offering pari-mutuel wagering, principally in the state of Connecticut, USA and the Netherlands. These operations involve the handling of significant sums of cash. In addition, the venues are used by a high number of customers on a daily basis. The Group therefore has a health and safety risk in respect of both its employees and its customers.

Related party transactions

Related party transactions are detailed in note 16 of the interim consolidated financial information.

Outlook

Sportech is one of the world's leading pools and tote betting groups in established and emerging gaming markets globally and is well positioned to capitalise on the growth opportunities in these markets. The Group has laid good foundations for growth across the business and, in particular, made good operational progress in its key strategic marketplace in the US in the first half of 2013. The challenges faced by our e-Gaming business are impacting the Group's overall results, however, trading in our core activities remains in line with management expectations and the Board looks forward to continuing the development of the Group's strategic objectives.

Ian Penrose
Chief Executive

22 August 2013

Interim consolidated income statement
For the six months ended 30 June 2013

	Note	**Six months ended 30 June 2013 (Unaudited) £m**	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Revenue	4	**57.0**	57.7	112.0
Cost of sales		**(31.0)**	(32.3)	(61.0)
Gross profit		**26.0**	25.4	51.0
Distribution costs		**(0.4)**	(0.4)	(1.1)
Administrative expenses		**(22.1)**	(19.6)	(38.8)
EBITDA before exceptional costs and share option expense		**11.8**	12.6	26.4
Share option expense		**(1.0)**	(0.7)	(1.4)
Depreciation and amortisation (excluding amortisation of acquired intangibles)		**(2.8)**	(2.5)	(5.2)
Amortisation of acquired intangibles		**(3.5)**	(3.0)	(5.9)
Exceptional costs	5	**(1.0)**	(1.0)	(2.8)
Operating profit	4	**3.5**	5.4	11.1
Finance costs	6	**(2.1)**	(2.0)	(4.1)
Other finance income/(charges)	6	**0.6**	(0.1)	(4.7)
Net finance costs	6	**(1.5)**	(2.1)	(8.8)
Share of loss after tax of joint venture	10	**(0.1)**	(0.1)	(0.2)
Profit before taxation		**1.9**	3.2	2.1
Adjusted profit before taxation *		**5.9**	7.4	15.7
Taxation	7	**(0.6)**	(1.1)	(0.8)
Profit for the period		**1.3**	2.1	1.3
Earnings per share attributable to owners of the parent during the period				
Basic	8	**0.7p**	1.1p	0.7p
Diluted	8	**0.6p**	1.0p	0.6p
Adjusted earnings per share attributable to owners of the parent during the period				
Basic	8	**2.1p**	2.7p	5.8p
Diluted	8	**1.9p**	2.6p	5.4p

* Adjusted profit before taxation is profit before taxation, amortisation of acquired intangibles, exceptional costs, share of loss after tax of joint venture and other finance income/(charges).

Interim consolidated statement of comprehensive income
For the six months ended 30 June 2013

	Six months ended 30 June 2013 (Unaudited) £m	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Profit for the period	**1.3**	2.1	1.3
Other comprehensive income/(expense):			
Actuarial loss on retirement benefit obligations	**—**	—	(0.3)
Deferred tax on movement on retirement benefit obligations	**—**	—	0.1
Movement on derivative financial instruments	**—**	0.4	0.4
Deferred tax on movement on derivative financial instruments	**—**	(0.1)	(0.1)
Cumulative movement on derivative financial instruments – reclassification adjustment to the income statement	**—**	—	3.3
Cumulative deferred tax on movement on derivative financial instruments – reclassification adjustment to the income statement	**—**	—	(0.8)
Currency translation differences	**1.6**	(0.4)	(1.1)
Other comprehensive income/(expense) for the period net of tax	**1.6**	(0.1)	1.5
Total comprehensive income for the period	**2.9**	2.0	2.8

Interim consolidated statement of changes in equity
For the six months ended 30 June 2013

	Ordinary shares £m	Other reserves: Share option reserve £m	Other reserves: Pension reserve £m	Other reserves: Currency translation reserve £m	Retained earnings £m	Total £m
At 1 January 2013 (audited)	99.4	3.8	(0.5)	(0.8)	33.5	135.4
Comprehensive income						
Profit for the period	—	—	—	—	1.3	1.3
Other comprehensive income						
Currency translation differences	—	—	—	1.6	—	1.6
Total other comprehensive income	—	—	—	1.6	—	1.6
Total comprehensive income	—	—	—	1.6	1.3	2.9
Transactions with owners						
Share option credit	—	1.0	—	—	—	1.0
At 30 June 2013 (unaudited)	**99.4**	**4.8**	**(0.5)**	**0.8**	**34.8**	**139.3**

