For immediate release **24 April 2018**

SPORTECH PLC
('Sportech', the 'Group' or the 'Company')

Final Results

Sportech, the international betting technology business, is pleased to announce its final results for the year ended 31 December 2017.

Highlights

- Return of £75 million to shareholders in two tranches
- Debt free and with £12 million cash in bank at 20 April 2018
- Football Pools sale completed
- Opened prestigious new sports bar in Stamford, Connecticut
- Corporate restructuring and cost reduction programme completed, comprehensive financial review undertaken
- Well positioned for a liberalised US sports betting market opportunity
- Revenues at £66.3 million, 2% higher than reported for 2016 but 2% lower in constant currency
- Adjusted EBITDA at £6.7 million (2016: £8.5 million)
- Statutory loss before tax of £23.2 million (2016: profit, £63.6 million)
- Adjusted profit from continuing operations, £1.5 million, up from £0.7 million

Current developments

- Appointment of new CEO
- Imminent appointment of new CFO
- Imminent Sports Book partnership for the US
- Agreed disposal of Sportech Racing BV (Holland)

Financial Summary

The financial summary below excludes the results in the year from both the Football Pools which was sold in June 2017, and the profit from Sportech Racing BV, which has been accounted for as an asset held for sale. Their combined contribution to earnings, is shown in discontinued activities.

	2017 £ millions	2016 £ millions
Revenue	**66.3**	**64.8**
Gross Profit	**47.7**	**45.1**
Contribution[1]	**45.6**	**43.0**
Adjusted EBITDA[2]	**6.7**	**8.5**
(Loss)/profit before taxation from continuing operations	**(23.2)**	**63.6**
Adjusted profit from continuing operations[3]	**1.5**	**0.7**
Cash, net of customer balances at 31 December	**15.9**	**36.5**

1 Contribution is defined as gross profits, less marketing and distribution costs.
2 Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation, share option charges and separately identifiable items as reported in notes 6 and 7 to this release.
3 Adjusted profit from continuing operations is the aggregate of adjusted EBITDA normalised share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles), and finance charges (see note 17 of the financial review).

Andrew Gaughan, CEO of Sportech, said: "2017 was a year of material change for Sportech and 2018 is shaping up to be one of significant opportunity. Our recurring revenue in our Racing and Digital business is further being enhanced by additional sales opportunities and commingling along with the growth in our Bump 50-50 business. We have an enhanced platform for growth in our Venues division. Both should see benefit from a liberalisation of sports wagering in the US."

Contacts:

Sportech PLC	Tel: +44 (0) 20 7268 2400
Richard McGuire, Non-Executive Chairman	
Andrew Gaughan, Chief Executive Officer	
Richard Cooper, Non-Executive Director	
Buchanan *(Financial PR adviser to Sportech)*	Tel: +44 (0) 20 7466 5000
Henry Harrison-Topham / Mark Court / Jamie Hooper	sportech@buchanan.uk.com

Notes to Editors

About Sportech

Sportech PLC, listed on the London Stock Exchange, provides and operates technology solutions for some of the world's best-known gaming companies, sports teams, horse and greyhound racetracks, as well as owning and operating its own gaming venues in Connecticut, USA under exclusive licences.

The Group is a leading player in the global pari-mutuel betting technology sector focusing on highly regulated markets worldwide. It has more than 27,000 betting terminals deployed to over 400 clients, across 37 countries including those in the USA, where it operates under 35 licences, across 37 States and processes approximately US$12 billion of bets annually. The Group has invested over US$60 million in developing its technology services to clients and the successful expansion of its leading US gaming Venues in the last five years, resulting in its proprietary Quantum™ product being the most widely deployed pari-mutuel betting system globally.

CHAIRMAN'S STATEMENT

The Board saw significant change in 2017 with Roger Withers (who had served as Chairman), Ian Penrose (Chief Executive) and Mickey Kalifa (CFO) departing, and I was delighted to welcome Richard Cooper and Giles Vardey to the Board during 2017 and on 14 March 2018, to be able to announce Andrew Gaughan as the Group CEO. These appointments bring significant incremental expertise and skills to the Group.

In March 2017 the Group announced a conditional agreement to sell the Football Pools business, which was subsequently passed by shareholders in April 2017. The Football Pools represented the mainstay of the Group's EBITDA and in particular, the bulk of the UK earnings stream. The sale completed in June 2017 and now the Group's earnings are around 80% denominated in USD, with GBP representing around 10%, Euro's 8%, and CAD 2%. The Board anticipates further growth in USD contributions going forward and the Board will be evaluating whether the reporting currency for the Group should become the US dollar.

The current Board recognises stakeholder concern regarding previous investment venture returns and a track record of impairing investments, which unfortunately continued in 2017 as the book valuations of various historic investments have yet again had to be revalued downwards. Given an absence of an investment strategy in early 2017, to provide tangible growth opportunities, the Board elected to return capital to shareholders thus de-risking investor capital.

Indeed, the Group made two significant returns of capital to shareholders during the year. This was the first time in its recent history that capital has been returned to shareholders. £21 million was returned in March 2017 via a Tender Offer and, following a required Court approved capital reduction, a further £54 million was returned by way of a special dividend in December 2017.

Following the sale of the Football Pools and significant capital returns to shareholders, it became inevitable that having a UK-based executive management team was not an appropriate structure for the Group going forward. Following the announced decisions by UK-based senior executives to leave the now US-focused Group, a cost reduction exercise commenced to streamline the UK cost base. I am pleased to report that the Board has executed on this plan and has reduced the UK corporate cost base significantly going forward.

At all times during this process, consent has been sought, and been given, by the regulatory authorities where change in management is a condition precedent. The Group continues to enjoy excellent relationships with these regulators.

Formal Sale Process

In October 2017, after a number of unsolicited external approaches, the Board decided that it would consider formal offers for the Group and commenced a Formal Sale Process. The Board and senior management invested considerable time over many months in diligently managing this initiative; meeting numerous interested parties and presenting the business capabilities and potential. However, the Board, together with its advisors, concluded that none of those approaches were likely to result in an offer for all or a material part of the Group that the Board would be able to recommend to shareholders, and the termination of this process was therefore announced on 14 March 2018.

Strategic Review

The Strategic Review, announced on 18 September 2017, concluded that Sportech has significant potential for long-term value creation through a combination of: growing its core businesses; diversification; and benefitting from the possible liberalisation of sports betting in a number of US states.

Following the departure of the previous senior executives, Richard Cooper (a Non-Executive Director and Chair of the Audit Committee) and I commenced a thorough review of the financial and contractual affairs of the Group. The Group views "exceptional items" as simply that, items that are exceptional in nature and size (the de minimis being the materiality threshold applied by the auditors) and which if to recur, are not, therefore, exceptional, or separately reported items which we understand to be the preferred usage of the FRC.

A number of provisions have been made for onerous contracts or potential bad debts as this process unfolded. Some of the significant project and investment cessations have been as follows:

- In January 2010, the Group announced a joint venture "(JV"), launching a sports gaming business in India. £3.1 million was invested in that JV up to 31 December 2016, which by that date had all been expensed. The JV was almost dormant in 2017, and by February 2018, the JV was terminated as minimal revenues were recognised, and the JV had ongoing costs with limited potential for returns.

- In December 2013, the Group announced plans to build a proposed 10,000sq.ft. sports bar, restaurant and betting facility in the town of Norco, Southern California. This site had not been developed, currently lies vacant and a during 2017 a further provision of £1.2 million was made for the onerous lease and other associated liabilities. Alternative use options are currently being reviewed.

- In October 2015, the Group opened its first branded sports bar ("Striders"), restaurant and betting facility in downtown San Diego, California. This operation was a joint venture with local operators. The venue has not been as successful as the previous executive team had originally forecasted and the Group is in dispute with its partners and accordingly a provision of £1.3 million has been made for onerous contracts. The Board are reviewing its options in relation to this investment.

- Additionally, the Group undertook a review of non-core assets and, in the Netherlands, following the award of a new five-year licence in June 2017 to provide the exclusive right to conduct tote betting on horseracing, the Board decided to revisit the potential sale of that business and it has been included in the accounts as an asset held for sale. I am pleased to report that in March 2018 we executed a sale and purchase agreement, subject to certain regulatory conditions and anticipate completing on this disposal in H1 2018.

- The Board are further examining the value of surplus real-estate in North America, to assess all options to extract further value for shareholders. The Group owns two freehold sites in Connecticut; a nine-acre site in New Haven and a seven-acre site adjacent to the airport in Bradley. However, the Group does operate a significant venue onsite at each of these locations, which therefore restricts its flexibility.

Regulatory framework and US Sports Betting

The possibility of the US market moving towards a broader regulation of sports gaming continues at pace with a number of states preparing to enact legislation if the US Supreme Court permits.

Furthermore, the governing bodies of certain significant US sports have lobbied hard for an opening-up of legislation. Through the Group's existing regulatory, commercial and customer network, the Board believe there are significant opportunities to leverage these relationships and as a result of this, significant time has been invested in assessing the optimal platform for Sportech's B2C and B2B businesses to capitalise on this potential momentous change. The Board anticipates announcing the launch of a Sportsbook utilising a reputable third-party vendor in H1-2018.

Shoreline Star LLC Agreement

As part of the acquisition of the US racing business from Scientific Games in 2010, the Group acquired a contract with Shoreline Star LLC ('Shoreline'). This contract provides a share of profits to Shoreline from new forms of gaming within the US state of Connecticut, for 25 years after the commencement of legalised new forms of gaming. The dominant clause of this contact reads:

"Under the terms of the amended contract, Shoreline Star shall now receive approximately 50% of profits after tax from these new forms of gaming for a 25-year period (with a ratchet downwards commencing after five years) following commencement. Any payments under this revised contract will only occur after Sportech fully recover any capital investment from additional cash flows generated."

The 'downward ratchet' provides for a reduction in profit share paid to Shoreline Star LLC, from 50% to end year five, then 40% to end year ten and 30% for remaining fifteen years.

I raise this now purely to ensure shareholders are fully aware of this material contract when assessing the potential net returns to Sportech PLC from the advent of US Sports Betting, or other forms of enhanced gaming that benefit the Group within the state of Connecticut.

Outlook and Trading Update

<u>Venues</u>

Q1-2018 revenue growth in Venues has been higher than in Q1-2017, but below our expectations.

The Stamford location continues to build market positioning and financial momentum, but the pre-opening business plan was overly optimistic and the actual and now anticipated timeline for the business to reach revenues and profits, commensurate with targeted initial investment returns, will take well into 2019. However, in order to address certain opportunities, we are at an advanced stage of recruiting experienced F&B and Group Sales expertise to build that side of the business aggressively going forward and to bring it in line with revenues and profit levels that this high quality and well-located sports and wagering bar/restaurant should be producing. The output and results of these actions is unlikely to have a material impact until Q3/Q4 of 2018 due to the management recruiting, and rebuilding of local awareness for the facility.

Wagering revenues softness in the Venues business is primarily from our digital platform and at Stamford. This is being addressed through a renewed digital focused marketing plan that is concentrated on combating out-of-state digital Advanced Deposit Wagering ("ADW") operators that have recruited and taken our Connecticut resident customers into their own ADW digital platforms, all based in Oregon.

This business and revenue recapture and digital development will be further augmented and supported through the anticipated gaming bill SB 276 coming into force and effect, late this spring, which the Group has led the lobby with our Connecticut General Assembly and Department of Consumer Protection regulatory offices. The gaming bill, in essence, seeks to explicitly make illegal the taking of wagers from Connecticut residents within Connecticut unless being taken the authorised pari-mutuel wagering operator; which of course is Sportech Venues. The Group will be aggressively enlisting the cease and desist actions of the Connecticut Attorney General's office in upholding this law when it comes into force. The Group will combine an aggressive marketing, advertising and customer rebate programme that messages and focuses around taking back customers from the businesses operating illegally from outside the State of Connecticut.

