2 March 2017

Sportech PLC ("Sportech" or the "Group")
Final results for the year ended 31 December 2016

Sportech, one of the world's leading pool betting operators and technology suppliers, focused on highly regulated markets worldwide, is pleased to announce its final results for the year ended 31 December 2016.

Group highlights

- Profit before tax increased to £30.7m (2015: £9.7m)
- Results in line with expectations with overall EBITDA up 3% to £23.8m (2015: £23.1m)
- Successful outcome to our eight year £97m VAT refund appeal after rulings at the Supreme Court and the Court of Appeal
- Announced today an intention to return capital to shareholders by way of a tender offer for approximately £20m of Sportech ordinary shares, representing a buyback of around 10% of the issued share capital, details of which are set out in a separate announcement
- Transformation in Group's financing with adjusted net cash balances at 31 December 2016 of £36.5m compared to adjusted net debt of £57.7m in 2015
- Balance sheet strengthened by £22.6m despite a detailed review of assets leading to a non-cash impairment of £63.7m
- Board restructured to include relevant industry experience and associated knowledge
- Announced today the sale of The Football Pools for £83.0m, subject to certain conditions, details of which are set out in a separate announcement

Financial Highlights

	Reported 2016 £m	Reported 2015 £m	Change %
Revenue	98.6	100.2	-2%
EBITDA[1]	23.8	23.1	3%
Adjusted profit before tax[2]	13.8	11.8	17%
Adjusted earnings per share [2]	5.2p	4.4p	18%
Statutory profit before tax	30.7	9.7	216%
Adjusted net cash/(debt) [3]	36.5	(57.7)	n/a

- Adjusted profit before tax is up by 17% to £13.8m (2015: £11.8m)
- The Group holds adjusted net cash of £36.5m at 31 December 2016 (2015: adjusted net debt of £57.7m), which reduces by £21.5m once the Spot the Ball tax and fees are paid, and following receipt of the remaining £3m
- On a constant currency basis, EBITDA, excluding the closed collector channel, remained level with prior year at £23.8m:
    - Sportech Racing and Digital – EBITDA of £9.4m, £0.3m down on prior year, new contract wins mitigating impact on business of loss of material contract in California
    - Sportech Venues – EBITDA of £2.7m, £0.5m decrease from prior year with online handle growth partly offsetting the industry handle decline
    - Football Pools – EBITDA from continuing channels up by £0.7m (5%) to £15.0m

Ian Penrose, Chief Executive of Sportech PLC, said:

"This has been a transformational year. We have moved into a strong net cash position and have today announced details of a return of capital to shareholders.

We have also announced the sale of our Football Pools business for £83m, following a highly successful modernisation programme.

The Group is now in a strong position and more focused to take advantage of the strategic positioning of its predominantly US based businesses. We look forward to delivering further progress in 2017."

(1) EBITDA is stated before exceptional costs, impairment of assets and share option expense.
(2) Adjusted profit figures are stated before amortisation of acquired intangibles, impairment of assets, exceptional items, share of loss after tax and impairment of joint ventures and associates, and other finance income.
(3) Adjusted net cash/(debt) excludes any cash held on behalf of customers.

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Forward-looking statements

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

Sportech PLC ("Sportech" or the "Group")
Final results for the year ended 31 December 2016

Group Overview

Sportech is one of the world's leading sports pool betting operators and technology suppliers, focused on highly regulated markets worldwide.

The Group comprises three divisions: Racing and Digital, Venues and The Football Pools. Both the Racing and Digital division (which processes over $11 billion bets annually) and the Venues division (which operates all legal betting exclusively and in perpetuity in Connecticut in venues, online and via mobile), are based in the US and Canada where we employ 570 people across field operations, 14 betting venues and four corporate offices. We are licensed by gaming regulators in 28 US States. We also have smaller operations of these divisions based in the UK, Ireland, Germany, Turkey and The Netherlands. The Football Pools is based in Liverpool, operating under a licence from the UK Gambling Commission, and is the oldest football gaming business in the world.

Group Financial Overview

	Revenue		EBITDA	
£m	**2016**	2015	**2016**	2015
Sportech Racing and Digital	**36.0**	38.8	**9.4**	9.7
Sportech Venues	**35.1**	36.6	**2.7**	3.2
Football Pools – continuing channels	**28.4**	28.4	**15.0**	14.3
Trading divisions	**99.5**	103.8	**27.1**	27.2
Inter-segment elimination and corporate costs	**(0.9)**	(0.9)	**(3.3)**	(3.5)
Results from continuing channels	**98.6**	102.9	**23.8**	23.7
Football Pools – closed collector channel	**—**	5.4	**—**	0.9
Total Group at constant currency	**98.6**	108.3	**23.8**	24.6
FX effect	**—**	(8.1)	**—**	(1.5)
Total Group	**98.6**	100.2	**23.8**	23.1

* 2015 divisional results are at "constant currency", retranslated using 2016 exchange rates.

At constant currency, excluding the results of the closed collector channel in the Football Pools, Group EBITDA has been maintained at £23.8m on revenues which have reduced by £4.3m (4%).

Sportech Racing and Digital

(i) Sportech Racing and Digital: Business Review

Over the past five years, we have invested heavily in new and improved betting technology products and licensing in order to create a leading gaming technology business, servicing the global horseracing industry and more recently, the North American sports industry. We are pleased that this diversification into new geographies and sports, is now beginning to deliver results. As a consequence, we have recognised an impairment charge against our old technology.

In order to build upon our long-term market strength in North America and Europe and to increase our global presence, we have established a base in Singapore with the aim of driving expansion into the significant Asian market. This has led to several new contracts (which generally are for 5 to 10 years) for the supply of Tote system software and hardware during 2016. New customers include the Macau Jockey Club, Royal Sabah Turf Club in Malaysia, and Vung Tau greyhound track in Vietnam, to whom we have supplied a full range of betting software and hardware, including our Quantum™ Tote System and newly developed BetJet Aero™ terminals. Contracts include ongoing software licensing, maintenance and support services.

The expansion of our customer base follows the successful installation of our Quantum™ Tote system for Betfred in the UK, which now processes all Tote bets on live UK Racing from all UK domestic and international sources. Licensing and software maintenance services also continue to be supplied under this contract.

Importantly, we completed the delivery of a project to enable Betfred and its full UK wagering network currently connected into their Quantum Betfred system (including all major UK LBOs and key online partners), to comingle directly into the Hong Kong Jockey Club pools. We have also delivered a similar solution for others internationally including the Great Canadian Gaming Corporation, and will watch the growth of this new business stream closely.

We were also pleased to conclude a system sale to our first customer in Russia in December 2016, having developed and successfully tested a new local language Russian betting/wagering system. This is our fifth local language deployment following the development in Macau earlier this year and we now have a suite of English, Russian, Spanish and simple and traditional Chinese language options.

Existing contracts continue to be renewed in North America and Europe and we were pleased to open live racing for new customers including Lone Star Park in Texas, Remington Park in Oklahoma and Kentucky Downs. Our Digital services business has shown good growth following a tough trading period in the second half of 2015, having secured new customers including Penn National Gaming.