	Ordinary shares £m	Other reserves: Share option reserve £m	Other reserves: Pension reserve £m	Other reserves: Currency translation reserve £m	Financial instrument reserve £m	Retained earnings £m	Total £m
At 1 January 2012 (audited)	99.4	2.4	(0.3)	0.3	(2.8)	32.2	131.2
Comprehensive income							
Profit for the period	—	—	—	—	—	2.1	2.1
Other comprehensive income							
Financial instrument reserve movement *	—	—	—	—	0.3	—	0.3
Currency translation differences	—	—	—	(0.4)	—	—	(0.4)
Total other comprehensive (expense)/income	—	—	—	(0.4)	0.3	—	(0.1)
Total comprehensive (expense)/income	—	—	—	(0.4)	0.3	2.1	2.0
Transactions with owners							
Share option credit	—	0.7	—	—	—	—	0.7
At 30 June 2012 (unaudited)	99.4	3.1	(0.3)	(0.1)	(2.5)	34.3	133.9

* Net of deferred tax.

	Ordinary shares £m	Other reserves Share option reserve £m	 Pension reserve £m	 Currency translation reserve £m	Financial instrument reserve £m	Retained earnings £m	Total £m
At 1 January 2012 (audited)	99.4	2.4	(0.3)	0.3	(2.8)	32.2	131.2
Comprehensive income							
Profit for the year	—	—	—	—	—	1.3	1.3
Other comprehensive income							
Financial instrument reserve movement *	—	—	—	—	2.8	—	2.8
Actuarial loss on retirement benefit obligations *	—	—	(0.2)	—	—	—	(0.2)
Currency translation differences	—	—	—	(1.1)	—	—	(1.1)
Total other comprehensive (expense)/income	—	—	(0.2)	(1.1)	2.8	—	1.5
Total comprehensive (expense)/income	—	—	(0.2)	(1.1)	2.8	1.3	2.8
Transactions with owners							
Share option credit	—	1.4	—	—	—	—	1.4
At 31 December 2012 (audited)	99.4	3.8	(0.5)	(0.8)	—	33.5	135.4

* Net of deferred tax.

Interim consolidated balance sheet
As at 30 June 2013

	Note	**As at 30 June 2013 (Unaudited) £m**	As at 30 June 2012 (Unaudited) £m	As at 31 December 2012 (Audited) £m
ASSETS				
Non-current assets				
Goodwill		**153.4**	147.6	153.4
Intangible fixed assets	9	**47.1**	48.1	47.4
Property, plant and equipment	9	**16.4**	14.5	16.1
Net investment in joint venture	10	**0.5**	0.5	0.5
Trade and other receivables		**—**	0.1	—
Deferred tax assets		**1.6**	2.4	1.3
		219.0	213.2	218.7
Current assets				
Trade and other receivables		**10.4**	8.2	8.0
Inventories		**1.9**	2.3	1.6
Cash and cash equivalents	11	**3.3**	2.1	2.9
		15.6	12.6	12.5
TOTAL ASSETS		**234.6**	225.8	231.2
LIABILITIES				
Current liabilities				
Derivative financial instruments		**(1.6)**	(3.3)	(2.7)
Financial liabilities	13	**(7.0)**	(10.0)	(6.3)
Trade and other payables		**(22.2)**	(23.4)	(22.3)
Provisions	12	**(0.2)**	(0.2)	(0.3)
Current tax liabilities		**(0.6)**	(0.8)	(0.6)
		(31.6)	(37.7)	(32.2)
Net current liabilities		**(16.0)**	(25.1)	(19.7)
Non-current liabilities				
Financial liabilities	13	**(61.6)**	(51.9)	(61.5)
Retirement benefit liability		**(1.5)**	(1.2)	(1.6)
Provisions	12	**(0.6)**	(0.7)	(0.5)
Deferred tax liabilities		**—**	(0.4)	—
		(63.7)	(54.2)	(63.6)
TOTAL LIABILITIES		**(95.3)**	(91.9)	(95.8)
NET ASSETS		**139.3**	133.9	135.4
EQUITY				
Ordinary shares		**99.4**	99.4	99.4
Other reserves		**5.1**	2.7	2.5
Financial instrument reserve		**—**	(2.5)	—
Retained earnings		**34.8**	34.3	33.5
TOTAL EQUITY		**139.3**	133.9	135.4

Interim consolidated statement of cash flows
For the six months ended 30 June 2013