Racing and Digital

The component revenue parts of the Racing and Digital businesses, including one-time sales, core contracted and recurring tote services across all regions, digital B2B services and Bump 50:50 are broadly trading in line with our expectations.

Costs across all the businesses are broadly in line with management's expectations and our sales pipeline remains a key focus for the year. It will now be the key variant in achieving or exceeding our internal revenue and profits expectations for 2018.

Cash position

Net of customer balances, the Group's cash position at 31 March was £12 million. The initial net proceeds of the sale of the Venues business in the Netherlands are expected to be £2.6 million, receivable in June/July 2018.

This is both an exciting and challenging time for the Group as it continues to navigate through certain historic issues and present a transparent and realistic overview of the Company.

The Board and core management, led by Andrew Gaughan, the new CEO, remain focused on executing a strategy to capitalise on the significant potential a US Supreme Court repeal of the Professional and Amateur Sports Act ("PASPA") could deliver.

The senior management team remain resolute in its proactive campaign with the Connecticut General Assembly and associated stakeholders in positioning Sportech as the obvious licensee to conduct sports betting within that State.

The Group is well advanced in securing a sportsbook partner in anticipation of regulatory easing and the Board assures shareholders that the core management team continues to provide testimony, evidence and insight to the political debate on this critical topic. In addition, the senior management team have commenced discussions with their business clients and others across the US in preparing them for the opportunities and challenges ahead.

Finally, I would urge you to visit our revised corporate website, www.sportechplc.com, which in addition to stock exchange regulated news, provides regular, non-regulatory updates to shareholders about your Company.

Richard McGuire
Non-Executive Chairman
23 April 2018

OPERATING REVIEW OF THE BUSINESS BY THE CEO

I am pleased to address the Sportech shareholders as the Group's new Chief Executive Officer, having been appointed to that position on 14 March 2018, although I joined the Board in January 2017.

Since then, there have been a number of significant changes in the Group: firstly, the sale of the Football Pools, which post completion saw two existing Directors move on; and secondly, the Formal Sale Process which followed a number of unsolicited approaches for the Group as a whole.

The Group emerged from this period leaner and more invigorated, executing strategies that include the continued expansion of our international footprint in Racing and Digital, and the ongoing development of the Bump 50:50 product focused on the charitable foundations of tier-one professional sports team. We are also pursuing further deployment of online and mobile platforms to drive growth and reduce operational costs, and diversification into new forms of gaming, including sports wagering, as and when regulations permit, both in the Venues business and in the US Racing and Digital business.

The Group now has two operating divisions: Racing and Digital (including Bump 50:50), and Venues.

Racing and Digital

Description and financial performance summary

Racing and Digital provides pari-mutuel betting technologies and services to 293 racetracks, off-track betting network, casino, lottery, and online pari-mutuel operator customers, plus an additional 145 commingling customers, in 37 countries and 37 US states. We have approximately 27,000 betting terminals, 26 white-label betting websites, and 23 white-label mobile apps deployed worldwide and our pari-mutuel systems annually process nearly USD12 billion in betting handle.

£'000s	**2017**	**2016 Reported**
Sales revenue	**1,389**	5,789
Service revenue	**34,080**	30,248
Total revenues	**35,469**	36,037
Contribution	**30,380**	28,977
Contribution margin	**85.7%**	80.4%
Adjusted operated expenses	**(22,672)**	(19,601)
Adjusted EBITDA	**7,708**	9,376
Internal software capitalised	**3,026**	3,022
Purchase of other intangibles	**865**	113
Purchase of PPE	**1,281**	2,885
Total capex in year	**5,172**	6,020

Despite missing our 2017 international sales targets, the Racing and Digital division's core recurring tote technology service and Bump 50:50 revenues have progressed well, providing a clear indication of longer term sustained earnings growth and value creation emanating from the technology and business investments already made.

The sales anticipated in 2017 that did not come to fruition have not yet been closed and continue to be considered realistic opportunities. Some of these have been rolled into our 2018 pipeline, including multiple projects in Asia and Europe such as our recently-announced Quantum™ System upgrade sale to Royal Sabah

Turf Club of Malaysia. After four years of strong sales revenues, with annual average sales exceeding USD6.5million and contribution margins of 45%, 2017 is considered an unusually low sales year. However, continued strong growth in recurring commingling service revenues helped offset this one-time relatively soft year in sales.

Developments

In 2017, key technology advances in the core Quantum™ System software were realised and the global commingling business grew significantly through high-value connections between the UK, Asia, Europe, and North America, facilitated by the global network of Quantum™ Data and Operations Centres. These are Sportech proprietary products and centres.

The capacity of the Quantum™ System-supported global pools and bet types was significantly expanded to include exotic complex parlays, of particular interest to customers in Asia, and the popular French pools offered by ZeTurf and PMU.

The North American footprint was strengthened, executing 13 long-term contract extensions with existing customers, and we further expanded the global footprint to include four new customers, including Dansk Hestevæddeløb ApS, the joint operating company for horseracing and operator of all nine racetracks in Denmark. This is in addition to the long-standing contract we have with Danske Spil A/S, the national lottery in Denmark.

Racing and Digital also continued to enhance and promote its digital technologies, rolling-out key updates to the G4 white-label betting website product and deploying the Digital Link® mobile app, along with the self-service BetJet® SL 2.5 betting terminals at Ascot racecourse in the UK, under our contract with Betfred.

Looking forward

I see additional opportunities in both the North American and international markets, some of which have already come to fruition.

Since the start of the year, important new contracts and contract extensions have been signed in the tote services, global commingling, and digital services businesses.

Additional commingling agreements have already been completed with new customers in Europe: Norsk Rikstoto, the foundation that supervises pari-mutuel betting on horseracing in Norway; and OPAP, the holder of exclusive rights to numerical lotteries and sports betting in Greece. These commingling contracts leverage the Quantum™ System software and European hosting and operations services to further expand the global commingling footprint and the menu of hosted pools and bet types.

A new ten-year, USD10 million agreement with Camarero Racetrack, has been signed covering both Tote and Digital Services and including the provision of a new G4 wagering website and Digital Link® app to the exclusive operator of horse racing in Puerto Rico.

Long term Tote customer Parx® Racing once again selected Sportech for Tote services under contract extensions and also became a new Digital Services customer beginning in 2018 under a new five-year, USD4.1 million contract, using the G4 website and Digital Link® mobile products. Parx® Racing has a well-established intrastate account betting operation in Pennsylvania and this contract is a significant endorsement of Sportech's digital technology platforms.

In North America, I am re-examining our Digital Services business with a focus on improving profitability and cash generation. We intend to push our digital technologies into racetrack and OTB operations in order to reduce capital and operational costs through the encouragement of "bring your own device" mobile apps and websites.

New products will be added to the Quantum™ System software including additional lottery products currently offered by LEIDSA, (a Sportech customer in the Dominican Republic), which would be suitable for deployment by other small private lottery operators, particularly in Latin America and Asia.

Bump 50:50

Description

The Bump 50:50 sports raffle business provides the technologies and services that allow the foundations (or charities) associated with professional and college sports teams and entertainment venues to sell and fulfil 50/50 raffles to generate funds for their charitable missions. Jackpots are divided equally between the foundation and the winner. Bump 50:50 electronic raffle technologies and proven marketing strategies help foundations maximise the return on their charitable fundraising programs. Sportech acquired the business in 2014 when the company serviced just seven professional sports teams. Since then the determination and professional acumen of the team has seen our number of clients serviced grow to more than 60.

Financial performance

Revenues, are currently included within the Racing and Digital division, were in 2017 up 46% at £1.2 million (2016: £0.8 million).
Adjusted EBITDA of £0.5 million (2016: £0.2 million).

Developments

The Bump 50:50 business continued its multi-year growth trajectory in 2017, signing 25 new customers including the official charitable foundations of the Atlanta Braves (MLB®), Columbus Blue Jackets (NHL®), Houston Rockets (NBA®), Las Vegas Golden Knights (new franchise team of the NHL®), Pittsburgh Pirates (MLB®), New York Jets (NFL®), and the NASCAR Foundation. These additions helped bring the total number of Bump 50:50 customers to 68, representing foundations from 16 different professional and collegiate sports leagues. In 2017, Bump 50:50 helped their customer foundations raise just under US$11 million.

This year Bump 50:50 launched a new online and mobile raffle program to supplement in-stadia play and used this new platform to help the Tampa Bay Lightning Foundation reach a jackpot record of US$270,000 during the NHL® All-Star event.

In 2018, Bump 50:50 will continue its aggressive customer acquisition strategy, flexing staff up to accommodate additional deployments and to support increased sales activity. The company will target more non-sports customers – music and other large-scale community and entertainment festivals, for the online and mobile platforms in particular. The business continues to look at revenue enhancing vertical markets which may include internationalisation of the core product.

Venues

Description and financial performance summary

Sportech Venues in Connecticut USA, is the only legally permitted betting operator in the State. It operates the legal betting on horseracing, greyhound racing and jai alai under an exclusive and perpetual licence for retail, telephone, internet and mobile channels. Sportech works in close collaboration with the State of Connecticut which has a population of 3.6 million, 76% of who are 18 and over, the legal age for pari-mutuel wagering there, and a median household income of around USD73k, around USD16k higher than the national median household income.

£'000s	2017	2016 Reported
F&B – Stamford	**1,471**	-
F&B - Other	**2,561**	2,609
F&B - Total	**4,032**	2,609
Wagering revenue	**27,574**	27,050
Total revenues	**31,606**	29,659
Contribution	**15,482**	14,405
Contribution margin	**49.0%**	48.6%
Adjusted operated expenses	**(13,985)**	(11,957)
Adjusted EBITDA	**1,497**	2,448
PPE – Stamford	**5,238**	2,451
PPE – Other	**370**	513
PPE - Total	**5,608**	2,964

Venues currently has over 400 employees and a total of 16 locations in Connecticut, two of which operate under our premium Bobby V's Restaurant and Sports Bar brand. Digital betting services are offered through an online platform, MyWinners.com, constructed around Sportech Racing and Digital's G4 white-label betting website technology and a mobile app powered by Sportech's Digital Link® mobile, along with a traditional phone betting service featuring personal teller betting services.

Developments during the year

In 2017, Venues opened the 25,000 sq.ft. Bobby V's Stamford, featuring 200 high definition TV's, multi-functional party spaces, an indoor golf simulator, and a designated betting area with VIP spaces and state-of-the-art betting and viewing carrels in the heart of Stamford's downtown district. Performance to date has been below the original expectations set by previous management, and we are reviewing growth initiatives for this venue, on both the wagering and food and beverage sides, including a comprehensive and aggressive plan for Group sales and food and beverage management, and more proactive deployment of mobile betting with Sportech's Digital Link™.

The local management team successfully lobbied the Connecticut legislature for permission to open an additional six venues over and above the 18 we were already permitted to open, which will allow expansion and to eventually diversify into sports betting, should the laws and regulations be adjusted to permit it.

There remains illegal competition from unlicensed internet betting operators who accept wagers from Connecticut residents despite being issued cease and desist letters by the State's Attorney General's office. In 2017 and into 2018 we are pursuing new remedies available to us, including increased legal protections for Connecticut's only licensed and taxed operator.

Despite this, our brand MyWinners.com, achieved an 11% increase in 2017 from online and mobile handle versus prior year. Regardless of the outcome of any remedial actions at the state level, the Board is taking a much more aggressive and proactive stance with regard to promotion and marketing of its digital channels. Sportech holds a distinct advantage in terms of both technology and access to bricks and mortar cross-selling and these advantages will be fully exploited to drive customer acquisition and to increase betting by customers who may hold multiple accounts.