Our Bump 50:50 business which was acquired in June 2014 and supplies in-stadia electronic lotteries to professional sports teams has had another year of growth from an initial customer base of seven to 37 professional sports teams to date. The business was loss making when we acquired it and pleasingly has generated EBITDA of £0.2m in 2016, and has a strong run rate going into 2017. We have been delighted with the calibre of our customer roster, with new customers contracted in the year including Dallas Cowboys, Miami Dolphins and San Francisco 49ers (NFL), Dallas Stars and Tampa Bay Lightning (NHL), Cleveland Cavaliers and LA Clippers (NBA), and our first MLB teams, San Diego Padres and Detroit Tigers. We have also developed the business outside of sport, offering 50:50 lotteries at the Fiesta Bowl, the Cactus Bowl and at Canada's biggest music festival, the *Festival d'été de Québec*. During 2016, Bump's systems raised over $8m for charitable causes, and it is believed that this could grow by more than 50% in 2017.

In February 2016, the Group's existing joint venture with Playwin, India's largest lottery provider, commenced supplying technology to an Indian company engaged to provide pool services for a Sikkim licence holder. Revenues generated are currently small as we look to establish a proof of concept for the broader market in India, as legislation permits.

(ii) Sportech Racing and Digital: Financial Review

	Revenue		**EBITDA**	
£m	**2016**	2015	**2016**	2015
Tote services and maintenance contracts	**22.5**	26.5	**2.6**	3.8
System software and equipment sales	**6.0**	5.4	**3.0**	2.5
Digital services including sports and other lotteries	**7.5**	6.9	**3.8**	3.4
FX effect	**—**	(4.2)	**—**	(1.1)
Total	**36.0**	34.6	**9.4**	8.6

* 2015 channel results are at "constant currency", retranslated using 2016 exchange rates.

Total revenue has increased by 4% to £36.0m (2015: £34.6m) and EBITDA for the division was also ahead of prior year by 9% at £9.4m (2015: £8.6m). On a constant currency basis, revenue and EBITDA have reduced by £2.8m and £0.3m respectively, reflecting the effective repositioning of the business following the loss of our California Tote contract in October 2015 which had contributed $2.4m of EBITDA annually. New service contracts, including Lone Star Park and Remington Park, have each made a positive contribution towards earnings for the division.

As noted in the business review, we have seen growth in revenues and EBITDA in our system software and equipment sales (primarily in Asia) and our digital service contracts. This demonstrates the benefits of our expanded international focus in recent years, and the investment in our core technology. We are confident about the prospects for the division in 2017.

Sportech Venues

(i) Sportech Venues: Business Review

In Connecticut, Sportech Venues operates all legal betting on horseracing, greyhound racing and Jai Alai under an exclusive and in perpetuity licence for retail, telephone, internet and mobile. The business, which is operated with close consultation and oversight from the State of Connecticut, and is the only legally permitted betting operator in Connecticut.

Our strategy is to broaden the product offering and become a betting operator which is able to offer the full suite of gaming products (as regulation develops) in an omni-channel environment, including at venues where bets can be placed watching sport, eating and drinking. We anticipate that betting on sports is now more likely to become legalised in the US in the next few years than previously.

We have commenced construction of our 20,000 sq.ft. flagship sports bar, restaurant and betting venue in downtown Stamford, just north of the New York State border, which is due to open in June. We are again partnering with Bobby Valentine for this venue as we did with our Bradley location in the north of Connecticut. Bobby will be relocating his existing Stamford sports bar and restaurant into the new facility which is bigger, better and more centrally located in the city.

Further to this, we remain involved in the ongoing debate and discussions concerning the expansion of slots (a “third casino”) in the State. Our involvement is based on the potential opportunity for the business, but also acts as a defensive move to counter the expected loss of taxation revenues for, and employment in, the State through the future expected opening of new casinos in neighbouring States.

We continue to look for further sites where a betting venue would deliver opportunities to further expand our reach in the State and anticipate opening in Windham next month, together with an additional unit before the end of 2017. Furthermore, we have appointed the land and property consultant, CBRE, to apply to change our permitting (planning) designation, to enable us to realise value from our nine-acre site in New Haven whilst relocating our existing Sports Haven venue. Realising capital next year from this surplus land asset would fund the majority of our venues build out strategy in 2017 and 2018.

We still face competition from unlicensed illegal internet operators who continue to take bets (together with tax and jobs) from Connecticut residents, despite the State’s issue of cease and desist letters. We anticipate support from the State to actively protect the terms of our licence, and to grow in State jobs and State tax revenues.

Our expansion into California gained pace in 2016 with the opening of our first sports bar, restaurant and betting venue, in San Diego, in partnership with The Silky Sullivan Group under the brand name “Striders”. The venue has been steadily building a customer base and increasing its revenues. We have an agreement to develop up to ten similar facilities across Southern California under which the Group currently has approval to construct a second site in the town of Norco and is considering further potential sites.

In The Netherlands, we operate a number of OTBs, point-of-sale terminals and online betting on horseracing, all on an exclusive basis under a licence from the Ministry of Justice. This licence has been extended to June 2017 and we continue to work closely with the Government, the regulator and the horseracing industry regarding the future regulatory plans.

(ii) Sportech Venues: Financial Review

	Revenue		**EBITDA**	
£m	**2016**	2015	**2016**	2015
Connecticut Venues	**29.4**	30.9	**2.5**	2.9
Other Venues	**5.7**	5.7	**0.2**	0.3
FX effect	**—**	(3.9)	**—**	(0.4)
Total	**35.1**	32.7	**2.7**	2.8

* 2015 channel results are at “constant currency”, retranslated using 2016 exchange rates.

Overall revenues for the division have increased from prior year by £2.4m to £35.1m and EBITDA has remained broadly flat at £2.7m. On a constant currency basis, revenue and EBITDA have fallen by £1.5m and £0.5m respectively.

We continue to see the decline in industry handle across the US impacting our Connecticut retail business. However, our online betting platform ("ADW") benefitted from the expected switch towards digital products with a 16% increase in handle. Last year, racing revenue was higher than normal during the Triple Crown season as a result of the interest in American Pharaoh who won all three races, the first horse to do so for 37 years. With no similar contender in 2016, revenues were lower during the Triple Crown season. Offsetting this benefit in 2015, we were also impacted by the closure of a Jai Alai venue which reopened in 2016, although revenues have not returned to levels from prior to the closure.

We are encouraged that our innovative sports bar, restaurant and betting concept is beginning to produce positive results. At our Bradley venue, we now generate a contribution of over $1.0m, which includes, a first-time contribution from food and beverage of $0.2m, with total revenues up by 16%. This bodes well for our new flagship venue which will open in downtown Stamford.

In our other venues in California and The Netherlands the combined revenues and EBITDA were in line with prior year.

The Football Pools

(i) Football Pools: Business Review

We have implemented significant operational and technological change in order to turn around the fortunes of our 93-year-old football gaming business over the past few years. We are pleased therefore that the final important stages in this process were implemented in the year, such that the business now has strong foundations to move forward.

The logistically challenging and cost intensive paper coupon collector network, which has been in decline for many years, was phased out over a number of months and finally closed in June 2016. Customers from this network are now transacting with the business on a subscription or digital basis. A new customer database is now in operation following a lengthy process to move away from old legacy systems, which have now been closed down.