	Note	**Six months ended 30 June 2013 (Unaudited) £m**	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Cash flows from operating activities				
Cash generated from operations	14	**8.5**	13.8	26.6
Interest paid		**(2.1)**	(2.4)	(4.1)
Tax paid		**(0.9)**	(0.9)	(2.0)
Net cash generated from operating activities before cash exceptional costs		**5.5**	10.5	20.5
Cash exceptional costs		**(1.0)**	(1.0)	(2.0)
Net cash generated from operating activities		**4.5**	9.5	18.5
Cash flows from investing activities				
Investment in joint venture	10	**(0.1)**	(0.2)	(0.3)
Acquisition of eBet Online Inc. net of cash acquired		**—**	—	(5.7)
Purchase of intangible fixed assets	9	**(3.5)**	(1.8)	(3.2)
Purchase of property, plant and equipment	9	**(0.8)**	(1.6)	(5.1)
Net cash used in investing activities		**(4.4)**	(3.6)	(14.3)
Cash flows from financing activities				
Refinancing fee paid – exceptional cost	6	**—**	—	(2.1)
Net cash outflow from repayment of borrowings	13	**—**	(7.0)	(2.5)
Net cash used in financing activities		**—**	(7.0)	(4.6)
Net increase/(decrease) in cash and cash equivalents		**0.1**	(1.1)	(0.4)
Cash and cash equivalents at the beginning of the period		**2.9**	3.3	3.3
Exchange gain/(loss) on cash and cash equivalents		**0.3**	(0.1)	—
Cash and cash equivalents at the end of the period	11	**3.3**	2.1	2.9

Reconciliation of net bank debt				
Increase/(decrease) in cash in the period		**0.4**	(1.2)	(0.4)
Net cash outflow from repayment of borrowings	13	**—**	7.0	2.5
Movement in net bank debt for the period		**0.4**	5.8	2.1
At the beginning of the period		**(57.1)**	(59.2)	(59.2)
At the end of the period		**(56.7)**	(53.4)	(57.1)
Net bank debt comprises:				
Cash and cash equivalents	11	**3.3**	2.1	2.9
Loans repayable within one year	13	**—**	(10.0)	—
Loans repayable after one year	13	**(60.0)**	(45.5)	(60.0)
At the end of the period		**(56.7)**	(53.4)	(57.1)

Notes to the consolidated interim financial statements
For the six months ended 30 June 2013

1. General information

Sportech PLC (the “Company”) is a public limited company domiciled in the UK and listed on the London Stock Exchange. The Company’s registered office is Collins House, Rutland Square, Edinburgh, Midlothian EH1 2AA. The condensed consolidated interim financial statements of the Company as at and for the period ended 30 June 2013 comprise the Company, its subsidiaries and joint venture (together referred to as the “Group”). The principal activities of the Group are sports betting, entertainment and wagering technology solutions.

The condensed consolidated interim financial statements were approved for issue on 22 August 2013.

2. Basis of preparation

a. These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012 which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2012 were approved by the Board of Directors on 6 March 2013 and delivered to the Registrar of Companies. The Report of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have not been reviewed or audited.

b. The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing these condensed consolidated interim financial statements. In assessing the going concern basis, the Directors considered the Group’s business activities, the financial position of the Group, its banking facilities and its future planned activities.

c. The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

3. Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements except for the adoption of the new and amended standards as outlined below.

The following new standards and amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2013 and have been adopted by the Group. None of these standards and interpretations has any material effect on the Group's results or net assets.

Standard or interpretation	Content	Applicable for financial year beginning on or after
IAS 19R (revised 2011)	Employee benefits	1 January 2013
Amendment to IFRS 7	Financial instruments assets and liabilities offsetting	1 January 2013
Amendment to IFRS 10, 12 and IAS 27	Consolidation for investment entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
Amendments to IAS 32	Financial instruments assets and liabilities offsetting	1 January 2013
Amendments to IAS 36	Impairment of assets	1 January 2013
Annual improvements to IFRSs 2011	Various	1 January 2013

Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, has been replaced with a net interest charge that is calculated by applying the discount rate to the net defined benefit liability. In addition, administration expenses must be charged to the income statement.

The prior period income statement and statement of comprehensive income for the periods ended 30 June 2012 and 31 December 2012 have not been restated, as the impacts to profit and other comprehensive income are not material to the Group.

The Group has adopted IFRS 13 'Fair Value Measurement'. It establishes a single source of guidance for fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. The adoption of this standard did not have a significant impact on the results or financial position of the Group, however, additional disclosures to reflect the requirements of the standard will be included in the financial statements for the year ended 31 December 2013.

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

Standard or interpretation	Content	Applicable for financial year beginning on or after
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11*	Joint arrangements	1 January 2014
IFRS 12*	Disclosure of interests in other entities	1 January 2014
IAS 27R (revised 2011)	Separate financial statements	1 January 2014
IAS 28R (revised 2011)	Associates and joint ventures	1 January 2014

* These standards and amendments to standards are not expected to be relevant to the Group.