The Venues division capitalises on its operational expertise to offer turn-key managed venue packages to licensed operators. In 2017, Venues extended key managed venue contracts with the Mohegan Sun Casino in Connecticut, along with two other racebooks in Louisiana and the Caribbean.

Corporate Management Structuring and Focus

With a shift in the senior management presence from the UK to North America, management operations from the Group's existing London base will be relocating to the existing operations centres in Toronto and the US, where both I and a new CFO, will be located. This shift will not only allow reduced corporate overhead costs but will also place senior corporate management in closer proximity to global technology and operational focal points, and the consumer-facing business, while maintaining key bases of operation and secondary business offices at existing locations in Bristol (UK), Ireland and Singapore.

Further financial focus will characterise senior management of Sportech going forward, with a renewed and vigorous focus on billing, debt collection, and working capital improvements within the business and a stricter financial evaluation of new business opportunities, capital investments, and partnerships.

2017 was a year of material change for Sportech and 2018 is shaping up to be one of significant opportunity. Global recurring service revenues in our B2B businesses provide a clear indication of growth resulting from several years of technology and operational investment. New contracts and sales opportunities in the 2018 pipeline speak to the efficacy of our technology and business strategy. The Bump 50:50 growth trajectory of the past four years is on pace to continue, with new sales platforms and opportunities in new markets. The Venues business now has room for meaningful strategic expansion and the tools to more aggressively compete in Connecticut's digital marketplace. Finally, both our Venues and our Racing and Digital divisions are well positioned to act quickly and decisively on sports wagering, if and when the regulations allow it.

I am pleased to be leading Sportech and enthusiastic about what the future holds for its shareholders, customers and employees. Indeed, at this juncture I would like to thank all staff across the Group for their hard work and commitment.

Andrew Gaughan
Chief Executive Officer
23 April 2018

FINANCIAL REVIEW

An extensive evaluation of the finances has been undertaken and a more granular review of the underlying performance has been prepared along with a clear focus on cash conversion and an explanation of those charges of a 'one-off' nature.

INCOME STATEMENT – STATUTORY VIEW

£'000s	**2017**	**2016 Reported**
Revenue	**66,271**	64,814
Gross profits	**47,709**	45,053
Contribution	**45,591**	43,023
Other income (net)	**827**	90,952
Operating expenses (net)	**(68,065)**	(68,589)
Operating loss before interest and taxation	**(21,647)**	65,386

INCOME STATEMENT – DETAILED VIEW

£'000s	*Notes*	**2017**	**2016 Reported**	**2016 Constant currency**
Service revenue		**64,886**	59,029	61,582
Sales revenue		**1,385**	5,785	6,042
Total revenues	*1*	**66,271**	64,814	67,624
Cost of sales	*2*	**(18,562)**	(19,761)	(20,684)
Gross profits		**47,709**	45,053	46,940
Marketing and distribution costs		**(2,118)**	(2,030)	(2,118)
Contribution	*3*	**45,591**	43,023	44,822
Contribution margin %		***68.8%***	*66.4%*	*66.3%*
Adjusted operating expenses	*4*	**(38,884)**	(34,506)	(35,827)
Impact of FX on reported earnings		-	-	(478)
Adjusted EBITDA	*5*	**6,707**	**8,517**	**8,517**
Spot the Ball ("STB")	*7*	**827**	90,952	
Exceptional items other than STB	*6*	**(5,603)**	(5,517)	
Share option charges - normal	*8*	**(666)**	87	
Share option charges - accelerated	*8*	**(3,765)**	-	
Depreciation	*9*	**(2,740)**	(3,168)	
Amortisation	*9*	**(1,540)**	(3,024)	
Amortisation of acquired intangibles	*10*	**(350)**	(563)	
Impairment of PPE	*11*	**(874)**	(5,089)	
Impairment of intangible assets	*11*	**(12,040)**	(14,220)	
Impairment of goodwill	*11*	**-**	(1,843)	
Investments – loss on sale of NYX shares	*12*	**(1,603)**	(746)	
Total – non-cash items		**(23,578)**	(28,566)	

EBIT		**(21,647)**	**65,386**
Share of losses from JVs	*13*	**(300)**	(608)
Impairment of investment in JVs	*13*	**(1,184)**	(628)
Net finance income/(charges)	*14*	**(19)**	(542)
EBT		**(23,150)**	63,608
Taxation	*15*	**230**	(16,912)
Result after taxation – continuing ops		**(22,920)**	46,696
Discontinued – Football Pools	*16*	**(1,696)**	(33,653)
Discontinued - Holland	*16*	**174**	24
Loss for the year		**(24,442)**	13,067
Adjusted profit before tax for the year from continuing operations*		**1,549**	717

Adjusted EBITDA is not an IFRS measure, nevertheless it is widely used by both the analyst community to compare with other gaming companies, and by management to assess underlying performance. 'Reported revenues' refers to revenues as restated (for the exclusion of the Football Pools) for the prior year. 'Constant Currency Revenues' refers to prior year revenues retranslated at 2017 exchange rates.

*Adjusted profit for the year is calculated as shown in note 17.

A bridge between the numbers shown above and the results from the Venues business in The Netherlands, now shown as held for sale is shown below:

	Revenue	Adjusted EBITDA
As reported above	66,271	6,707
Venues, Netherlands	6,038	427
	72,309	7,134

Within the Adjusted EBITDA reported above are write-downs of inventory of £126k and a write-down of debtors carried over from 2016 of £762k. The total of these write-downs was £888k.

A summary of the result by division is shown below:

	Revenues		Adjusted EBITDA	
£000's	**2017**	2016 Constant currency	**2017**	2016 Constant currency
Racing and Digital	**35,469**	37,545	**7,708**	9,715
Venues	**31,606**	30,999	**1,497**	2,587
Corporate (and inter-divisional elimination)	**(804)**	(920)	**(2,498)**	(3,307)
Total, at constant currency	**66,271**	67,624	**6.707**	8,995
Impact of foreign exchange	**-**	(2,810)	**-**	(478)
Total, reported	**66,271**	64,814	**6,707**	8,517

Note 1 - Revenues

£000's	2017	2016 Reported	2016 Constant currency
Racing & Digital Service revenue	**32,890**	29,431	30,655
Racing & Digital Sales revenue	**1,389**	5,789	6,042
Bump 50:50 revenue	**1,190**	817	848
Venues wagering revenue	**27,574**	27,050	28,253
Venues F&B revenue	**4,032**	2,609	2,746
Inter-group elimination	**(804)**	(882)	(921)
Total revenues	**66,271**	64,814	67,624

The periodic division between Racing and Digital Sales Revenue was:

£000's	2017	2016 Constant currency
Q1	**110**	1,262
Q2	**329**	2,450
Q3	**503**	378
Q4	**447**	1,952
Total revenues	**1,389**	6,042

Group revenues at £66,271k were 2.2% up on reported revenues but down 2.0% in constant currency. The following comparisons have been done at a constant currency level:

- Service revenues from Racing and Digital (excluding Bump 50:50) were up 7.3% at £32,890k (2016: £30,655k), although sales revenues from Racing and Digital were significantly lower at £1,389k (2016: £6,042), for reasons explained in the Operating review.

- Revenues from Bump 50:50 were up 40.3% at £1,190k (2016: £848k) and this sub-division continues to grow healthily as more teams are signed up to the Bump shared raffle offering.

- Revenues from Venues continue to be primarily driven by wagering. Revenues from this source were down 2.4% in the year at £27,574k (2016: £28,253k). Of this, £2,275k was generated online (2016: £2,257k).

- Food & Beverage ('F&B') revenues were £4,032k (2016: £2,746k). New F&B revenues contributed by Stamford following its delayed opening in late June 2017 were £1,471k. In line with a drop in handle, F&B revenues outside of Stamford also fell.

Note 2 - Cost of sales

Cost of sales represent those items which are most closely variable with the sales they represent and are shown in both the aggregate and by division below.

£000's	**2017**	**2016 Reported**	**2016 Constant currency**
Tote and track fees	**12,166**	11,923	12,493
Cost of inventory sold	**1,134**	3,125	3,287
Provision for obsolete inventory	**126**	-	-
Food and Beverage consumables	**1,322**	866	904
Ticket paper and programmes	**1,327**	1,394	1,454
Betting and gaming duties	**480**	421	439
Repairs of deployed terminals	**402**	256	267
Outsourced service costs	**1,605**	1,776	1,840
Total cost of sales	**18,562**	19,761	20,684
Split between:			
Racing and Digital	**4,335**	6,224	6,759
Venues	**14,760**	14,060	14,677
Inter-divisional elimination	**(533)**	(523)	(752)
Total cost of sales	**18,562**	19,761	20,684

	Racing and Digital		Venues	
£000's	**2017**	**2016 Constant currency**	**2017**	**2016 Constant currency**
Tote and track fees	**55**	17	**12,640**	12,971
Cost of inventory sold	**1,134**	3,545	**-**	-
Provision for obsolete inventory	**126**	-	**-**	-
Food and Beverage consumables	**-**	-	**1,322**	904
Ticket paper and programmes	**855**	950	**472**	504
Betting and gaming duties	**253**	239	**227**	200
Repairs of deployed terminals	**402**	267	**-**	-
Outsourced service costs	**1,510**	1,741	**99**	98
Total cost of sales	**4,335**	6,759	**14,760**	14,677

The cost of inventories sold declined, given the reduction of sales. Food & Beverage costs rose following the opening of the "Bobby V" venture in Stamford, Connecticut. Reduced wagering revenues result in a reduction in tote and track fees of 2.6% to £12,640k.

Note 3 – Contribution

Contribution is the Group's measure of Gross profits (revenues less costs of sales) less marketing and distribution costs.

£000's	2017	2016 Reported	2016 Constant currency
Racing & Digital	**30,380**	28,977	30,173
Contribution margin %	**85.7%**	80.4%	79.8%
Venues	**15,482**	14,405	15,076
Contribution margin %	**49.0%**	48.6%	48.6%
Total Contribution*	**45,591**	43,023	44,822
Contribution margin %	**68.8%**	66.4%	66.3%

*includes inter-divisional eliminations

Contribution margins across the Group improved slightly 68.8% (2016: 66.3%). The Racing and Digital business produced a contribution margin of 85.7% (2016: 79.8%) against the contribution margin in Venues of 49.0% (2016: 48.6%)

Marketing and distribution costs in the year were:

£000's	2017	2016 Reported	2016 Constant currency
Racing & Digital			
- Marketing	**300**	396	413
- Distribution	**454**	440	459
	754	836	872
Venues			
- Marketing	**1,364**	1,194	1,246
- Distribution	**-**	-	-
	1,364	1,194	1,246
Group Total			
- Marketing	**1,664**	1,590	1,659
- Distribution	**454**	440	459
	2,118	2,030	2,118

Note 4 - Adjusted operating expenses

Adjusted operating expenses are those expenses largely of a cash nature which exclude:

- share option charges
- depreciation
- amortisation
- items which by nature or materiality or consistency with 2016 have been regarded by the company as 'exceptional'. These items are discussed in further detail below.

Adjusted operating expenses, gross of capitalised software, rose by £2,949k at constant currency (7.6%) of which an additional £739k arose from the recognition of bad debts, and the bulk of the remaining increase arising from staff (£1,026k) and property (£663k).