Having made significant improvements in technology, we are now able to extend the distribution of our products digitally through the launch of The Football Pools App, which has been downloaded 20,000 times to date. 6,000 downloads have occurred in the last four weeks since the start of the promotional campaign.

We have also continued to develop new products to drive additional revenues and increase customer engagement. This summer, we have introduced pool games with cash out functionality to footballpools.com and a new online Spot the Ball game to replace the traditional Spot the Ball paper coupon offering.

The significant improvement in the technology base has enabled us to broaden the distribution of our products not just to digital, but also to retail consumers. From the end of January 2017, the traditional Football Pools game is now available to be played in many of the WH Smiths stores nationwide. We have embarked on a supporting digital and TV advertising campaign, as we look to boost our customer numbers.

(ii) Football Pools: Financial Review

	Revenue		EBITDA	
£m	**2016**	2015	**2016**	2015
Continuing channels – subscription and wallet	**28.4**	28.4	**15.0**	14.3
Closed collector channel	**—**	5.4	**—**	0.9
Total	**28.4**	33.8	**15.0**	15.2

Revenues were stable at £28.4m and EBITDA was up by £0.7m to £15.0m when excluding the impact of the contribution last year from the now closed collector channel (which had become loss making in 2016).

Weekly spend per Classic Pools customer has increased by 7% to £3.24 per week. Total new player acquisition in the year was 16,000, with 68% being recruited online. Total customer numbers at 31 December 2016 were 215,000 (2015: 230,000), with 64% of our Classic Pools customer base now playing by direct debit. A continued focus on the cost base has achieved a further reduction of £0.7m in the continuing business, in addition to stripping out £4.5m of costs in relation to the collector channel.

We have announced today the sale of the Football Pools business and have reflected on the carrying value of this division by recognising a goodwill impairment charge of £37.7m. This reduces the carrying value of goodwill to £81.8m. In addition, we have impaired fixed assets by £4.8m, taking the total Football Pools asset impairment to £42.5m.

Corporate costs

Corporate costs of £3.3m (2015: £3.5m) have been reduced by 6% and remain tightly controlled. In addition, we have a non-cash share option credit under IFRS 2 of £0.1m (2015: charge of £0.5m).

Depreciation, amortisation and impairments

The Group's normal depreciation and amortisation charge increased in the period to £8.4m (2015: £7.6m), owing principally to the ongoing investment into our businesses in North America.

The Group has recognised various non-cash impairments to assets across the business, including £42.5m in the Football Pools, £17.2m in Sportech Racing and Digital and £4.0m in Sportech Venues. The impairments were identified through a review of the asset base of each division following the end of modernisation in the Football Pools business, the completion of a six-year road map of software and ancillary product development in Sportech Racing and Digital and a review of fixed assets in Connecticut, as well as our intention to realise value through sale of our venue in New Haven, Connecticut.

The Group incurred a non-cash amortisation charge of £0.6m (2015: £1.2m) on the intangible assets acquired with eBet in 2012, Datatote in 2013 and Bump in 2014.

Net exceptional income

The Group has recorded a pre-tax net gain of £91.0m in relation to the VAT refund which was successfully concluded by the Supreme Court in December 2016. Total income of £93.9m has been received with an expected further £3.0m to be received in the next few weeks. Costs in relation to this successful eight-year legal process of £5.9m have been recognised and are detailed in note 4.

Exceptional costs

The Group has incurred exceptional administration costs of £9.7m (2015: £2.6m) in the year. Of those costs, £2.4m relates to the modernisation of the Football Pools division (representing £2.2m of restructuring costs and £0.2m of losses in winding down and closing the collector channel). Costs of £4.4m (2015: £0.3m) have been incurred in relation to ongoing corporate activity and a loss of £0.7m was realised on the sale of 25% of our holding in NYX Gaming Group Limited. A further £0.5m of redundancy and restructuring costs were incurred within our US business, £1.0m has been provided in respect of irrecoverable VAT on asset impairments and £0.7m of other exceptional costs have been incurred in the year (see note 4 for further analysis). All these costs are considered to be one-off in nature and not relevant to the underlying performance of the Group or of such a size that their exclusion from underlying profits is considered necessary to understand the true performance of the Group.

Net finance costs

The Group has reduced its finance costs by 47% in the year to £1.7m (2015: £3.2m) due to the lower average levels of net debt. In addition, other finance income amounted to £1.1m (2015: £0.6m), representing foreign exchange gains on inter-company loans and cash balances held.

Taxation

A tax charge for the period of £17.6m (2015: £3.0m) has been provided at the weighted average applicable tax rate for the Group of 16.2% (2015: 17.0%) together with the tax effects of permanent differences and other adjustments. The increase in the Group's tax charge is a result of the Spot the Ball net gain. The underlying adjusted effective tax rate has marginally reduced to 22.8% (2015: 23.7%).

Tax has been provided on the net Spot the Ball gain of £91.0m at the UK corporation tax rate of 20%. Impairments to goodwill have impacted the overall effective tax rate, increasing it to 57.3%.

The Group has a net deferred tax asset of £3.1m (2015: £0.5m), representing primarily carried forward net operating losses and foreign taxes withheld which can be utilised against future profits. The Group has made a value adjustment of £3.1m to the carrying value of its carried forward foreign tax credits as a result of a reassessment of future recoverability. Tax payments of £3.1m were made during the year (2015: £2.3m), principally representing final payments for prior-year tax liabilities and overseas tax deducted at source.

VAT claim

On 4 May 2016, the Court of Appeal judges found unanimously in favour of the Group in respect of its £97m VAT reclaim relating to its "Spot the Ball" game. On 13 May 2016, HMRC sought permission from the Court of Appeal to appeal to the Supreme Court, which was refused. We announced on 6 June 2016 that HMRC had lodged an application to appeal directly to the Supreme Court which we were delighted to hear on 8 December 2016 had been refused which brought the litigation to an end in the Group's favour.

The Group has currently received £93.9m and expects to receive the remaining balance within the next few weeks. Following the successful conclusion to this case, the Group has recognised the income net of costs in the income statement.

Cash position and banking facility

The Group ended the year in an adjusted net cash position of £36.5m. Our £50.0m facility with the banking syndicate of Royal Bank of Scotland plc, Barclays Bank PLC and Bank of Scotland plc will be reviewed during 2017. £25.0m of the original facility of £75.0m was cancelled in December 2016 to reduce commitment charges being incurred. The Group's bank leverage covenant under the existing facility is 2.50x in June 2017. There was no leverage to be tested at 31 December 2016.

Foreign exchange

The Group generates approximately 40% and 10% of EBITDA in US dollars and Euros respectively. Movements in overseas currency rates are closely monitored by management and action taken to minimise cash flow risk arising from this. The Group has benefited in its reported results from the weakening of Sterling in 2016; EBITDA in prior year would have been £1.5m higher had 2016 exchange rates prevailed.

Capital expenditure

Capital expenditure in the year of £11.9m (2015: £8.4m) includes platform and product modernisation in the Football Pools, approximately 40% of the Stamford venue build out, and improvements made to the Group's Digital offering.