4. Segmental reporting

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

The Group has identified its business segments as outlined below:

- Football Pools – football pools and associated games through traditional channels such as mail, telephone, agent-based collection, retail outlets, third-party licensed betting offices, and through online and digital channels;
- Sportech Racing – provision of pari-mutuel wagering services and systems worldwide principally to the horseracing industry and off-track betting venue management;
- e-Gaming – a portfolio of online casino, poker, bingo and fixed-odds games supplied via third-party software providers; and
- corporate costs – central costs relating to the Company in its capacity as the PLC holding company of the Group.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of non-recurring expenditure such as restructuring costs and impairments of assets. The share option expense is also excluded. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. Sales between segments are at arm's length.

	Six months ended 30 June 2013 (Unaudited)					
	Football Pools £m	**Sportech Racing £m**	**e-Gaming £m**	**Corporate costs £m**	**Inter-segment elimination £m**	**Group £m**
Revenue from sale of goods	**20.0**	**1.7**	**2.8**	**—**	**—**	**24.5**
Revenue from rendering of services	**—**	**32.6**	**—**	**—**	**(0.1)**	**32.5**
Total revenue	**20.0**	**34.3**	**2.8**	**—**	**(0.1)**	**57.0**
EBITDA before exceptional costs and share option expense	**8.2**	**6.1**	**(0.7)**	**(1.7)**	**(0.1)**	**11.8**
Share option expense	**—**	**—**	**—**	**(1.0)**	**—**	**(1.0)**
Depreciation and amortisation (excluding amortisation of acquired intangibles)	**(0.7)**	**(2.1)**	**—**	**—**	**—**	**(2.8)**
Segment result before amortisation of acquired intangibles and exceptional costs	**7.5**	**4.0**	**(0.7)**	**(2.7)**	**(0.1)**	**8.0**
Amortisation of acquired intangibles	**(3.0)**	**(0.5)**	**—**	**—**	**—**	**(3.5)**
Exceptional costs	**(0.2)**	**(0.3)**	**—**	**(0.5)**	**—**	**(1.0)**
Operating profit/(loss)	**4.3**	**3.2**	**(0.7)**	**(3.2)**	**(0.1)**	**3.5**
Net finance costs						**(1.5)**
Share of loss after tax of joint venture						**(0.1)**
Profit before taxation						**1.9**
Taxation						**(0.6)**
Profit for the period						**1.3**

	Six months ended 30 June 2012 (Unaudited)					
	Football Pools £m	Sportech Racing £m	e-Gaming £m	Corporate costs £m	Inter-segment elimination £m	Group £m
Revenue from sale of goods	21.7	2.7	2.6	—	(0.1)	26.9
Revenue from rendering of services	—	30.9	—	—	(0.1)	30.8
Total revenue	21.7	33.6	2.6	—	(0.2)	57.7
EBITDA before exceptional costs and share option expense	8.7	5.0	0.7	(1.8)	—	12.6
Share option expense	—	—	—	(0.7)	—	(0.7)
Depreciation and amortisation (excluding amortisation of acquired intangibles)	(0.6)	(1.8)	(0.1)	—	—	(2.5)
Segment result before amortisation of acquired intangibles and exceptional costs	8.1	3.2	0.6	(2.5)	—	9.4
Amortisation of acquired intangibles	(3.0)	—	—	—	—	(3.0)
Exceptional costs	(0.4)	(0.5)	—	(0.1)	—	(1.0)
Operating profit/(loss)	4.7	2.7	0.6	(2.6)	—	5.4
Net finance costs						(2.1)
Share of loss after tax of joint venture						(0.1)
Profit before taxation						3.2
Taxation						(1.1)
Profit for the period						2.1

	Year ended 31 December 2012 (Audited)					
	Football Pools £m	Sportech Racing £m	e-Gaming £m	Corporate costs £m	Inter-segment elimination £m	Group £m
Revenue from sale of goods	42.4	4.4	4.8	—	(0.2)	51.4
Revenue from rendering of services	—	61.0	—	—	(0.4)	60.6
Total revenue	42.4	65.4	4.8	—	(0.6)	112.0
EBITDA before exceptional costs and share option expense	18.5	10.2	1.5	(3.7)	(0.1)	26.4
Share option expense	—	—	—	(1.4)	—	(1.4)
Depreciation and amortisation (excluding amortisation of acquired intangibles)	(1.3)	(3.6)	(0.4)	—	0.1	(5.2)
Segment result before amortisation of acquired intangibles and exceptional costs	17.2	6.6	1.1	(5.1)	—	19.8
Amortisation of acquired intangibles	(5.9)	—	—	—	—	(5.9)
Exceptional costs	(0.7)	(1.4)	—	(0.7)	—	(2.8)
Operating profit/(loss)	10.6	5.2	1.1	(5.8)	—	11.1
Net finance costs						(8.8)
Share of loss after tax of joint venture						(0.2)
Profit before taxation						2.1
Taxation						(0.8)
Profit for the period						1.3