Note 4a - Group **£000's**	**2017**	**2016 Reported**	**2016 Constant currency**
Gross employment costs	**28,562**	26,459	27,536
Less: capitalised	**(3,026)**	(3,022)	(3,134)
Net Employment costs*	**25,536**	23,437	24,402
Property costs	**5,454**	4,596	4,791
Professional fees	**3,249**	3,378	3,497
Travel & Entertainment	**1,524**	1,377	1,429
IT & Communications	**1,351**	1,158	1,206
Bad debts from prior periods	**762**	22	23
Other costs	**1,008**	538	479
Adjusted operating expenses	**38,884**	34,506	35,827
Costs, gross of capitalised software	**41,910**	37,528	38,961

Gross employment costs at £28,562k represented 68% of the aggregate of the adjusted operating expenses and capitalised staff costs (2016: £ 27,536k, 71%). Gross employment costs include the cost of field service agents whose time and expense is incurred in servicing terminals at customer sites. Net employment costs in this analysis exclude share-based payments which are disclosed in note 8 below.

Of the £1,026k increase in gross staff costs (at constant currency), the divisional split of the changes is shown below:

	£000's	
Racing and Digital	**788**	4.2%
Venues	**748**	10.9%
Corporate	**(510)**	(26.2%)
	1,026	

The North American employees are unionised and are entitled to annual wage rises. Other staff cost increases chiefly arose in venues where extra staff were taken on for the running of the expanded "Bobby Vs" sports bar in Stamford, Connecticut. Significant savings were made in the corporate function with a downsizing of both staff and office premises.

As part of the restructuring exercise undertaken by the non-executive directors, the cost base of the corporate function was reduced.

The composition of the costs, gross of capitalised software across the divisions was as follows:

Group **£000's**	**2017**	**2016 Reported**	**2016 Constant currency**
Racing and Digital (note 4b)	**25,698**	22,623	23,592
Venues (note 4c)	**13,985**	11,957	12,489
Corporate (and inter-divisional elimination)	**2,227**	2,948	2,880
Total	**41,910**	37,528	38,961

Note 4b - Racing and Digital	2017	2016 Constant currency
£000's		
Gross employment costs	**19,510**	18,722
Less: capitalised	**(3,026)**	(3,134)
Net Employment costs*	**16,484**	15,588
Property costs	**999**	1,044
Professional fees	**1,760**	1,595
Travel & Entertainment	**1,082**	1,037
IT & Communications	**816**	781
Bad debts from prior periods	**657**	23
Other costs	**874**	390
Adjusted operating expenses	**22,672**	20,458
Costs, gross of capitalised software	***25,698***	*23,592*

Note 4c - Venues	2017	2016 Constant currency
£000's		
Gross employment costs	**7,613**	6,865
Less: capitalised	**-**	-
Net Employment costs*	**7,613**	6,865
Property costs	**4,245**	3,637
Professional fees	**979**	1,029
Travel & Entertainment	**188**	150
IT & Communications	**403**	380
Bad debts from prior periods	**105**	-
Other costs	**452**	428
Adjusted operating expenses	**13,985**	12,489

The number of staff employed (or on contracts), and including the non-executive directors at 31 December 2017 and 2016 is as shown below:

	2017	2016
Racing and Digital (excluding Bump 50:50)	**295**	295
Bump 50:50	**4**	3
Venues	**245**	192
Corporate	**9**	11
Total	**553**	501

Staff numbers in Venues rose principally due to the opening of the Bobby V's bar in Stamford Connecticut.

Note 5 - Adjusted EBITDA

Adjusted EBITDA is calculated as Contribution (note 3) less adjusted operating expenses (note 4).

£000's	2017	2016 Reported	2016 Constant currency
Racing and Digital	**7,708**	9,376	9,715
Venues	**1,497**	2,448	2,587
Central costs	**(2,498)**	(3,307)	(3,307)
FX and inter-divisional elimination	**-**	-	(478)
	6,707	8,517	8,517

Note 6 - Exceptional items other than Spot the Ball

On 25 September 2017, the Group sold its shares in NYX for net proceeds of £2,333k. Those shares were originally acquired as part of the Group's disposal of Sportech-NYX Gaming, LLC in 2015, at which point the share price was CAD $4.06. Those shares have been subsequently revalued as available for sale financial assets, and losses realised when shares are disposed of.

This resulted in a loss of £1,603k which we have disclosed as a separate item. A mark-to-market loss of £746k was recognised in 2016 and shown within exceptional items.

Owing to the magnitude of the loss and the fact that the asset has been disposed of, we believe it is more instructive for the readers to show the loss this year, and the mark-to-market revaluation last year as a separate reported item.

Other separately reported items are listed below:

£000's	2017	2016 Reported
Restructuring and redundancy costs (note a)	**(2,291)**	(492)
Costs of exit from California (note b)	**(2,740)**	(180)
Transaction costs from material M&A activity (note c)	**-**	(4,350)
Lobbying and licencing costs (note d)	**(264)**	(175)
Costs of implementing new VCP	**(150)**	-
Other exceptional items (net)	**(158)**	(320)
	(5,603)	(5,517)

Note a: On 18 September 2017, the Company announced the departure of the incumbent CEO and CFO. This was accompanied by a strategic review and Formal Sales Process under the Takeover Code following a series of initial approaches made to the Company. The costs of honouring the contracts of those departing executives along with some other staff in senior positions represents the majority of the costs of restructuring and redundancy. £680k of these costs were paid after the year end.

Note b: The Group had a number of contractual arrangements in the state of California, none of which was profitable and included real-estate leases for a considerable duration with no benefit to the Group. These have been provided for in full, with certain other items also written off.

Note c: Transaction costs relate to those incurred in the Group's Football Pools disposal. This disposal was completed in H1-17, with additional disposal costs incurred during the year of £3,248k. Those 2017 costs have been presented as part of the loss on disposal of Football Pools as shown in note 10 to the Annual Report.

Note d: Given the political nature of lobbying, the costs of presenting the case for liberalising sports betting and gambling in Connecticut, along with costs incurred in obtaining a licence in New Jersey have been disclosed separately.

Note e: A new incentive plan was introduced in the year, the Value Creation Plan ("VCP"), as approved by shareholders on 24 May 2017. The substantial cost of designing this scheme and implementing it is disclosed as a separate item.

Note 7 - Exceptional items – Spot the Ball

£000's	2017	2016 Reported
Income received	**146**	96,878
Costs received /(incurred)	**681**	(5,926)
Exceptional income (net)	**827**	90,952

The Group successfully won its VAT case in relation to the Spot the Ball product against HMRC in 2016. Further receipts, net of costs, were recognised during the year, representing primarily recovery of legal and advisory costs awarded by the Court to the defendants.

Note 8 - Share based payments

£000's	2017	2016 Reported
Accelerated charge for departing executives and directors	**(3,765)**	-
Normalised charges	**(666)**	87
	(4,431)	87

Under IFRS, charges arise from events at the date of grant, whether the options ultimately lapse or not. There was a charge accelerated by the departure of the former CEO and CFO along with one other non-board executive.

The modelling of the overall cost of the VCP was done by a 'big-four' accounting firm other than the auditors. The option plan adopted by shareholders earlier in 2017 (the 'VCP') was essentially a 20% capital growth pool over a 8% compound hurdle to the ex-div share price. The starting point was a cum-div price of 97.8 pence. Black Scholes modelling was used.

The departing executives had between them 52% of that £7 million pool. Together with other outstanding PSP awards an accelerated charge of £3,765k has been recognised in 2017. It is non-cash in nature.

Note 9 - Depreciation and amortisation

Tangible and intangible fixed assets are depreciated/amortised over their useful lives as disclosed in the notes to the Annual Report. Both charges have reduced from prior year primarily due to impairment charges made to certain assets in 2016. However, in 2017 the Group incurred further costs of £5,238k in the construction and fit-out of the new Stamford Venue (2016: £2,451k), and the depreciation of these tangible fixed assets amounted to £200k during the year.

Note 10 - Amortisation of acquired intangibles

Intangible assets acquired on the acquisitions of eBet, Datatote and Bump relate primarily to customer relationships, the most material of which reached the end of its useful life in 2016. All those acquired intangible assets are fully amortised as at December 2017.

Note 11 - Asset impairments

£000's	**2017**	**2016 Reported**
Impairment of PPE	**874**	5,089
Impairment of goodwill	**-**	1,843
Impairment of intangible assets	**12,040**	14,220

Site preparation and construction costs in the town of Norco, California, were incurred by the Group in previous years when a new venue build was anticipated. The Group is evaluating its involvement in California and accordingly the capitalised costs (£874k) in respect of those sites have been impaired.

In 2016, goodwill relating to the eBet business (within Racing and Digital) was fully impaired. There is no goodwill held on the balance sheet at December 2017, given that the disposal of the Football Pools during the year (see note 16) eliminated the goodwill held for that asset.

The Group is obligated to conduct an impairment review of its business units each year based on events that existed on the balance sheet date and not on events regarding legislation or liberalisation which might occur after the balance sheet date. Accordingly, the softer level of betting transactions in the Venues business has led to a downgrading of its accounting value and an impairment charge has been taken of £12,040k. Impairments totalling £14,220k in 2016 were also recognised comprising £13,127k against Racing and Digital assets, and £1,093k against Venues assets.

Note 12 - Loss on disposal of investments

As disclosed in note 6, the Group has recognised a loss of £1,603k in respect of a disposal of its investments in NYX Gaming Group Limited (2016: £746k).

Note 13 – Joint ventures

Following the decision to exit from its business interests in California, the Board considers there to be insufficient certainty around the recoverable value of the Group's investment in its joint venture sports bar, 'Striders', in San Diego, and a provision has been made against the entire investment, £1.2 million.

Note 14 - Net Finance charges

	2017	**2016 Reported**
Net interest payable on loans and similar	**(211)**	(1,695)
Net FX gains	**96**	1,065
Unwinding of discount rate on non-current assets and liabilities	**96**	88
	(19)	(542)

Following the receipt of funds relating to Spot the Ball and the sale of the Football Pools, the Group discharged all its bank loans and has operated in a cash surplus position in 2017.

Note 15 - Taxation

The Group has recognised a net tax credit of £230k due primarily to losses made in the USA which can be carried-forward for up to 20 years and relieved against future profits.

The gross losses provided for as a deferred tax asset at 31 December 2017 were £19.5 million (2016: £11.8 million). It is anticipated that the Group will recover those tax losses within ten years.

The approximate tax base cost of the individual divisions (and therefore the one on which any capital gain would be assessed in the case of a partial break-up of the group) is shown below:

Racing and Digital	$10 million (approximately £7.1 million)
Venues	$20 million (approximately £14.3 million)

US rates of capital gains tax range from 25% to 35%.

Note 16 - Discontinued activities

The contribution to earnings during 2017 was as below:

£000's	**2017**	**2016 Reported**
Football Pools – trading result excluding asset impairments	**6,771**	8,854
Football Pools – impairment charges	**-**	(42,507)
Football Pools – net loss on disposal	**(8,467)**	-
Net result from Football Pools	**(1,696)**	(33,653)
Net result from Venues, Netherlands	**174**	24
Net result from discontinued operations	**(1,522)**	(35,294)

The Group's Football Pools business was sold in June 2017 on which a net loss on disposal (after tax) has been recognised of £8,467k. This includes disposal costs recognised in 2017 of £3,248k and a corporation tax charge of £6,395k.

As disclosed further in note 19, the Group considered its Venues business in the Netherlands to be held for sale, with its future economic benefit recovered principally through a sale transaction, and an SPA signed in March 2018. Accordingly, the results from this business have been presented as a discontinued operation. The net gain/loss on this disposal will be recognised in the 2018 financial statements.