Distributions to shareholders

The Board has decided to return money to shareholders by way of the Tender Offer announced today. Once the Board has considered the impact of the Tender Offer, the timing of The Football Pools sale and ongoing strategic initiatives, alongside new banking facilities, the Board will determine the appropriate capital structure and ongoing distribution policy. Therefore, no dividend is currently proposed.

Shareholders' funds

Total equity and the Group's net assets at 31 December 2016 have increased to £148.8m (31 December 2015: £126.2m).

Board and employees

In January 2017, Andrew Gaughan was appointed to the Board as an Executive Director having served as President, Sportech Racing and Digital for the last four years. Andrew has extensive experience over the last 20 years in the gaming, technology and horseracing sectors, having previously held senior positions at Scientific Games Corporation, Magna Entertainment Corporation and Woodbine Entertainment Group.

Richard McGuire was appointed as a Non-Executive Director of the Board on 24 August 2016. Richard has extensive experience in capital markets and the leisure and gaming industries.

Rich Roberts, Peter Williams and David McKeith left the Board since the preliminary results announced on 3 March 2016. We would like to thank them for their contributions to the Company.

Sportech is a geographically diverse business which places significant demands upon executives and employees. The Board would like to thank them for their dedication and commitment to the Group.

Outlook

Sportech has been through a transformational period.

We have established a unique position in the regulated gaming market worldwide, most notably with our licensed gaming businesses in the US. Following a number of years of significant investment in our technology, licensing and geographical reach, we are now in a position to grow our business, dispose of surplus property assets, benefit from regulatory change and deliver increased value to our shareholders.

We have had a good start to the year, are trading in line with management expectations, and look forward to delivering a successful 2017.

Ian Penrose
Chief Executive

2 March 2017

Notes

Adjusted performance measures
The Executive Committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This excludes the effects of non-recurring expenditure such as exceptional items and asset impairment charges. The share option expense is also excluded. This measure provides the most reliable indicator of underlying performance of each of the trading divisions. Group adjusted EBITDA for the year increased by £0.7m from £23.1m to £23.8m. An adjusted profit before tax measure is also used in assessing the Group's performance. This is calculated as adjusted EBITDA less share option expense, depreciation and amortisation and finance costs. Again, this is deemed by the Executive Committee to be the most reliable indicator of Group performance. Adjusted profit before tax increased by £2.0m from £11.8m to £13.8m.

The Executive Committee assesses the Group's liquidity using a measure of adjusted net debt which excludes customer funds which the Group does not have beneficial ownership of. It also excludes the VAT refund in the time period prior to it becoming "free and clear" to the Group. This is consistent with the measure used by the Group's lenders to assess the liquidity financial covenant.

Consolidated income statement
For the year ended 31 December 2016

	Note	**2016 £m**	2015 £m
Revenue		**98.6**	100.2
Cost of sales		**(58.6)**	(58.2)
Gross profit		**40.0**	42.0
Distribution costs		**(0.2)**	(0.6)
Administrative expenses		**(98.3)**	(36.3)
Other operating income		**91.0**	8.1
EBITDA before exceptional items, share option expense and impairment of assets		**23.8**	23.1
Share option credit/(expense)		**0.1**	(0.5)
Depreciation and amortisation (excluding amortisation of acquired intangibles)		**(8.4)**	(7.6)
Amortisation of acquired intangibles		**(0.6)**	(1.2)
Impairment of assets		**(63.7)**	(6.1)
Exceptional income	4	**91.0**	8.1
Exceptional costs	4	**(9.7)**	(2.6)
Operating profit		**32.5**	13.2
Finance costs	5	**(1.7)**	(3.2)
Other finance income	5	**1.1**	0.6
Net finance costs		**(0.6)**	(2.6)
Share of loss after tax and impairment of joint ventures and associates		**(1.2)**	(0.9)
Profit before taxation		**30.7**	9.7
Adjusted profit before taxation *		**13.8**	11.8
Taxation	6	**(17.6)**	(3.0)
Profit for the year		**13.1**	6.7
Attributable to:			
Owners of the Company		**13.1**	6.7
Non-controlling interests		**—**	—
		13.1	6.7
Earnings per share attributable to owners of the Company			
Basic	7	**6.4p**	3.3p
Diluted	7	**6.2p**	3.1p
Adjusted earnings per share attributable to owners of the Company			
Basic	7	**5.2p**	4.4p
Diluted	7	**5.0p**	4.2p

* Adjusted profit before taxation is profit before taxation, amortisation of acquired intangibles, impairment of assets, exceptional items, share of loss after tax and impairment of joint ventures and associates, and other finance income.

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	2016 £m	2015 £m
Profit for the year	**13.1**	6.7
Other comprehensive income/(expense):		
Items that will not be reclassified to profit and loss		
Actuarial gain on retirement benefit liability	**—**	0.2
Deferred tax on movement on retirement benefit liability	**—**	(0.1)
	—	0.1
Items that have been reclassified to profit and loss		
Realised fair value loss on available-for-sale financial assets	**0.7**	—
Items that may be subsequently reclassified to profit and loss		
Revaluation of available for sale financial assets	**(1.6)**	(1.6)
Currency translation differences	**10.5**	0.6
	8.9	(1.0)
Total other comprehensive income/(expense) for the year, net of tax	**9.6**	(0.9)
Total comprehensive income for the year	**22.7**	5.8
Attributable to:		
Owners of the Company	**22.7**	5.8
Non-controlling interests	**—**	—
	22.7	5.8

Consolidated statement of changes in equity
For the year ended 31 December 2016

		Attributable to Owners of the Company						
		Other reserves						
	Ordinary shares £m	Share option reserve £m	Pension reserve £m	Currency translation reserve £m	Available-for-sale reserve £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 January 2015	102.6	2.3	(0.6)	(0.1)	—	15.6	—	119.8
Comprehensive income								
Profit for the year	—	—	—	—	—	6.7	—	6.7
Other comprehensive income/(expense)								
Actuarial gain on retirement benefit liability*	—	—	0.1	—	—	—	—	0.1
Revaluation of available for sale financial assets	—	—	—	—	(1.6)	—	—	(1.6)
Currency translation differences	—	—	—	0.6	—	—	—	0.6
Total other comprehensive income/(expense)	—	—	0.1	0.6	(1.6)	—	—	(0.9)
Total comprehensive income/(expense)	—	—	0.1	0.6	(1.6)	6.7	—	5.8
Transactions with owners								
Share option credit	—	0.5	—	—	—	—	—	0.5
Shares issued in relation to PSP	0.5	(0.5)	—	—	—	—	—	—
Changes in ownership interests								
Acquisition of interest in S&S Venues California, LLC	—	—	—	—	—	—	0.1	0.1
Total transactions with owners of the Company	0.5	—	—	—	—	—	0.1	0.6
Total changes in equity	0.5	—	0.1	0.6	(1.6)	6.7	0.1	6.4
At 1 January 2016	103.1	2.3	(0.5)	0.5	(1.6)	22.3	0.1	126.2
Comprehensive income								
Profit for the year	—	—	—	—	—	13.1	—	13.1
Other comprehensive income/(expense)								
Realised fair value losses on available-for-sale financial assets	—	—	—	—	0.7	—	—	0.7
Revaluation of available-for-sale financial asset	—	—	—	—	(1.6)	—	—	(1.6)
Currency translation differences	—	—	—	10.5	—	—	—	10.5
Total other comprehensive income/(expense)	—	—	—	10.5	(0.9)	—	—	9.6
Total comprehensive income/(expense)	—	—	—	10.5	(0.9)	13.1	—	22.7
Transactions with owners								
Share option debit	—	(0.1)	—	—	—	—	—	(0.1)
Total changes in equity	—	(0.1)	—	10.5	(0.9)	13.1	—	22.6
At 31 December 2016	**103.1**	**2.2**	**(0.5)**	**11.0**	**(2.5)**	**35.4**	**0.1**	**148.8**

* Net of deferred tax.