5. Exceptional costs

Exceptional costs of £1.0m (six months ended 30 June 2012: £1.0m; year ended 31 December 2012: £2.8m) are included within administrative expenses and exceptional income of £0.7m (six months ended 30 June 2012: £nil; year ended 31 December 2012: expense of £4.9m) is included within net finance costs in the income statement. Exceptional costs by type are as follows:

	Six months ended 30 June 2013 (Unaudited) £m	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Included in administrative expenses:			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	**0.4**	0.5	0.9
Compensation for loss of office	**0.3**	0.3	0.3
Fees in relation to Spot the Ball First-tier Tax Tribunal	**—**	—	0.2
Transaction costs in respect of the acquisition of eBet Online Inc.	**—**	—	0.6
Licensing costs in New Jersey in respect of the acquisition of Sportech Racing	**0.2**	—	0.4
Other exceptional costs	**0.1**	0.2	0.4
	1.0	1.0	2.8
Included in net finance costs:			
Refinancing fee	**—**	—	2.1
Fair value of derivative instruments reclassified to the income statement	**—**	—	3.3
Movements on derivative financial instruments post designation as ineffective	**(0.7)**	—	(0.5)
	(0.7)	—	4.9
Total exceptional costs	**0.3**	1.0	7.7

6. Net finance costs

	Six months ended 30 June 2013 (Unaudited) £m	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Interest payable on bank loans, derivative financial instruments and overdrafts	**2.1**	2.0	4.1
Refinancing fee	**—**	—	2.1
Fair value of derivative financial instruments reclassified to the income statement	**—**	—	3.3
Movement on derivative financial instruments post designation as ineffective	**(0.7)**	—	(0.5)
Non-cash finance charges/(income) *	**0.3**	0.2	(0.1)
Foreign exchange loss/(gain) on financial assets and liabilities denominated in foreign currency	**0.2**	(0.1)	(0.1)
Profit on foreign exchange contracts	**(0.4)**	—	—
Net finance costs	**1.5**	2.1	8.8

* Non-cash finance charges/(income) are in respect of the deferred consideration payable on the acquisition of Sportech Racing in October 2010.

The refinancing fee, the fair value movements on derivative financial instruments, the foreign exchange loss/(gain) on financial assets and liabilities denominated in foreign currency, the non-cash finance charges/(income) and the profit on foreign exchange contracts are all together shown as other finance (income)/charges in the income statement. Included in the above table is exceptional income of £0.7m (six months ended 30 June 2012: £nil; year ended 31 December 2012: costs of £4.9m).

7. Taxation

Taxation is provided based on management's best estimate of the expected weighted average annual taxation rate for the full year. The estimated weighted average annual tax rate for the year ended 31 December 2013 is 29.1% (2012: 26.5%).

8. Earnings per share

The calculation of earnings per share ("EPS") is based on the profit attributable to ordinary shareholders of £1.3m (six months ended 30 June 2012: £2.1m; year ended 31 December 2012: £1.3m) divided by the weighted average number of shares in issue during the period of 198.8m (six months ended 30 June 2012: 198.8m; year ended 31 December 2012: 198.8m).

The calculation of adjusted EPS is based on the adjusted profit after taxation attributable to ordinary shareholders of £4.2m (six months ended 30 June 2012: £5.4m; year ended 31 December 2012: £11.5m) divided by the weighted average number of shares in issue during the period of 198.8m (six months ended 30 June 2012: 198.8m; year ended 31 December 2012: 198.8m). Adjusted profit after taxation is defined as profit before taxation, amortisation of acquired intangibles, exceptional costs, share of loss after tax of joint venture and other finance income/(charges), less taxation based on management's best estimate of the underlying taxation rate for the year of 29.1% (six months ended 30 June 2012: 26.5%).

The number of shares that have a dilutive effect on basic and adjusted EPS is 16.3m (six months ended 30 June 2012: 14.1m; year ended 31 December 2012: 13.7m).