Note 17 - Adjusted result

£000's	**2017**	2016 Reported
Adjusted EBITDA	**6,707**	8,517
Depreciation	**(2,740)**	(3,168)
Amortisation of intangible assets (excluding amortisation of acquired intangibles)	**(1,540)**	(3,024)
Normalised share option charge	**(666)**	87
Net interest payable on loans etc.	**(212)**	(1,695)
Adjusted PBT	**1,549**	717

BALANCE SHEET

Other than by trading, the balance sheet was significantly impacted by the disposal of the Football Pools in June 2017 and the return of capital to shareholders in two tranches during the year. The table below provides a bridge between 31 December 2016 and 31 December 2017.

	£000's
Net assets at 31 December 2016	148,813
Loss for the period	(24,442)
Offsetting equity items*	6,931
Foreign exchange movements	(4,935)
Movement in defined benefit pension obligation	(116)
Employer taxes paid on vesting of options	(21)
Return of capital to shareholders – tranche 1	(21,192)
Return of capital to shareholders – tranche 2	(53,828)
Net assets at 31 December 2017	**51,210**

** offsetting equity items include share option charges and brought forward losses on NYX shares*

A summary of the balance sheet is shown below:

£000's	Non-current	Current	**Combined**
Tangible fixed assets and PPE	37,334	-	**37,334**
Cash, net of customer liabilities	-	15,885	**15,885**
Trade receivables	450	7,339	**7,789**
Other receivables	447	3,003	**3,450**
Inventories	-	2,652	**2,652**
NYX contingent receivables (note 18)	1,546	-	**1,546**
Assets held for sale	-	778	**778**
Deferred tax asset	6,406	-	**6,406**
Tax liabilities	-	(7,106)	**(7,106)**
Trade payables	-	(13,186)	**(13,186)**
Bump 50:50 earn-out	-	(175)	**(175)**
Retirement benefits	(1,537)	-	**(1,537)**
Provisions	(1,523)	(1,103)	**(2,626)**
	43,123	8,087	**51,210**

Note 18 – NYX contingent receivables

An estimation of the consideration arising from the disposal terms of the investment in NYX Gaming LLC, but contingent on NYX signing new customers up to their wagering platform. NYX have an obligation to inform Sportech each time a customer is acquired to this platform, with the Group entitled to CAD $1 million for each customer signed up, up to a maximum of CAD $3 million. The Group continue to believe that the maximum contingent amount will be due. This is discounted and accrues over the relevant period (to May 2020). At December 2017, £1,546k is held on the balance sheet in respect of this receivable.

Note 19 - Assets held for sale

As at the balance sheet date, the Group's Venues business in the Netherlands was considered to be a held for sale asset. The net assets of that business have therefore been shown as one line in the financial statements. The net asset value is comprised of the following items:

	£'000
Intangible assets	**212**
Property, plant and equipment	**394**
Deferred tax asset	**212**
Trade and other receivables	**284**
Inventories	**28**
Cash	**413**
Trade and other payables, including provisions	**(765)**
	778

Note 20 - Trade receivables

Current asset trade receivables of £7,339k (2016: £ 7,427k) represent 40 days of revenue (2016: 42 days). Certain provisions have been made for debtors outstanding for period significantly overdue. These amounted to £1,606k (2016: £1,537k). In certain circumstances, arrangements have been reached with other customers to spread significantly overdue debts over a longer period.

Current and non-current trade receivables are combined in the table below:

£000's	As at 31.12.17	As at 31.12.16 Reported*
Current trade receivables		
- Racing and digital	**6,469**	6,654
- Venues	**870**	773
	7,339	7,427
Non-current trade receivables	**450**	-
Total trade receivables	**7,789**	7,427
Total debtor days	**43**	42

**2016 balances above exclude receivables in the discontinued Football Pools division of £56k.*

Current trade receivables within the Racing and Digital division total £6,469k (2016: £6,654k) representing 67 days of revenue in both current and prior year. Within the Venues division, current trade receivables total £870k (2016: £773k), which equates to 10 days of revenue in both reporting periods.

Note 21 - Inventories

Inventory held was £2,652k (2016: £2,504k). This consists of work in progress, £99k (2016: £219k); Tote machines, £240k (2016: £210k); and machine parts available for deployment, £2,313k (2016: £2,075k). The Group has a significant number of terminals that are deployed on customer sites, many of which are older models. There is a requirement therefore for the Group to hold a proportional amount of spare parts for the terminals that are being used by customers. A review of inventory led the Board to conclude that given certain spare parts had not been utilised for a considerable period of time, £126k should be recognised as obsolete and provided against, increasing the total inventory provision to £310k.

Note 22 - Cash at bank

Cash at bank consists of a number of components, as shown below:

	As at 31.12.17
Group cash, excluding Holland	**15,885**
Customer cash	**2,872**
	18,757

Of the cash held by the Group, it is estimated that approximately £3 million is required at any one time to facilitate working capital requirements, including holding cash in venue tills and vaults. Those working capital requirements do vary throughout the year dependant on the timing of inflows and outflows, including most notably the timing of terminal builds, major races and payment by customers for one-off sales.

The prime currencies in which the Group's cash (excluding customer cash) was held at the balance sheet date was:

	As at 31.12.17
GBP	**9,468**
USD	**4,425**
EUR	**1,890**
Other	**101**
	15,885

The cash was held in the following banks:

	As at 31.12.17
Lloyds/Bank of Scotland	**12,554**
Wells Fargo	**1,170**
Ulster Bank	**823**
Bank of America	**605**
Türkiye Garanti Bankası A.Ş.	**351**
Other banks	**382**
	15,885

This represented cash of 8.6 pence per ordinary share at 31 December 2017. Since the balance sheet date, the Group has paid £1.3 million to HMRC by way of a deposit over disputed VAT (see note 25).

Note 23 – Defined benefit pension liabilities

The Group retains the legacy obligation for the Football Pools pension scheme in which all 63 members are retired. There is in an IAS19R surplus of £9k at December 2017 for this scheme. The Group is actively trying to secure a buy-out for the scheme, not least as the actuarial and trustee fees each year of running this scheme amount to around £80k. Payments into the scheme during the year totalled £305k (2016: £112k), with a one-off increase in the payments being made to fully fund the scheme's liabilities.

In addition, the Group's US employees are enrolled in pension schemes which have a deficit of £1,546k. The US legal obligation is to fund these schemes no less than 85% of the liability.

The payments made to the US schemes in the year was £223k (2016: £205k). US law requires that any actuarial deficit as measured in any one year is funded to not less than 85% in the subsequent financial year. Thus there will be an accelerated cash funding of these schemes required in 2018 of around £0.6 million.

Note 24 - Liquidity, Current assets less current and non-current liabilities

The Group's liquidity can be summarised as follows:

£000's	**31.12.17**
Current assets	32,529
Current liabilities	(24,442)
	8,087
Non-current trade and other receivables	2,443
Non-current liabilities	(3,060)
	(617)
Net position	7,470
Less: inventories held	(2,652)
Implied liquidity (long-term)	4,818
Amount per share	2.6p

CASH FLOWS

A summary of the Group cash flows (excluding customer funds) during the year is show below:

	£000's	£000's
Adjusted EBITDA		6,707
Capitalised software		(3,026)
Other intangible assets		(922)
Acquisition of Tangible Fixed assets (excluding Bobby V's)		(1,667)
Movements in working capital and other items		(4,412)
Sub-total		(3,320)
Separately identified material cash flows		
Acquisition of Tangible fixed assets – 'Bobby Vs, Stamford'	(5,238)	
Spot the Ball*	(2,125)	
Restructuring costs	(1,258)	
Other exceptional items	(1,360)	
Sub-total		(9,981)
Tax (paid)/received		
Football Pools disposal	(6,395)	
Spot the Ball	(13,804)	
Other	(173)	
Sub-total		(20,372)
Sale of Football Pools	86,200	
Football Pools deal fees paid	(5,128)	
Contribution from Football Pools in H1	4,802	
Contribution from Venues, Netherlands	267	
Sale of NYX shares	2,333	
Sub-total		88,474
Return of capital to shareholders, March 2017	(21,192)	
Special dividend, December 2017	(53,828)	
Sub-total		(75,020)
Net cashflows for the year		(20,219)
Group cash at 31 December 2016		36,517

Total cash at 31 December 2017	16,298
Less: cash presented as available for sale asset	(413)
Group cash at 31 December 2017	15,885
Add: customer cash	2,872
Cash and cash equivalents	18,757

** net outflows in respect of Spot the Ball include £3,146k of cash received from the principal £97m claim, plus costs awarded of £494k, net of costs totalling £5,211k. A further amount of £487k has been received by the Group in H1-18 relating to the costs awarded. This amount is shown within other receivables on the balance sheet.*

Note 25 - Taxation liabilities and items subject to challenge

Following the successful Spot the Ball VAT reclaim, the Group is aware that HMRC are closely examining all the Group's tax affairs. The Board, after taking professional advice, believe that the liabilities recorded in these financial statements are correct, and whilst they are open to challenge, the Group's position will be defended robustly.

In order to progress an appeal, the Group is making one against HMRC for VAT on head office costs going back a number of years. The Group has made an 'in escrow' payment to HMRC of £1.3 million in Q1-2018. The Board, having taken professional advice on this matter, believe this is fully recoverable.

Note 26 - Contingent liabilities and litigation

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 £0.5 million. Management are of the view that the risk of those outflows arising is not probable and accordingly they have been disclosed as contingent items within the Financial Statements rather than recognised as liabilities in the Financial statements.

Richard Cooper
Non-Executive Director, Chairman of Audit Committee
23 April 2018

Income Statement
for the year ended 31 December 2017

	Note	**2017**	2016*
		£000	£000
Revenue	1	**66,271**	64,814
Cost of sales	2	**(18,562)**	(19,761)
Gross profit		**47,709**	45,053
Marketing and distribution costs	3	**(2,118)**	(2,030)
Contribution		**45,591**	43,023
Operating costs	3	**(68,065)**	(68,589)
Other income (net)	7	**827**	90,952
Operating (loss) / profit		**(21,647)**	65,386
Finance costs	14	**(212)**	(1,695)
Other financial income	14	**193**	1,153
Share of loss after tax and impairments of joint ventures and associates	13	**(1,484)**	(1,236)
(Loss) / profit before tax from continuing operations		**(23,150)**	63,608
Tax – continuing operations	15	**230**	(16,912)
(Loss) / profit for the year – continuing operations		**(22,920)**	46,696
Net loss from discontinued operations	16	**(1,522)**	(33,629)
(Loss) / profit for the year		**(24,442)**	13,067
Attributable to:			
Owners of the Company		**(24,300)**	13,067
Non-controlling interests		**(142)**	—
		(24,442)	13,067
Earnings per share attributable to owners of the Company from continuing operations			
Basic	Ca	**(12.0)p**	22.6p
Diluted	Ca	**(12.0)p**	22.1p
Earnings per share attributable to owners of the Company from discontinued operations			
Basic	Cb	**(0.8)p**	(16.3)p
Diluted	Cb	**(0.8)p**	(16.3)p
Adjusted earnings (continuing and discontinued operations) per share attributable to owners of the Company			
Basic	Cc	**2.9p**	5.2p
Diluted	Cc	**2.9p**	5.0p

Note numbers are referenced to the Financial Review

Prior year comparatives have been adjusted for discontinued operations. The classification of certain costs between cost of sales, marketing and distribution costs and operating costs has also been adjusted, with no net impact on operating profit. See note 30.