Consolidated balance sheet
As at 31 December 2016

	Note	**2016 £m**	2015 Restated £m
ASSETS			
Non-current assets			
Goodwill	8	**81.8**	121.3
Intangible fixed assets	9	**27.8**	42.1
Property, plant and equipment	9	**26.2**	24.0
Net investment in joint ventures and associates	10	**1.4**	2.1
Trade and other receivables		**2.6**	2.0
Deferred tax assets		**3.1**	1.4
		142.9	192.9
Current assets			
Trade and other receivables		**14.6**	10.9
Inventories		**2.5**	2.1
Available-for-sale financial assets		**1.3**	2.9
Cash and cash equivalents		**39.6**	7.2
		58.0	23.1
TOTAL ASSETS		**200.9**	216.0
LIABILITIES			
Current liabilities			
Trade and other payables	12	**(31.4)**	(23.4)
Financial liabilities	13	**(0.2)**	—
Provisions		**(0.1)**	(0.1)
Current tax liabilities		**(18.1)**	(1.3)
		(49.8)	(24.8)
Net current assets/(liabilities)		**8.2**	(1.7)
Non-current liabilities			
Financial liabilities	13	**(0.1)**	(62.3)
Retirement benefit liability		**(1.7)**	(1.4)
Provisions		**(0.5)**	(0.4)
Deferred tax liabilities		**—**	(0.9)
		(2.3)	(65.0)
TOTAL LIABILITIES		**(52.1)**	(89.8)
NET ASSETS		**148.8**	126.2
EQUITY			
Ordinary shares		**103.1**	103.1
Other reserves		**10.2**	0.7
Retained earnings		**35.4**	22.3
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**148.7**	126.1
Non-controlling interests		**0.1**	0.1
TOTAL EQUITY		**148.8**	126.2

Consolidated statement of cash flows
For the year ended 31 December 2016

	Note	**2016** **£m**	2015 Restated £m
Cash flows from operating activities			
Cash generated from operations, before exceptional items	14	**25.1**	19.3
Interest paid		**(1.9)**	(3.2)
Tax paid		**(3.1)**	(2.3)
Net cash generated from operating activities before exceptional items		**20.1**	13.8
Exceptional cash inflows		**93.9**	—
Exceptional cash outflows		**(6.7)**	(2.3)
Net cash generated from operating activities		**107.3**	11.5
Cash flows from investing activities			
Investment in joint ventures	10	**(0.5)**	(2.5)
Proceeds received on disposal of Sportech-NYX Gaming, LLC		**—**	5.1
Disposal of shares in NYX Gaming Group Limited		**0.6**	—
Purchase of intangible fixed assets	9	**(5.8)**	(4.9)
Purchase of property, plant and equipment	9	**(6.1)**	(3.4)
Net cash used in investing activities		**(11.8)**	(5.7)
Cash flows from financing activities			
Refinancing fee paid – exceptional cost	4	**—**	(0.3)
Net cash outflow from repayment of borrowings		**(62.1)**	(8.0)
Net cash used in financing activities		**(62.1)**	(8.3)
Net increase/(decrease) in cash and cash equivalents		**33.4**	(2.5)
Effect of foreign exchange on cash and cash equivalents		**0.4**	(0.3)
Net cash and cash equivalents at the beginning of the year		**5.8**	8.6
Net cash and cash equivalents at the end of the year		**39.6**	5.8
Represented by:			
Cash and cash equivalents	11	**39.6**	7.2
Bank overdrafts	12	**—**	(1.4)
Net cash and cash equivalents at the end of the year		**39.6**	5.8
Loans repayable after one year	13	**—**	(62.1)
Less customer funds	12	**(3.1)**	(1.4)
Adjusted net cash/(debt) at the end of the year		**36.5**	(57.7)

Notes to the preliminary statement
For the year ended 31 December 2016

1. 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 2016 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

2. 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 2015 financial statements, except for those in relation to presentation of cash balances as outlined in note (h) below. 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 2016 were approved by the Board of Directors on 2 March 2017.

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 2017 (2015: 3 January 2016). For ease of reference in this preliminary announcement, all references to the results for the year are for the year ended 31 December 2016 (2015: 31 December 2015) and the financial position at 31 December 2016 (2015: 31 December 2015).

d. The financial information set out in this announcement does not constitute statutory financial statements for the years ended 31 December 2016 and 2015 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.

h. In March 2016, the IFRS Interpretations Committee ("IFRS IC") issued an agenda decision regarding the treatment of offsetting and cash-pooling arrangements in accordance with IAS 32 *'Financial instruments: Presentation'*. This provided additional guidance on when bank overdrafts in cash-pooling arrangements would meet the requirements for offsetting in accordance with IAS 32. Following this additional guidance, the Group has reviewed its cash-pooling arrangements and has revised its presentation of bank overdrafts to gross up both the cash and overdraft balances at each reporting date. At 31 December 2016, the impact of this is £nil as the Group is not using any of its available overdraft facilities. At 31 December 2015, the Group had overdrafts of £1.4m. This has been presented within trade and other payables in restated financial statements for that year, and the corresponding increase is shown within cash and cash equivalents.

   During this review of the IFRS IC guidance, the Group has also considered the most appropriate presentation of the cash it holds on behalf of customers. As disclosed in its annual financial statements, the Group has historically presented this cash within trade and other payables, offsetting the liability owing to those customers of an equal and opposite amount. Following this guidance, the Group has revised its presentation of customer cash to show as cash and cash equivalents. The liability owing to players is presented gross within trade and other payables. The impact of this at the reporting date is £3.1m of player liabilities being presented within trade and other payables. £1.4m of customer cash held at 31 December 2015 has been presented within trade and other payables in restated financial statements of that period, and the corresponding increase is shown within cash and cash equivalents.

   Both of the above items have no impact on the Group's adjusted net cash/(debt) used for covenant testing purposes at any of the reporting dates.

3. Segmental reporting

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

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. Sales between segments are at arm's length.

The Group has identified its business segments as outlined below:

- Football Pools – Football Pools and associated games through traditional channels such as mail, telephone, retail outlets, third-party licensed betting offices, and through online and digital channels;
- Sportech Racing and Digital – provision of pari-mutuel wagering services and systems worldwide, principally to the horseracing industry;
- Sportech Venues – off-track betting venue management; and
- Corporate costs – central costs relating to the Company in its capacity as the PLC holding company of the Group.