9. Capital expenditure

	Property, plant and equipment and intangible fixed assets		
	Six months ended 30 June 2013 (Unaudited) £m	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Opening net book amount at the beginning of the period	**63.5**	64.7	64.7
Business combination	**—**	—	3.0
Additions	**4.3**	3.4	8.3
Depreciation and amortisation	**(6.3)**	(5.5)	(11.1)
Exchange differences	**2.0**	—	(1.4)
Closing net book amount at the end of the period	**63.5**	62.6	63.5

10. Net investment in joint venture

	Six months ended 30 June 2013 (Unaudited) £m	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Opening net investment	**0.5**	0.3	0.3
Additions	**0.1**	0.2	0.3
Direct investment in joint venture	**—**	0.1	0.1
Share of loss after tax	**(0.1)**	(0.1)	(0.2)
Closing net investment	**0.5**	0.5	0.5

The Group's share of the results in its joint venture, which is unlisted, and its aggregated assets and liabilities are as follows:

	Six months ended 30 June 2013 (Unaudited) £m	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Non-current assets	**0.1**	0.1	0.1
Current assets	**—**	0.1	—
Total assets	**0.1**	0.2	0.1
Current liabilities	**(0.3)**	(0.1)	(0.3)
Net (liabilities)/assets	**(0.2)**	0.1	(0.2)
Total revenue	**—**	—	—
Expenses	**(0.1)**	(0.1)	(0.2)
Percentage held	**50%**	50%	50%

11. Cash and cash equivalents

	As at 30 June 2013 (Unaudited) £m	As at 30 June 2012 (Unaudited) £m	As at 31 December 2012 (Audited) £m
Cash balances	**3.3**	2.1	2.9

12. Provisions

	Onerous contracts £m	**Other provisions £m**	**Total £m**
At 1 January 2013 (audited) and at 30 June 2013 (unaudited)	**0.4**	**0.4**	**0.8**

	Onerous contracts £m	Other provisions £m	Total £m
At 1 January 2012 (audited)	0.6	0.4	1.0
Utilised during the period	(0.1)	—	(0.1)
At 30 June 2012 (unaudited)	0.5	0.4	0.9

	Onerous contracts £m	Other provisions £m	Total £m
At 1 January 2012 (audited)	0.6	0.4	1.0
Utilised during the period	(0.2)	—	(0.2)
At 31 December 2012 (audited)	0.4	0.4	0.8

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. Other provisions include provisions for obligations to reinstate property to its original condition at the start of the lease term. Of the provisions included in the above tables, £0.2m are expected to be utilised within twelve months (30 June 2012: £0.2m; 31 December 2012: £0.3m) and £0.6m (30 June 2012: £0.7m; 31 December 2012: £0.5m) are expected to be utilised after twelve months.

13. Financial liabilities

	As at 30 June 2013 (Unaudited) £m	As at 30 June 2012 (Unaudited) £m	As at 31 December 2012 (Audited) £m
Current			
Bank loans due within one year	**—**	10.0	—
Deferred consideration due within one year	**7.0**	—	6.3
Total current financial liabilities	**7.0**	10.0	6.3
Non-current			
Bank loans due after one year	**—**	45.5	—
Drawn revolving credit facility due after one year	**60.0**	—	60.0
Deferred consideration due after one year	**1.6**	6.4	1.5
Total non-current financial liabilities	**61.6**	51.9	61.5
Total financial liabilities	**68.6**	61.9	67.8

At the balance sheet date and during the period under review, the Group's multi-currency, revolving credit facility bore interest based on LIBOR plus a bank margin of 3.5%.

The borrowings are secured by a composite debenture incorporating fixed and floating charges over all assets (excluding monies standing to credit of trust accounts) and undertakings of Sportech PLC, all UK trading companies, UK holding companies of overseas entities, Sportech Mauritius Limited and Racing Technology Ireland Limited. In addition, share charges have been entered into in respect of shares in Racing Technology Ireland Limited, Sportech Racing BV (a Netherlands company), Sportech Inc., Sportech Venues Inc., Sportech Racing LLC, Trackplay LLC (all four are American companies), Ontario Inc. (a Canadian company) and Sportech Mauritius Limited. Furthermore, a Guernsey law security interest agreement has been entered into by Sportech Alderney Ltd.

The carrying amounts of borrowings are not materially different from their fair values as market rates of interest are charged.

Deferred consideration of £6.7m in relation to the acquisition of Sportech Racing in October 2010 is payable on 30 September 2013. Interest is charged at the average daily Bank of England base rate plus 1% for the period 5 October 2010 (inclusive) to 30 September 2013 (inclusive).

Deferred and deferred contingent consideration in relation to the acquisition of eBet on 19 December 2012 is payable as follows:

- $0.4m payable on the first anniversary of the acquisition; and
- $1.1m payable on the second anniversary of the acquisition.

The deferred consideration accrues simple interest at 2% and the total amount payable has been discounted to its present value.