Statement of Comprehensive Income
for the year ended 31 December 2017

	2017	2016
	£000	£000
Profit for the year	**(24,442)**	13,067
Other comprehensive income/(expense):		
Items that will not be reclassified to profit and loss		
Actuarial gain on retirement benefit liability	**(171)**	(33)
Deferred tax on movement on retirement benefit liability	**55**	5
	(116)	(28)
Items that have been reclassified to profit and loss		
Realised fair value loss on available-for-sale financial assets	**2,500**	746
Items that may be subsequently reclassified to profit and loss		
Revaluation of available for sale financial assets	**—**	(1,647)
Currency translation differences	**(4,935)**	10,552
	(4,935)	8,905
Total other comprehensive income/(expense) for the year, net of tax	**(2,551)**	9,623
Total comprehensive income for the year	**(26,993)**	22,690
Attributable to:		
Owners of the Company	**(26,862)**	22,664
Non-controlling interests	**(131)**	26
	(26,993)	22,690

Balance Sheet
As at 31 December 2017

	Note	2017 £000	2016 £000
ASSETS			
Non-current assets			
Goodwill		—	81,849
Intangible fixed assets		11,629	27,833
Property, plant and equipment		25,705	26,182
Net investment in joint ventures and associates		—	1,416
Trade and other receivables	20	2,443	2,577
Deferred tax assets		6,406	3,036
		46,183	142,893
Current assets			
Trade and other receivables	20	10,342	14,583
Inventories	21	2,652	2,504
Assets held for sale	19	778	—
Available-for-sale financial assets		—	1,261
Cash and cash equivalents	22	18,757	39,640
		32,529	57,988
TOTAL ASSETS		78,712	200,881
LIABILITIES			
Current liabilities			
Trade and other payables		(16,058)	(31,415)
Provisions		(1,103)	(67)
Financial liabilities		(175)	(196)
Current tax liabilities		(7,106)	(18,109)
		(24,442)	(49,787)
Net current assets/(liabilities)		8,087	8,201
Non-current liabilities			
Financial liabilities		—	(82)
Retirement benefit liability		(1,537)	(1,708)
Provisions		(1,523)	(491)
		(3,060)	(2,281)
TOTAL LIABILITIES		(27,502)	(52,068)
NET ASSETS		51,210	148,813
EQUITY			
Ordinary shares		37,123	103,119
Other reserves		22,400	10,240
Retained earnings		(8,313)	35,323
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		51,210	148,682
Non-controlling interests		—	131
TOTAL EQUITY		51,210	148,813

Note numbers are referenced to the Financial Review.

Statement of Changes in Equity
for the year ended 31 December 2017

	Ordinary shares	Other reserves: Capital redemption reserve	Share option reserve	Pension reserve	FX** reserve	Available-for-sale reserve	Retained earnings	NCI***	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2017	103,119	—	2,198	(530)	11,072	(2,500)	35,323	131	148,813
Comprehensive income									
Loss for the year	—	—	—	—	—	—	(24,300)	(142)	(24,442)
Other comprehensive items									
Actuarial loss on defined pension liability*	—	—	—	(116)	—	—	—	—	(116)
Realised fair value losses on available-for-sale financial assets (note 23)	—	—	—	—	—	2,500	—	—	2,500
Currency translation differences	—	—	—	—	(4,946)	—	—	11	(4,935)
Total other comprehensive items	—	—	—	(116)	(4,946)	2,500	—	11	(2,551)
Total comprehensive items	—	—	—	(116)	(4,946)	2,500	(24,300)	(131)	(26,993)
Transactions with owners									
Share option charge, excluding accelerated IFRS 2 charge	—	—	666	—	—	—	—	—	666
Acceleration of IFRS 2 charge for departing management	—	—	3,765	—	—	—	—	—	3,765
Employer taxes paid on vesting of options	—	—	(21)	—	—	—	—	—	(21)
Share buyback	—	—	—	—	—	—	(21,192)	—	(21,192)
Cancellation of share capital	(10,312)	10,312	—	—	—	—	—	—	—
Capital reduction	(55,684)	—	—	—	—	—	55,684	—	—
Special dividend	—	—	—	—	—	—	(53,828)	—	(53,828)
Total transactions with owners	(65,996)	10,312	4,410	—	—	—	(19,336)	—	(70,610)
Total changes in equity	(65,996)	10,312	4,410	(116)	(4,946)	2,500	(43,636)	(131)	(97,603)
At 31 December 2017	**37,123**	**10,312**	**6,608**	**(646)**	**6,126**	**—**	**(8,313)**	**—**	**51,210**

* Net of deferred tax.

** Foreign exchange reserve

*** Non-controlling interests, representing stakes not held in Norco, California by the Sportech Group

Group statement of cash flows
for the year ended 31 December 2017

	2017	2016
	£000	£000
Cash flows from operating activities		
Cash generated from operations, before exceptional items	6,418	9,358
Interest paid	(235)	(1,902)
Tax paid	(15,859)	(3,049)
Net cash generated from operating activities before exceptional items	(9,676)	4,407
Exceptional cash inflows	3,685	93,941
Exceptional cash outflows	(8,391)	(4,150)
Cash generated from operations - continuing operations	(14,382)	94,198
Cash generated from operations - discontinued operations	(7,114)	13,296
Net cash (used in)/generated from operating activities	(21,496)	107,494
Cash flows from investing activities		
Investment in joint ventures and associates	(173)	(527)
Disposal of shares in NYX Gaming Group Limited	2,333	561
Disposal of Football Pools division	86,200	—
Investment in intangible fixed assets	(3,948)	(3,213)
Purchase of property, plant and equipment	(6,905)	(5,890)
Cash used in investing activities - continuing operations	77,507	(9,069)
Cash used in investing activities - discontinued operations	(1,104)	(2,853)
Net cash generated from/(used in) investing activities	76,403	(11,922)
Cash flows from financing activities		
Distributions to shareholders	(75,020)	—
Net cash outflow from repayment of borrowings	—	(62,092)
Cash used in financing activities - continuing operations	(75,020)	(62,092)
Cash used in financing activities - discontinued operations	—	—
Net cash used in financing activities	(75,020)	(62,092)
Net (decrease)/increase in cash and cash equivalents	(20,113)	33,480
Effect of foreign exchange on cash and cash equivalents	(357)	361
Net cash and cash equivalents at the beginning of the year	39,640	5,799
Net cash and cash equivalents at the end of the year	19,170	39,640
Less cash held by asset held for sale	(413)	—
Group cash and cash equivalents at the end of the year	18,757	39,640
Represented by:		
Cash and cash equivalents	18,757	39,640
Less customer funds	(2,872)	(3,123)
Adjusted net cash at the end of the year	15,885	36,517

Notes to the Final Statement
For the year ended 31 December 2017

A. Reporting entity

Sportech PLC (the 'Company') is a company domiciled in the UK and listed on the London Stock Exchange. The Company's registered office is Collins House, Rutland Square, Edinburgh, Midlothian, Scotland EH1 2AA. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the 'Group'). The principal activities of the Group are pools betting, both B2B and B2C, and supply of wagering technology solutions.

B. Basis of reporting

a. The accounting policies used in preparation of this preliminary announcement have remained unchanged from those set out in the Group's 2016 financial statements. All accounting policies applied are consistent with those in the full financial statements which have yet to be published.

b. The preliminary results for the year ended 31 December 2017 were approved by the Board of Directors on 23 April 2018.

c. The Company's accounting reference date is 31 December. Consistent with the normal monthly reporting process, the actual date to which the balance sheet has been drawn up is 1 January 2018 (2016: 3 January 2017). For ease of reference in this preliminary announcement, all references to the results for the year are for the year ended 31 December 2017 (2016: 31 December 2016) and the financial position at 31 December 2017 (2016: 31 December 2016).

d. The financial information set out in this announcement does not constitute statutory financial statements for the years ended 31 December 2017 and 2016 within the meaning of Section 435 of the Companies Act 2006, but is extracted from those financial statements. The auditors have reported on those financial statements and have given an unqualified report which does not contain a statement under Section 498 of the Companies Act 2006.

e. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretation Committee ("IFRIC") as adopted by the European Union ("IFRSs as adopted by the EU") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments and available-for-sale financial assets) to fair value in accordance with IAS 39.

f. The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Details of the critical judgments applied in the preparation of these financial statements are included in the full statutory financial statements.

g. The Directors have reviewed and approved the Group's forecasts and projections, and have also reviewed sensitivities that have been applied to the forecasts. Based on this review, the Directors consider that the Group has adequate resources to continue in operational existence for the period under review and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

C. Adjusted Performance Measures

The Executive Committee assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of non-recurring expenditure such as exceptional items and asset impairment charges. 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. This measure provides the most reliable indicator of underlying performance of each of the trading divisions. This is considered the most reliable indicator as it is the closest approximation to cash generated by underlying trade, excluding the impact of one-off items of a material nature and working capital movements.

Adjusted EBITDA is not an IFRS measure, nevertheless 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	2017 £000	2016 £000
Operating costs per income statement		(68,065)	(68,589)
Add back:			
Depreciation	K	2,740	3,168
Amortisation, excluding acquired intangible assets	J	1,540	3,024
Amortisation of acquired intangible assets	J	350	563
Impairment of goodwill		—	1,843
Impairment of intangible assets	J	12,040	14,220
Impairment of property, plant and equipment	K	874	5,089
Share option charge/(credit), excluding acceleration of charge for departing management	C	666	(87)
Accelerated IFRS 2 charge for departing management	C	3,765	—
Fair value losses realised on shares held in NYX Gaming Group	C	1,603	746
Exceptional items	E	5,603	5,517
Adjusted operating costs		(38,884)	(34,506)

Adjusted EBITDA is calculated as below. Note that "other income", i.e. income arising on exceptional items (see note E) is also excluded from the adjusted EBITDA.

	2017 £000	2016 £000
Revenue	66,271	64,814
Cost of sales	(18,562)	(19,761)
Gross profit	47,709	45,053
Marketing and distribution costs	(2,118)	(2,030)
Contribution	45,591	43,023
Adjusted operating costs	(38,884)	(34,506)
Adjusted EBITDA	**6,707**	**8,517**

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 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.

	2017			2016		
	Continuing	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjusted EBITDA	6,707	6,172	12,879	8,517	15,250	23,767
Share option charge/(credit)	(666)	—	(666)	87	—	87
Depreciation	(2,740)	(179)	(2,919)	(3,168)	(360)	(3,528)
Amortisation (excluding amortisation of acquired intangibles)	(1,540)	(561)	(2,101)	(3,024)	(1,869)	(4,893)
Finance charges	(212)	—	(212)	(1,695)	—	(1,695)
Adjusted profit before tax	1,549	5,432	6,981	717	13,021	13,738
Tax at 21.6% (2016: 22.8%)			(1,508)			(3,132)
Adjusted profit after tax			5,473			10,606

D. Segmental reporting

2017	Sportech Racing and Digital	Sportech Venues	Corporate costs	Inter-segment elimination	Group
	£000	£000	£000	£000	£000
Revenue from sale of goods	1,389	—	—	(4)	1,385
Revenue from rendering of services	34,080	31,606	—	(800)	64,886
Total revenue	35,469	31,606	—	(804)	66,271
Cost of sales	(4,335)	(14,760)	—	533	(18,562)
Gross profit	31,134	16,846	—	(271)	47,709
Marketing and distribution costs	(754)	(1,364)	—	—	(2,118)
Contribution	30,380	15,482	—	(271)	45,591
Adjusted operating costs (note 1)	(22,672)	(13,985)	(2,498)	271	(38,884)
Adjusted EBITDA	**7,708**	**1,497**	**(2,498)**	**—**	**6,707**
Share option charge, excluding acceleration of charge for departing management	—	—	(666)	—	(666)
Depreciation	(1,738)	(928)	(74)	—	(2,740)
Amortisation (excluding amortisation of acquired intangible assets)	(1,400)	—	(140)	—	(1,540)
Segment result before amortisation of acquired intangibles and impairment of assets	4,570	569	(3,378)	—	1,761
Amortisation of acquired intangibles	(350)	—	—	—	(350)
Impairment of assets	—	(12,914)	—	—	(12,914)
Acceleration of IFRS 2 charge for departing management	—	—	(3,765)	—	(3,765)
Fair value losses realised on sale of shares held in NYX Gaming Group	—	(1,603)	—	—	(1,603)
Exceptional income	—	—	827	—	827
Exceptional costs	(1,701)	(1,634)	(2,268)	—	(5,603)
Operating profit/(loss)	2,519	(15,582)	(8,584)	—	(21,647)
Net finance costs					(19)
Share of loss after tax and impairment of joint ventures					(1,484)
Profit before taxation					(23,150)
Taxation					230
Profit for the year - continuing operations					(22,920)
Net loss from discontinued operations					(1,522)
Profit for the year					(24,442)