	2016					
	Football Pools	Sportech Racing and Digital	Sportech Venues	Corporate costs	Inter-segment elimination	Total
	£m	£m	£m	£m	£m	£m
Revenue from sale of goods	**28.4**	**5.8**	**—**	**—**	**—**	**34.2**
Revenue from rendering of services	**—**	**30.2**	**35.1**	**—**	**(0.9)**	**64.4**
Total revenue	**28.4**	**36.0**	**35.1**	**—**	**(0.9)**	**98.6**
EBITDA before exceptional items, share option expense and impairment of assets	**15.0**	**9.4**	**2.7**	**(3.3)**	**—**	**23.8**
Share option credit	**—**	**—**	**—**	**0.1**	**—**	**0.1**
Depreciation and amortisation (excluding amortisation of acquired intangibles)	**(2.0)**	**(5.0)**	**(1.3)**	**(0.1)**	**—**	**(8.4)**
Segment result before amortisation of acquired intangibles, impairment of assets and exceptional items	**13.0**	**4.4**	**1.4**	**(3.3)**	**—**	**15.5**
Amortisation of acquired intangibles	**—**	**(0.6)**	**—**	**—**	**—**	**(0.6)**
Impairment of assets	**(42.5)**	**(17.2)**	**(4.0)**	**—**	**—**	**(63.7)**
Exceptional income	**96.8**	**—**	**—**	**(5.8)**	**—**	**91.0**
Exceptional costs	**(3.4)**	**(1.6)**	**(0.3)**	**(4.4)**	**—**	**(9.7)**
Operating profit/(loss)	**63.9**	**(15.0)**	**(2.9)**	**(13.5)**	**—**	**32.5**
Net finance costs						**(0.6)**
Share of loss after tax and impairment of joint ventures and associates						**(1.2)**
Profit before taxation						**30.7**
Taxation						**(17.6)**
Profit for the year						**13.1**

	2015					
	Football Pools £m	Sportech Racing and Digital £m	Sportech Venues £m	Corporate costs £m	Inter-segment elimination £m	Total £m
Revenue from sale of goods	33.8	4.7	—	—	—	38.5
Revenue from rendering of services	—	29.9	32.7	—	(0.9)	61.7
Total revenue	33.8	34.6	32.7	—	(0.9)	100.2
EBITDA before exceptional items, share option expense and impairment of assets	15.2	8.6	2.8	(3.5)	—	23.1
Share option expense	—	—	—	(0.5)	—	(0.5)
Depreciation and amortisation (excluding amortisation of acquired intangibles)	(1.8)	(3.8)	(1.3)	(0.7)	—	(7.6)
Segment result before amortisation of acquired intangibles, impairment of assets and exceptional items	13.4	4.8	1.5	(4.7)	—	15.0
Amortisation of acquired intangibles	—	(1.2)	—	—	—	(1.2)
Impairment of assets	—	(6.1)	—	—	—	(6.1)
Exceptional income	—	8.1	—	—	—	8.1
Exceptional costs	(0.2)	(1.5)	(0.2)	(0.7)	—	(2.6)
Operating profit/(loss)	13.2	4.1	1.3	(5.4)	—	13.2
Net finance costs						(2.6)
Share of loss after tax and impairment of joint ventures						(0.9)
Profit before taxation						9.7
Taxation						(3.0)
Profit for the year						6.7

4. Exceptional (income)/costs

	2016 £m	2015 £m
Included in administrative expenses:		
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	**2.7**	1.0
Losses incurred post collector channel closure announcement	**0.2**	—
Costs incurred in relation to California contract exit	**0.2**	0.6
Transaction costs	**4.4**	0.3
Costs incurred in relation to New Jersey data outage	**0.2**	—
Licensing costs in New Jersey in respect of the acquisition of Sportech Racing	**—**	0.3
Costs in relation to the set up of joint ventures	**0.1**	0.2
IFRS 3 employment costs in relation to Datatote (England) Limited and Bump Worldwide Inc.	**0.1**	0.2
Release of deferred consideration accrued for Datatote (England) Limited	**—**	(0.2)
Fair value losses realised in respect of shares held in NYX Gaming Group Limited	**0.7**	0.2
Charges arising as a result of asset impairments	**1.0**	—
Other exceptional items	**0.1**	—
	9.7	2.6

	2016 £m	2015 £m
Included in other operating income:		
Net gain on disposal of Sportech-NYX Gaming, LLC	**—**	(8.1)
Net gain on successful outcome of Supreme Court Spot the Ball ruling	**(91.0)**	—
	(91.0)	(8.1)
Included in net finance costs:		
Refinancing fee	**—**	0.3
Movement on derivative financial instruments post designation as ineffective	**—**	(0.5)
	—	(0.2)
Total exceptional income	**(81.3)**	(5.7)

On 8 December 2016, the Supreme Court refused HMRC's request for permission to appeal the Court of Appeal's judgment in the Group's favour in respect of its Spot the Ball ruling. Accordingly, the principal amount refunded of £43.5m, together with related simple interest of £53.4m has been recognised as exceptional income in the year, net of costs relating to the claim totalling £5.9m.

An analysis of the costs in relation to the claim is shown below:

	£m
Advisor fees	**3.8**
Executive Director and employee bonuses	**1.9**
Other costs	**0.2**
	5.9

The Group announced the closure of its Football Pools collector channel in January 2016. After this announcement, the net revenue and costs generated from this channel are deemed to be non-core trading of the Group and are exceptional in nature. Accordingly, the net losses of £0.2m have been presented as exceptional costs. Those losses are incurred after generating revenues from this channel of £1.3m in the period to closure.

5. Net finance costs

	2016 £m	2015 £m
Finance costs:		
Interest payable on bank loans, derivative financial instruments and overdrafts	**1.7**	3.2
Other finance income:		
Refinancing fee	**—**	0.3
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	**(1.1)**	(0.4)
Movement on derivative financial instruments post designation as ineffective	**—**	(0.5)
Net finance costs	**0.6**	2.6

6. Taxation

	2016 £m	2015 £m
Current tax:		
Current tax on profit for the year	**19.5**	2.8
Adjustments in respect of prior years	**0.2**	0.4
Total current tax	**19.7**	3.2
Deferred tax:		
Origination and reversal of temporary differences	**(5.8)**	0.7
Effect of changes in tax rates	**0.1**	(0.1)
Adjustments in respect of prior years	**0.5**	(0.8)
Derecognition of previously recognised deferred tax assets	**3.1**	—
Total deferred tax	**(2.1)**	(0.2)
Total taxation charge	**17.6**	3.0

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:

	2016 £m	2015 £m
Profit before taxation	**30.7**	9.7
Add share of loss after tax and impairment of non-US based joint ventures and associates	**0.1**	0.9
Profit before taxation and share of loss after tax of UK joint ventures	**30.8**	10.6
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	**5.0**	1.8
Tax effects of:		
– permanent differences	**8.7**	1.7
– effect of changes in tax rates	**0.1**	(0.1)
– adjustments in respect of prior years – current tax	**0.2**	0.4
– adjustments in respect of prior years – deferred tax	**0.5**	(0.8)
– Derecognition of previously recognised deferred tax assets	**3.1**	—
Total taxation charge	**17.6**	3.0

Share of loss after tax and impairment of joint ventures excludes the loss after tax and impairment of US joint ventures as these are taxed within US taxable profit and therefore do not form a difference to the expected tax charge.