In addition, there is potential for contingent consideration of up to $1.8m to be payable if the combined US business' EBITDA (of Interactive Products and Services) for the year ended 31 December 2015 reaches the following:

- less than $3.5m – the contingent consideration payable will equal $nil; and

- equal or greater than $3.5m – the contingent consideration payable will equal $0.8m plus $0.40 for every $1 that the combined US business of Interactive Products and Services exceeds $3.5m, up to a maximum amount payable of $1.8m.

The amount payable is due to be paid in early 2016,

The Directors have reviewed the potential consideration payable based on the above performance requirements and accordingly recognised a fair value of £0.8m ($1.3m), representing the present value of the Group's estimate of the probability weighted cash outflow (discounted at 8.3%). An additional £0.3m ($0.5m) of potential consideration payable has been treated as employment costs under IFRS 3 'Business Combinations' (revised) and will accordingly be accrued on a time appointed basis to 31 December 2015.

14. Cash flow from operating activities

Reconciliation of profit before taxation to cash flows from operating activities

	Six months ended 30 June 2013 (Unaudited) £m	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Profit before taxation	**1.9**	3.2	2.1
Adjustments for:			
Exceptional costs	**1.0**	1.0	2.8
Share of loss after tax of joint venture	**0.1**	0.1	0.2
Depreciation	**1.4**	1.2	2.6
Amortisation of acquired intangibles	**3.5**	3.0	5.9
Amortisation of other intangibles	**1.4**	1.3	2.6
Net finance costs	**2.1**	2.0	4.1
Other finance (income)/charges	**(0.6)**	0.1	4.7
Share option expense	**1.0**	0.7	1.4
Movement in retirement benefit obligations	**—**	(0.1)	—
Movement in provisions	**—**	(0.1)	(0.2)
Changes in working capital:			
(Increase)/decrease in trade and other receivables	**(2.4)**	0.4	1.0
(Increase)/decrease in inventories	**(0.3)**	0.3	1.0
(Decrease)/increase in trade and other payables	**(0.6)**	0.7	(1.6)
Cash flows from operating activities	**8.5**	13.8	26.6

Non-cash transactions

There were no significant non-cash transactions during the period (six months to 30 June 2012: £nil; year ended 31 December 2012: £nil).

15. Business combination of eBet Online Inc.

On 19 December 2012, the Group acquired 100% of the issued share capital of eBet Online Inc., a leading USA business to business online betting operator and technology and services provider focused on the North American horseracing betting market.

Currently there has been no change to the fair value of identifiable assets acquired and liabilities assumed. Accordingly, no hindsight adjustments have been identified.

16. Related party transactions

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

a. Key management compensation is disclosed below:

	Six months ended 30 June 2013 (Unaudited) £m	Six months ended 30 June 2012 (Unaudited) £m	Year ended 31 December 2012 (Audited) £m
Salaries and other short term employee benefits	**0.7**	0.8	1.6
Termination benefits	**0.2**	0.3	0.3
Defined contribution scheme payments	**—**	—	0.1
Share option expense	**0.5**	0.4	0.8
Total	**1.4**	1.5	2.8

b. The Group invested £0.1m (six months ended 30 June 2012: £0.2m; year ended 31 December 2012: £0.3m) cash into its joint venture SportsHub Private Limited and contributed £nil (six months ended 30 June 2012: £0.1m; year ended 31 December 2012: £0.1m) to capital expenditure.

c. Scientific Games Corporation Inc. ("SGC") is a 19.99% shareholder in Sportech PLC. SGC is therefore considered to be a related party. Lorne Weil, Non-executive Director of and shareholder in Sportech PLC, is Chairman and Chief Executive Officer of SGC.

During the period there have been a number of transactions and at the period end there remain outstanding balances between the Group and SGC as detailed below:

- deferred consideration including interest of $10.5m (£6.7m discounted) is due to SGC, payable in September 2013 (30 June 2012: $10.5m (£6.4m discounted); 31 December 2012: $10.5m (£6.1m discounted));
- £0.3m (30 June 2012: £0.4m; 31 December 2012: £0.3m) is due to the Group from SGC for the settlement of an under-funded pension liability as at 5 October 2010, payable in five equal annual instalments which commenced in September 2011; and
- the Group is required to pay further consideration for the acquisition of Sportech Racing in 2014 if certain performance targets are reached by the acquired business as follows:

There is the potential for contingent consideration of up to $8.0m to be payable if, during the three-year period commencing at the date of the end of the first quarter after completion (the "Contingent Consideration Period"), certain EBITDA targets are met, as follows:

(i) in the event that no relevant US business acquisition is consummated during the Contingent Consideration Period, $5.0m shall be payable if the average annual EBITDA of the Sportech Racing business equals or exceeds $20.0m but is less than $21.0m; or
(ii) in the event that no relevant US business acquisition is consummated during the Contingent Consideration Period, $8.0m shall be payable if the average annual EBITDA of the Sportech Racing business equals or exceeds $21.0m; or
(iii) in the event that any relevant US business acquisition is consummated during the Contingent Consideration Period, $8.0m shall be payable if the annual EBITDA of the enlarged Sportech Racing business, less 15% of the purchase price paid for the relevant US business acquisition, equals or exceeds $25.0m.