2016	Sportech Racing and Digital	Sportech Venues	Corporate costs	Inter-segment elimination	Group
	£000	**£000**	**£000**	**£000**	**£000**
Revenue from sale of goods	5,789	—	—	(4)	5,785
Revenue from rendering of services	30,248	29,659	—	(878)	59,029
Total revenue	36,037	29,659	—	(882)	64,814
Cost of sales	(6,224)	(14,060)	—	523	(19,761)
Gross profit	29,813	15,599	—	(359)	45,053
Marketing and distribution costs	(836)	(1,194)	—	—	(2,030)
Contribution	28,977	14,405	—	(359)	43,023
Adjusted operating costs (note 1)	(19,601)	(11,957)	(3,307)	359	(34,506)
Adjusted EBITDA	**9,376**	**2,448**	**(3,307)**	**—**	**8,517**
Share option credit	—	—	87	—	87
Depreciation	(2,047)	(1,091)	(30)	—	(3,168)
Amortisation (excluding amortisation of acquired intangible assets)	(2,958)	—	(66)	—	(3,024)
Segment result before amortisation of acquired intangibles and impairment of assets	4,371	1,357	(3,316)	—	2,412
Amortisation of acquired intangibles	(563)	—	—	—	(563)
Impairment of assets	(17,133)	(4,019)	—	—	(21,152)
Fair value losses realised on sale of shares held in NYX Gaming Group	(746)	—	—	—	(746)
Exceptional income	—	—	90,952	—	90,952
Exceptional costs	(899)	(280)	(4,338)	—	(5,517)
Operating profit/(loss)	(14,970)	(2,942)	83,298	—	65,386
Net finance costs					(542)
Share of loss after tax and impairment of joint ventures					(1,236)
Profit before taxation					63,608
Taxation					(16,912)
Profit for the year - continuing operations					46,696
Net loss from discontinued operations					(33,629)
Profit for the year					13,067
Segment assets	98,028	46,696	158,496	(102,339)	200,881
Segment liabilities	(93,212)	(12,935)	(48,260)	102,339	(52,068)
Other segment items					
Capital expenditure - Intangible assets	3,135	—	79	—	3,214
Capital expenditure - Property, plant and equipment	2,885	2,964	15	—	5,864

E. Exceptional items

	Note	2017 £000	2016 £000
Included in operating costs:			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	D(i)	2,291	492
Onerous contract provisions and other losses resulting from exit from Californian operations	D(ii)	2,740	180
Compensation received/(paid) in relation to 2016 New Jersey data outage		(45)	189
Transaction costs from material M&A activity	D(iii)	—	4,350
Licensing costs in New Jersey in respect of the acquisition of Sportech Racing		110	28
One off start up costs of new ventures, including new venue builds and joint ventures		390	137
Earn out and similar costs required to be recognised as an expense		74	(6)
Release of provisions which did not arise during period of Sportech ownership		(261)	—
Professional fees associated with new remuneration arrangements approved by shareholders		150	—
Costs of lobbying the state of Connecticut for expanded gaming and enforcement of exclusive license		154	147
		5,603	5,517
Included in other operating income:			
Net gain on successful outcome of Supreme Court Spot the Ball ruling	D(iv)	(827)	(90,952)
Net exceptional costs/(income)		4,776	(85,435)

(i) Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business

On 18 September 2017, the Company announced the departure of the incumbent CFO and CEO. This was accompanied by a strategic review and Formal Sales Process under the Takeover Code following a series of initial approaches made to the Company. The costs of honouring the contracts of those departing executives along with some other staff in senior positions represents the majority of the costs of restructuring and redundancy.

(ii) California exit

The Group had a number of contractual arrangements in the state of California, none of which was profitable and included real-estate leases for a considerable duration with no benefit to the Group. These have been provided for in full, with certain other items also written off and provided for, as below:

	£000
Onerous contracts	2,553
Provision for irrecoverable items	91
Pre-build start up costs of aborted construction sites in California	96
	2,740

(iii) Transaction costs from material M&A activity

Transaction costs relate to those incurred in the Group's Football Pools disposal. This disposal was completed in June 2017, with additional disposal costs incurred during the year of £3,248k. Those 2017 costs have been presented as part of the loss on disposal of Football Pools as shown in note 10.

(iv) Spot the Ball

As disclosed in the 2016 financial statements, there were certain contingent items receivable by the Group. In 2017, clarity was obtained on the quantum of the items receivable, and other income was therefore booked in respect of those.

Other items relating to Spot the Ball were also recognised in these financial statements, resulting in net other Spot the Ball income of £827k as below:

	£000
Cash received from co-appellant in excess of amounts accrued	146
Recovery of costs in respect of successful claim	981
Advisor and legal fees	(300)
	827

At the reporting date, £487k was recognised within other receivables (note 16) for costs awarded and due from HMRC. Those funds were received in Q1-18.

£814k is also included within accrued expenses for advisor and legal fees. It is anticipated that those will be settled within twelve months of the reporting date.

F. Net finance costs

	2017	**2016**
	£000	**£000**
Finance costs:		
Interest payable on bank loans, derivative financial instruments and overdrafts	(159)	(1,636)
Interest on defined benefit pension obligation	(53)	(59)
Total finance costs	(212)	(1,695)
Other financial income:		
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	97	1,065
Unwinding of interest on discounted non-current balances	96	88
Total other financial income	193	1,153
Net finance costs	(19)	(542)

G. Taxation

Below is disclosure in respect of the Group's tax charge from continuing operations.

	2017 £000	2016 £000
Current tax:		
Current tax on profit for the year	1,245	17,472
Adjustments in respect of prior years	2,381	640
Total current tax	3,626	18,112
Deferred tax:		
Origination and reversal of temporary differences	(7,114)	(4,825)
Effect of changes in tax rates	3,245	9
Adjustments in respect of prior years	13	469
Derecognition of previously recognised deferred tax assets	—	3,149
Total deferred tax	(3,856)	(1,198)
Total tax (credit)/charge	(230)	16,914

The taxation on the Group's profit 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:

	2017 £000	2016 £000
Earnings before tax	(23,150)	63,608
Add share of loss after tax and impairment of non-US based joint ventures	—	64
Earnings before tax and share of loss after tax of UK joint ventures	(23,150)	63,672
Tax calculated at domestic tax rates applicable to earnings in the respective countries	(7,635)	11,550
Tax effects of:		
– permanent differences	1,480	1,169
– effect of changes in tax rates	3,245	9
– adjustments in respect of prior years – current tax	2,381	640
– adjustments in respect of prior years – deferred tax	13	469
– deferred tax not previously provided	(97)	(74)
– deferred tax not recognised	383	—
– derecognition of previously recognised deferred tax assets	—	3,149
Total tax (credit)/charge	(230)	16,912

H. Discontinued operations

The disposal of the Football Pools business completed in June 2017, and the Board considered its Venues business in the Netherlands, Sportech Racing BV and subsidiaries, to be an asset held for sale, with a sale being considered probable within 12 months from the reporting date. Accordingly both those divisions are reported as discontinued operations in the 2017 financial statements.

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

	2017			2016		
	Football Pools* £000	**Holland £000**	**Total £000**	**Football Pools £000**	**Holland £000**	**Total £000**
Revenue	13,971	6,038	20,009	28,342	5,404	33,746
Cost of sales, marketing and distribution and adjusted operating expenses	(8,226)	(5,611)	(13,837)	(13,391)	(5,105)	(18,497)
Adjusted EBITDA	5,745	427	6,172	14,951	299	15,250
Depreciation and amortisation	(523)	(216)	(739)	(1,972)	(257)	(2,229)
Exceptional items	917	(37)	880	(3,455)	(18)	(3,473)
Impairment of assets	—	—	—	(42,507)	—	(42,507)
Profit / (loss) before tax	6,139	174	6,313	(32,983)	24	(32,959)
Tax, excluding tax arising on disposal	632	—	632	(670)	—	(670)
Profit / (loss) after tax	6,771	174	6,945	(33,653)	24	(33,629)
Loss on disposal (note G(i))	(8,467)	—	(8,467)	—	—	—
Net result from discontinued operations	(1,696)	174	(1,522)	(33,653)	24	(33,629)

** Football Pools results for 2017 are to the date of disposal of 26 June 2017.*

G(i) Net loss on disposal	**£000**
Consideration, net of working capital adjustments	86,145
Net assets disposed of	(3,124)
Goodwill relating to the Football Pools division	(81,849)
Transaction costs incurred in the year	(3,248)
Pre-tax loss on disposal	(2,072)
Tax arising on disposal	(6,395)
Loss on disposal	(8,467)

The disposal of the Football Pools division was structured as a share sale for three companies, and sales of the core business trade and assets from other companies that remain in the Sportech Group. Where certain intangible assets are disposed of by the Group, a tax liability crystallises, the quantum of which is subject to management judgment. That judgment includes consideration of the assets which are disposed of, the value of those assets, and the period in which those assets arose. The total tax charge which arises in the period includes £6,395k which is directly attributable to the sale of those assets. This was paid in full in 2017.

The net gain/(loss) on disposal in relation to the Venues business in the Netherlands is not recognised until the sale is completed, which is anticipated to occur within 2018.

I. Earnings per share

(i) Basic

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

	2017		
	Continuing	**Discontinued**	**Total**
	£000	**£000**	**£000**
Profit attributable to the owners of the Company	(22,778)	(1,522)	(24,300)
Weighted average number of ordinary shares in issue ('000)	190,135	190,135	190,135
Basic earnings per share	(12.0)p	(0.8)p	(12.8)p

	2016		
	Continuing	**Discontinued**	**Total**
	£000	**£000**	**£000**
Profit attributable to the owners of the Company	46,696	(33,629)	(24,300)
Weighted average number of ordinary shares in issue ('000)	206,238	206,238	190,078
Basic earnings per share	22.6p	16.3p	12.8p

Notwithstanding that the Spot the Ball activity was discontinued, the legal claim on this was a continuing process and thus the result of this claim in has been included in continuing activities in 2016 and 2017.

(ii) 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 EPS is not diluted.