The weighted average applicable tax rate was 16.2% (2015: 17.0%).

Included within permanent differences in 2016 is the tax effect at 20% of the £37.7m impairment of goodwill attributable to the Football Pools, and the tax effect at 34% of the £1.8m impairment of goodwill attributable to eBet Online, Inc., for which no tax relief is received. Additionally, certain transaction costs incurred in the UK are not deductible for corporation tax purposes. Finally, foreign taxes deducted at source amount to a difference of £0.7m due to a 34% deduction being taken for the payments in the year rather than carrying forward the gross credits to set off against future taxable income.

Tax on the net Spot the Ball exceptional income has been provided at 20%. It is possible that capital losses of £23.0m may be able to be offset against the gain to reduce taxation on this gain by £4.6m. This is an uncertain tax position and therefore the charge has been provided for in full in these financial statements. No deferred tax is recognised on the capital losses being carried forward.

Derecognition of previously recognised deferred tax assets relates to deferred tax on foreign tax credits carried forward which are considered not to be recoverable in full as at 31 December 2016 as had previously been expected, due to changes in underlying taxable profit forecasts.

7. Earnings per share

The calculations of earnings per share ("EPS") are based on the following profits attributable to ordinary shareholders and the weighted average number of shares in issue:

	2016 £m	2015 £m
Profit attributable to the owners of the Company	**13.1**	6.7
Weighted average number of ordinary shares in issue ('000)	**206,238**	206,051
Basic earnings per share	**6.4p**	3.3p

The calculations of adjusted EPS are based on the following profits attributable to ordinary shareholders, the weighted average number of shares and an estimated adjusted tax charge of 22.8% (2015: 23.7%). The adjusted tax charge is based on adjusted profit before tax as defined in the income statement. Therefore the tax effect of these items is excluded.

	2016			2015		
	Profit £m	**Weighted average number of shares '000**	**Per share amount Pence**	Profit £m	Weighted average number of shares '000	Per share amount Pence
Adjusted profit before taxation	**13.8**	**206,238**	**6.7**	11.8	206,051	5.7
Tax at 22.8% (2015: 23.7%)	**(3.1)**	**206,238**	**(1.5)**	(2.8)	206,051	(1.3)
Adjusted basic EPS	**10.7**	**206,238**	**5.2**	9.0	206,051	4.4

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. In 2015, 202,020 employee options were excluded from the calculated diluted EPS as their exercise price was greater than the weighted average share price during the year and therefore would not be dilutive. Those options lapsed during the year. The weighted average number of shares that do have a dilutive effect on adjusted EPS is 5,457,000 (2015: 8,191,000). Diluted basic earnings per share is 6.2p (2015: 3.1p) and diluted adjusted EPS is 5.0p (2015: 4.2p).

8. Goodwill

	2016			2015
	Football Pools £m	**eBet Online £m**	**Total £m**	Total £m
Cost				
At 1 January and 31 December	165.5	5.5	**171.0**	171.0
Accumulated impairment charges				
At 1 January	(46.0)	(3.7)	**(49.7)**	(46.0)
Impairment charged to income in the year	(37.7)	(1.8)	**(39.5)**	(3.7)
At 31 December	(83.7)	(5.5)	**(89.2)**	(49.7)
Opening net book value	119.5	1.8	**121.3**	125.0
Closing net book value	81.8	—	**81.8**	121.3

Goodwill arose on three historic acquisitions made by the Group: the acquisition of Littlewoods Leisure, including the Littlewoods Football Pools business, in September 2000, amounting to £145.2m; the acquisition of Vernons Football Pools in December 2007, amounting to £20.3m; and the acquisition of eBet Online Inc. in December 2012, of £5.5m. The goodwill from the Littlewoods Leisure and Vernons acquisitions is attributed to the Football Pools segment. The goodwill from eBet Online, Inc. is attributable to the Racing and Digital segment.

During the year, the Group carried out its annual impairment review of the carrying value of its goodwill. Those impairment reviews include the goodwill relating to those business units, together with the assets that they hold at the reporting date, in considering whether an impairment exists.

It was concluded that the value in use of the Football Pools segment was £86.9m, relative to a goodwill value of £119.5m and other assets of £5.1m. An impairment charge of £37.7m has therefore been expensed to the income statement. It was also concluded that the value in use of eBet was £3.6m, relative to a goodwill value of £1.8m and other assets of £3.6m, so an impairment charge of £1.8m has been recognised in the year. Both impairments have been recognised in administrative expenses.

9. Intangible fixed assets and property, plant and equipment

	2016 £m	2015 £m
Net book amount at the beginning of the year	**66.1**	67.0
Additions	**11.9**	8.4
Acquisition of interests in S&S Venues California, LLC	**—**	0.6
Depreciation and amortisation	**(9.0)**	(8.8)
Impairments	**(24.2)**	(2.4)
Exchange differences	**9.2**	1.3
Net book amount at the end of the year	**54.0**	66.1

Both Sportech Racing and Digital and the Football Pools division own their in-house developed, proprietary software. The largest component of this relates to Racing and Digital and its pari-mutuel software serving racing customers worldwide. This software was originally estimated to have a useful life of 15 years. During the year the Group reviewed the carrying value of this software in response to the review of certain intangible assets within the Racing and Digital division and the increased spend required during the year and previous year to enhance this software and ensure it continued to meet the needs of the Group's customers. It was found that the software had a shorter life than was previously forecast and that the value of the software is reduced relative to that previously estimated.

Sportech Racing and Digital carried out an impairment review of its intangible assets following reaching the end of a six year road map for development of the tote software, online platform and ancillary products. The division is now committed to transferring all its customers onto the primary platform of G4 from legacy platforms. As a result, early development costs of the new software, plus legacy software costs and certain tangible assets, have been impaired.

Subsequent to the completion of the modernisation programme within the Football Pools division which commenced five years ago, and the closure of the Collector channel during the year, management reviewed the carrying value of the assets of the business now that decline has been stabilised and the business has redefined its strategy. Several assets were identified as impaired as a result.

The Group's annual impairment review in respect of its perpetual licence to offer pari-mutuel off-track betting in Connecticut identified a value in use lower than the carrying value. Changes to the Group's strategy in respect of certain assets held, including its Sports Haven premises which is expected to be demolished and the land sold for development, have also triggered impairments in the Sportech Venues segment.