Management considers the likelihood of this contingent consideration becoming payable to be remote.

- Sportech Racing LLC has ongoing service agreements with a subsidiary of SGC, Global Draw, to provide Global Draw with employees to operate and supervise gaming systems in Puerto Rico. During the period £0.3m was charged to SGC for these services (six months ended 30 June 2012: £0.2m; year ended 31 December 2012: £0.4m).
- Sportech Racing LLC purchases ticket paper from SGC under the terms of the supply agreement entered into upon acquisition of Sportech Racing LLC by Sportech PLC from SGC. Total purchases of ticket paper during the period ended 30 June 2013 amounted to £0.6m (six months ended 30 June 2012: £0.6m; year ended 31 December 2012: £1.2m). Sportech Racing LLC also purchased spare parts for terminals from SGC amounting to £0.1m during the period ended 30 June 2013 (six months ended 30 June 2012: £nil; year ended 31 December 2012: £0.1m).

- Racing Technology Ireland Limited purchased spare parts from SGC amounting to £nil (six months ended 30 June 2012: £0.1m; year ended 31 December 2012: £0.3m), and paid commission on terminal sales of £0.1m during the six months ended 30 June 2013 (six months ended 30 June 2012: £nil; year ended 31 December 2012: £nil).

At the period end the following amounts were due to/from SGC by Sportech PLC Group companies:

	30 June 2013 (Unaudited)		30 June 2012 (Unaudited)		31 December 2012 (Audited)	
Sportech Group company	**Due to SGC £m**	**Due from SGC £m**	Due to SGC £m	Due from SGC £m	Due to SGC £m	Due from SGC £m
Sportech PLC	**6.7**	**0.3**	6.4	0.4	6.4	0.3
Sportech Racing PLC	**0.6**	**0.4**	0.3	—	0.2	0.1
	7.3	**0.7**	6.7	0.4	6.6	0.4

d. Playtech Limited was a 10% shareholder in Sportech PLC until it sold 5% of its holding on 17 June 2013 and the remaining 5% on 20 June 2013. Roger Withers, Chairman, remains Chairman of Playtech Limited and Mor Weizer, a Non-executive Director of Sportech PLC until his resignation on 20 June 2013 following the disposal of Playtech's holding in Sportech PLC, is Chief Executive of Playtech Limited. Playtech Limited was considered to be a related party of the Group due to these factors, but remains a related party as a consequence of Roger Withers being both Chairman of Sportech PLC and Playtech.

Playtech Limited provides e-Gaming services to Group companies. These services include the provision of gaming software for casino, poker, bingo and side game offerings. These services commenced in early August 2011 when Playtech replaced the Group's previous principal e-Gaming provider.

- During the period the Group deposited £nil as a security deposit with Playtech Limited (six months ended 30 June 2012: £nil; year ended 31 December 2012: £nil), which is required by Playtech licensees for participation in the Poker network. £0.1m remained due to the Group at 30 June 2013, which was deposited in prior years (30 June 2012: £0.1m; 31 December 2012: £0.1m), and is repayable on exit of the Poker network.
- The Group paid Playtech Limited £0.2m (six months ended 30 June 2012: £nil; year ended 31 December 2012: £nil) for hardware during the period which has been capitalised on the Group's balance sheet.
- Operating expenses for customer relationship management services and royalties paid to Playtech Limited during the period amounted to £0.7m (six months ended 30 June 2012: £0.6m; year ended 31 December 2012: £1.0m).
- At 30 June 2013, the Group owed Playtech Limited £nil (30 June 2012: £0.1m; 31 December 2012: £0.3m) in relation to services rendered and royalties due.

Statement of Directors' responsibilities

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

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

The Directors of Sportech PLC are listed in the Sportech PLC Annual Report and Accounts for the year ended 31 December 2012. There have been the following changes in the period:

i) the resignation of Steve Cunliffe on 6 March 2013;
ii) the appointment of Cliff Baty on 14 May 2013; and
iii) the resignation of Mor Weizer on 20 June 2013.

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

By order of the Board

Ian Penrose	Cliff Baty
Chief Executive	Chief Financial Officer
22 August 2013	22 August 2013