	2017		
	Continuing	**Discontinued**	**Total**
	£000	**£000**	**£000**
Profit attributable to the owners of the Company	(22,778)	(1,522)	(24,300)
Weighted average number of ordinary shares in issue ('000)	190,135	190,135	190,135
Dilutive potential ordinary shares	-	-	-
Total potential ordinary shares	190,135	190,135	190,135
Diluted earnings per share	(12.0)p	(0.8)p	(12.8)p

	2016		
	Continuing £000	**Discontinued £000**	**Total £000**
Profit attributable to the owners of the Company	46,696	(33,629)	13,067
Weighted average number of ordinary shares in issue ('000)	206,238	206,238	206,238
Dilutive potential ordinary shares	5,457	-	5,457
Total potential ordinary shares	211,695	206,238	211,695
Diluted earnings per share	22.1p	(16.3)p	6.2p

c) Adjusted

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

	2017			2016		
	Adjusted Profit after tax	**Weighted average number of shares**	**Per share amount**	Adjusted Profit after tax	Weighted average number of shares	Per share amount
	£000	**£000**		£000	£000	
Basic adjusted EPS	5,473	190,135	2.9p	10,606	206,238	5.1p
Diluted adjusted EPS	5,473	190,988	2.9p	10,606	211,695	5.0p

J. Intangible fixed assets

2017	Customer contracts and relationships £000	Software £000	Licenses £000	Other £000	Total £000
Cost					
At 1 January 2017	36,500	51,980	16,874	4,651	110,005
Additions - continuing operations*	—	3,906	—	42	3,948
Additions - discontinued operations	—	1,032	—	—	1,032
Disposals - continuing operations	—	(11)	—	—	(11)
Disposals - discontinued operations	(35,638)	(27,235)	—	(2,030)	(64,903)
Transfer from property, plant and equipment	—	221	—	—	221
At 31 December 2017	862	29,893	16,874	2,663	50,292
Accumulated amortisation					
At 1 January 2017	36,500	45,819	1,093	4,650	88,062
Charge for year - continuing operations	—	1,818	—	72	1,890
Charge for year - discontinued operations	—	561	—	—	561
Impairment	—	—	12,040	—	12,040
Disposals - continuing operations	—	—	—	—	—
Disposals - discontinued operations	(35,638)	(23,056)	—	(1,180)	(59,874)
At 31 December 2017	862	25,142	13,133	3,542	42,679
Exchange differences	—	1,075	1,862	1,079	4,016
Net book amount at 31 December 2017	**—**	5,826	5,603	200	11,629

Impairment charges recognised in the year relate to the Group's license held within the Sportech Venues division. The recoverable amount of the asset has been determined based on a value-in-use calculation. In calculating value-in- use, future opportunity value must be ignored. Therefore, although management consider there to be upside opportunity in its Venues division, particularly in light of potential repeal of PASPA regulation to legalise sports betting, and the appetite in the State of Connecticut to ensure this is taken advantage of locally, the assumptions that are used in calculating value-in-use have been brought down since that performed in 2016. This reflects the continuing underlying decline of core handle and other uncertainties.

2016	Customer contracts and relationships £000	Software £000	Licenses £000	Other £000	Total £000
Cost					
At 1 January 2016	36,500	47,764	16,874	3,735	104,873
Additions - continuing operations*	—	2,933	—	281	3,214
Additions - discontinued operations	—	2,300	—	335	2,635
Transfer	—	(300)	—	300	—
Disposals	—	(717)	—	—	(717)
At 31 December 2016	36,500	51,980	16,874	4,651	110,005
Accumulated amortisation					
At 1 January 2016	35,946	24,500	—	3,900	64,346
Charge for year - continuing operations	554	2,868	—	164	3,586
Charge for year - discontinued operations	—	1,869	—	—	1,869
Impairment - continuing operations	—	12,542	1,093	585	14,220
Impairment - discontinued operations	—	4,757	—	—	4,757
Disposals	—	(717)	—	—	(717)
At 31 December 2016	36,500	45,819	1,093	4,649	88,061
Exchange differences	—	1,366	3,437	1,086	5,889
Net book amount at 31 December 2016	**—**	7,527	19,218	1,088	27,833

K. Property, plant and equipment

2017	Short leasehold land and buildings £000	Long leasehold and owned land buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost						
At 1 January 2017	200	11,586	18,074	745	4,494	35,099
Additions - continuing operations	46	82	589	—	6,188	6,905
Additions - discontinued operations	—	15	45	12	—	72
Disposals - discontinued operations	—	(3,079)	(5,899)	(1,008)	—	(9,986)
Transfer	—	7,414	(2,942)	5,346	(10,039)	(221)
At 31 December 2017	246	16,018	9,867	5,095	643	31,869
Accumulated depreciation						
At 1 January 2017	119	7,501	6,601	444	—	14,665
Charge for year - continuing operations	—	305	2,076	359	—	2,740
Charge for year - discontinued operations	—	61	86	31	—	178
Impairment	—	—	165	—	709	874
Disposals - discontinued operations	—	(2,862)	(5,087)	(974)	—	(8,923)
Transfer	—	—	(3,369)	3,369	—	—
At 31 December 2016	119	5,005	472	3,229	709	9,534
Exchange differences	27	1,538	992	377	436	3,370
Net book amount at 31 December 2016	154	12,551	10,387	2,243	370	25,705

Certain assets have been transferred into alternative sub categories within property, plant and equipment following a detailed review of the asset registers. This has no impact on the net position, other than the items reclassified from intangible assets as stated in note [x].

2016	Short leasehold land and buildings £000	Long leasehold and owned land buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost						
At 1 January 2016	200	11,450	20,140	805	3,110	35,705
Additions - continuing operations	—	33	449	64	5,318	5,864
Additions - discontinued operations	—	3	189	25	—	217
Disposals	—	—	(6,535)	(152)	—	(6,687)
Transfer	—	100	3,831	3	(3,934)	—
At 31 December 2016	200	11,586	18,074	745	4,494	35,099
Accumulated depreciation						
At 1 January 2016	112	4,594	7,659	286	—	12,651
Charge for year - continuing operations	7	442	2,563	155	—	3,167
Charge for year - discontinued operations	—	109	215	36	—	360
Impairment - continuing operations	—	2,333	2,615	141	—	5,089
Impairment - discontinued operations	—	23	27	—	—	50
Disposals	—	—	(6,478)	(174)	—	(6,652)

At 31 December 2016	119	7,501	6,601	444	—	14,665
Exchange differences	—	2,149	2,369	60	1,170	5,748
Net book amount at 31 December 2016	81	6,234	13,842	361	5,664	26,182

L. Net investment in joint ventures/associates

	2017		2016		
	S&S Venues £000	Total £000	S&S Venues £000	Other £000	Total £000
At 1 January	1,416	1,416	1,221	838	2,059
Additions	173	173	163	364	527
Income statement items:					
Impairment	(1,184)	(1,184)	—	(882)	(882)
Share of loss after tax	(300)	(300)	(213)	(395)	(608)
Net income statement charge	(1,484)	(1,484)	(213)	(1,277)	(1,490)
Exchange differences	(105)	(105)	245	75	320
At 31 December	—	—	1,416	—	1,416

The S&S Venues joint venture relates to one particular sports bar operated in San Diego California, branded "Striders". Striders commenced trading in February 2016. The venture has not been profitable, and the Group's share of cumulative losses to 31 December 2017 were £512k. Management reached a decision to exit from its interests in California, with trade at Striders anticipated to cease in H1-18. Accordingly the deemed future economic benefit to the Group from holding its investment in Striders is £nil and the net investment has been impaired in full.

Impairments in 2016 were to the net investments in Draftday and India, which are no longer actively managed by the Group.

M. Trade and other receivables

	2017 £000	2016 £000
Non-current		
Trade receivables	450	—
Accrued income	250	968
Other receivables	197	27
Contingent consideration due on the disposal of Sportech-NYX Gaming, LLC	1,546	1,582
Non-current trade and other receivables	2,443	2,577
Current		
Trade receivables	8,945	9,020
Less provision for impairment of receivables	(1,606)	(1,537)
Trade receivables – net	7,339	7,483
Other receivables	1,498	4,099
Accrued income	575	927
Prepayments	930	2,074
Current trade and other receivables	10,342	14,583
Total trade and other receivables	12,785	17,160

In 2015 the Group disposed of its joint venture with NYX Gaming Group, Sportech-NYX Gaming, LLC, for consideration which is partly contingent on future events. The contingent consideration is C$1.0m for each customer that NYX successfully sign up to its Real Money Live wagering platform before May 2020, up to a maximum of C$3.0m. It continues to be management's belief that NYX will sign up at least three new customers to the relevant platform and therefore the maximum amount of contingent consideration receivable has been recognised, discounted at 9% (£1,546k at 31 December 2017).

N. Inventories

	2017 £000	2016 £000
Work in progress	99	219
Spare parts	2,313	2,075
Finished goods	240	210
Total	2,652	2,504

O. Asset held for sale

At 31 December 2017, the Board were of the view that the most probable route of realising future economic benefit through its Venues business in The Netherlands, Sportech Racing BV and its subsidiaries, was through a sale rather than continuing to operate it as part of the Sportech Group.

On 31 March 2018, the Group agreed to dispose of this business to RBP Luxembourg SA ("Ze Turf") on a cash-free-debt-free basis for initial consideration of €2.8m. The deal was structured as a locked box mechanism with an effective date of 31 December 2017, and so the net cash/debt adjustments are known to the Group, being an increase in the purchase price received of €233k.

Earn out consideration could also be earned by the Group of up to €450k, contingent upon certain activities of this business being completed by 31 December 2018.

The net assets of this business at 31 December 2017 of £778k have accordingly been presented as an asset held for sale.

P. Cash and cash equivalents

	2017 £000	2016 £000
Cash and short-term deposits	15,885	36,517
Customer funds	2,872	3,123
	18,757	39,640

At December 2017, the Group also held cash in its Venues business in The Netherlands of £413k. This has been presented within the net asset held for sale value.

Q. Trade and other payables

	2017 £000	2016 £000
Trade payables	5,356	10,186
Other taxes and social security costs	435	1,796
Accruals	7,107	13,142
Deferred income	288	3,168
Player liability	2,872	3,123
	16,058	31,415

R. Provisions

	Onerous contracts £000	Other Provisions £000	Total £000
At 1 January 2016	188	388	576
Utilised during the year	(52)	(29)	(81)
Currency differences	(9)	72	63
At 31 December 2016	127	431	558
Net charge to income statement, excluding release of provisions which did not arise during period of Sportech ownership	2,553	—	2,553
Reclassification of provisions for bad debts	—	(125)	(125)
Release of provisions which did not arise during period of Sportech ownership	(120)	(141)	(261)
Reclassification as held for sale asset	—	(30)	(30)
Currency differences	(46)	(23)	(69)
At 31 December 2017	2,514	112	2,626
Of which:			
Current provisions	1,103	—	1,103
Non-current provisions	1,411	112	1,523
	2,514	112	2,626

S. Financial liabilities

Financial liabilities outstanding at the balance sheet date represents deferred and contingent consideration due for the acquisition of Bump. The total amount payable is made up of two items as below:

- an amount equivalent to the 2016 EBITDA earned by Bump; and
- 25% of the 2017 EBITDA earned by Bump.

Movements on this financial liability in the year are as below:

	2017 £000	2016 £000
Deferred and contingent consideration due within one year, recognised within:		
Current liabilities	175	196
Non-current liabilities	—	82
	175	278

The final instalment payment of £175k (CAD 296k) is payable in H1 2018.

T. Cash generated from operations

Reconciliation of (loss)/profit before taxation to cash generated from operations, before exceptional items:

	Note	2017 £000	2016 £000
(Loss)/profit before tax – continuing operations		(23,150)	63,608
Adjustments for:			
Net exceptional items	E	4,776	(85,435)
Realised losses on sale of shares in NYX Gaming Group	C	1,603	746
Share of loss after tax and impairment of joint ventures/associates	L	1,484	1,236
Depreciation and amortisation	J, K	4,630	6,755
Impairment of assets	J, K	12,914	21,152
Net finance costs	F	19	542
Acceleration of IFRS 2 charge for departing management	C	3,765	—
Share option (credit)/expense	C	666	(87)
Employers' taxes paid on options vested		(21)	(47)
Changes in working capital:			
Increase in trade and other receivables		1,099	831
Increase in inventories		(177)	(8)
(Decrease)/increase in trade and other payables		(939)	(1,304)
Increase/(decrease) in customer funds		(251)	1,369
Cash generated from operating activities, before exceptional items		6,418	9,358

- Ends -