10. Net investment in joint ventures and associates

The Group held the following investments in joint ventures and associates during the period:

Entity name	Description	Country of incorporation	Year of investment	% holding
Sportshub Private Limited ("Sportshub")	Provides a suite of prediction and fantasy games centred on cricket, football and Formula One	India	2008	50
S&S Venues California, LLC ("S&S Venues")	Sports bar with wagering facilities in California	US	2013	50
DraftDay Gaming Group, Inc ("DraftDay)	Daily fantasy sports business operating in the US	US	2015	30

Movements in the Group's net investments in joint ventures and associates in the period are outlined below:

	2016				2015
	S&S Venues £m	**DraftDay £m**	**Sportshub £m**	**Total £m**	Total £m
Opening net investment	1.2	0.4	0.5	**2.1**	2.2
Additions	0.2	0.3	—	**0.5**	3.1
Acquisition of controlling interest in S&S Venues California, LLC	—	—	—	**—**	(0.5)
Disposal	—	—	—	**—**	(1.9)
Share of loss after tax	(0.2)	(0.3)	(0.1)	**(0.6)**	(0.7)
Impairment	—	(0.5)	(0.4)	**(0.9)**	(0.2)
Currency differences	0.2	0.1	—	**0.3**	0.1
Closing net investment	1.4	—	—	**1.4**	2.1

DraftDay
The Group's obligation to provide management services to DraftDay came to an end on 4 July 2016, subject to the provision thereafter of transitional services for a 45-day period. In return for negotiating an early exit to the management services agreement, the Group has surrendered an equity stake in the business, reducing its equity stake from 39% to 30%. It also surrendered its Board representation in DraftDay. From that point, the Group no longer exerts significant influence on the business and ceased accounting for it as an associate. Prior to the surrender of this equity, the Group reviewed the recoverable value of its investment in DraftDay and impaired the balance in full.

When the 45-day transitional period ended, the Group had a corresponding liability of £0.3m to provide future services to DraftDay which it has been released from. This accrual originally represented the cost of investment to the business in acquiring its original 39% stake in DraftDay. This has been released in full and credited to the income statement, offsetting the impairment of its investment recognised within "share of loss after tax and impairment of joint ventures and associates".

SportsHub
Indicators of impairment arose during the year with respect to the Group's investment in SportsHub. Accordingly, this investment has been impaired in full and £0.4m has been expensed to the income statement.

11. Cash and cash equivalents

	Note	**2016 £m**	2015 Restated £m
Cash and short-term deposits		**36.5**	5.8
Customer funds	12	**3.1**	1.4
Total cash and cash equivalents		**39.6**	7.2

12. Trade and other payables

	Note	**2016 £m**	2015 Restated £m
Trade payables		**10.2**	6.1
Other taxes and social security costs		**1.8**	1.6
Accruals		**13.1**	9.5
Deferred income		**3.2**	3.4
Player liability	11	**3.1**	1.4
Bank overdrafts		**—**	1.4
Total trade and other payables		**31.4**	23.4

13. Financial liabilities

	2016 £m	2015 £m
Current		
Deferred consideration due after one year	**0.2**	—
Non-current		
Drawn revolving credit facility due after one year	**—**	62.1
Deferred consideration due after one year	**0.1**	0.2
Total financial liabilities	**0.3**	62.3

Deferred and contingent consideration due totalling £0.3m represents management's best estimate of the consideration to be paid in acquiring Bump. The agreed contingent consideration was subject to amendment during the year, with the amount payable now split between the following two elements:

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

The maximum amount payable as contingent consideration is £5.1m. 75% of the total estimated is payable in July 2017, with the remaining balance payable in July 2018.

The Directors believe that a sum of £0.4m will be payable in respect of these performance targets. This is treated as employment costs under IFRS 3 "Business Combinations" (revised) and is accordingly accrued on a time apportioned basis to 31 December 2017.

During the year ended 31 December 2016, the Group repaid its debt facility in full (2015: repaid £8.0m). £25.0m of the available facility was also cancelled by the Group on 22 December 2016, as it was deemed surplus to requirements. The remaining £50.0m facility remains available to the Group if required from its existing lenders.

14. Cash flow from operating activities

Reconciliation of profit before taxation to cash flows from operating activities

	2016 £m	2015 £m
Profit before taxation	**30.7**	9.7
Adjustments for:		
Net exceptional income	**(81.3)**	(5.7)
Share of loss after tax and impairment of joint ventures and associates	**1.2**	0.9
Depreciation	**3.5**	3.3
Amortisation of acquired intangibles	**0.6**	1.2
Amortisation of other intangibles	**4.9**	4.3
Impairment of assets	**63.7**	6.1
Finance costs	**1.7**	3.2
Other finance income, excluding exceptional finance items	**(1.1)**	(0.4)
Share option (credit)/expense	**(0.1)**	0.5
Changes in working capital:		
Decrease/(increase) in trade and other receivables	**0.9**	(0.1)
Increase in inventories	**—**	(0.6)
Increase in trade and other payables excluding player liabilities	**(1.3)**	(2.2)
Increase/(decrease) in customer funds	**1.7**	(0.9)
Cash generated from operating activities before exceptional items	**25.1**	19.3

15. Contingencies

In December 2016, the Supreme Court denied HMRC's request to appeal the judgement in the Group's favour on the £96.9m VAT repayment claim. As a result the litigation came to a conclusion and the £96.9m became a Group asset unconditionally (see note 4).

In addition to £93.9m received by the Group by July 2016, the Group is due to receive approximately £3.0m further, which is in relation to VAT of £1.8m and approximately £1.2m in interest. The amount of interest may vary from that estimated in the accounts.

The Group has also lodged a claim for overpaid VAT for the period 2009 to 2012 for £0.5m and will also be claiming for overpaid VAT in the period 2013 to 2016 of £0.3m. It is uncertain as to whether these amounts will be repaid and hence the amounts have not been accrued for in the financial statements. There could be interest applied to these amounts also but with interest rates of between 0% and 0.5% during this period, this is likely to be immaterial.

There is likely to be an impact on the partial exemption recovery that the Group has made during the period from 2009 to 2016, and it is possible that a different tax could be applied to the Spot the Ball revenues for this time period. The Group is unable to accurately estimate the quantum of these items and is uncertain of the potential liability.

The Group is entitled to claim costs from HMRC in relation to the litigation which was ultimately found in the Group's favour. No claim has yet been made and it is uncertain as to the level of costs which are recoverable.

The Group has lodged a claim for compound interest as opposed to simple interest already received. The claim is stayed behind the lead case of Littlewoods Retail Limited and Others which is due to be heard at the Supreme Court in July 2017. A result would be expected around six months following this hearing.

Accordingly, none of the above items have been recognised in the Group's financial statements.

16. Post balance sheet events

The Board announced today the disposal of its Football Pools division to Op Capita for cash consideration of £83.0m. The disposal is anticipated to complete by the end of May 2017, which is conditional upon the purchaser receiving a licence from the Gambling Commission and Sportech shareholder approval. It is estimated that the disposal will result in no material pre tax gain or loss to the Group in the 2017 financial statements. A corporation tax charge will also arise on disposal which is estimated to be £6.0m.

17. Related party transactions

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

a. Key management compensation is disclosed below:

	2016 **£m**	2015 £m
Short-term employee benefits	**2.5**	1.6
Post-employment benefits	**0.1**	0.1
Termination payments	**0.2**	—
Share-based payments	**(0.2)**	0.3
Total	**2.6**	2.0

b. The Group invested cash into its joint ventures and associates in the year as outlined in note 10. There were no trading transactions between the Group and any of its joint ventures or associates, and no amounts are therefore outstanding at year end.

18. AGM

The Annual General Meeting will be held at 10.00 a.m. on 24 May 2017 at the offices of Olswang LLP, 90 High Holborn, London WC1V 6XX.

-Ends-