For immediate release **21 March 2019**

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 2018.

<u>Financial</u>

- Revenues at £63.7 million, 3.9% lower than reported for 2017 (2017: £66.3 million)
- Adjusted EBITDA[1] at £8.0 million, 18.8% higher (prior to sports betting investment) (2017: £6.7 million)
- Statutory loss before tax from continuing operations of £2.4 million (2017: £23.2 million)
- Adjusted profit before tax[2] from continuing operations (prior to sports betting investment) £2.0 million (2017: £1.5 million)
- Cash, net of customer balances at 31 December 2018 of £14.7 million (2017: £15.9 million)

<u>2018 Group Developments</u>

- Appointment of Richard McGuire as Interim Executive Chairman
- Appointment of Thomas Hearne to the position of Chief Financial Officer
- Completed sale of Sportech Racing BV in the Netherlands and closed central London office
- Conducted independent technology review, which led to acquisition of new digital tech business[3]
- Bump 50:50 division added twenty new professional and collegiate sports teams to its customer roster
- Delivered US sports betting presentation to numerous business clients, regulators and legislators
- Commenced campaign to provide sports betting solutions to US clients
- Commenced campaign, seeking to extend current Connecticut licensing to cover sports betting

1. Excludes sports betting investments during the period, amounting to £1,428k. Sports betting investment includes lobbying costs, additional staff costs, travel and consultants, and also includes an allocation of senior management time.
2. Adjusted profit before tax from continuing operations is the aggregate of adjusted EBITDA pre sports betting investment, normalised share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles), and net finance income/(charges).
3. Announced intent in 2018 and completed acquisition of Lot.to Systems Limited in 2019.

Richard McGuire, Executive Chairman of Sportech, said:

"The Group enters 2019 with a renewed impetus to drive operational efficiency across all business divisions and deliver an enhanced customer experience. Growth opportunities exist with the launch of new betting products and features and a resolute progress towards a future in US sports betting across both our business and our consumer-facing divisions. The acquisition of the Lot.to Systems platform and talent show a clear focus on developing digital initiatives further, which supports our continued evolution to deliver growth and drive operational efficiency."

Analyst briefing:
An analyst presentation will be held at 9:30am (GMT) at Buchanan Communication, 107 Cheapside, London EC2V 6DN. A presentation replay facility will be available later today on Sportech's corporate website: http://webcasting.buchanan.uk.com/broadcast/5c90f969a2edb452af38548e.

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Notes to Editors:

About Sportech
Sportech PLC, the international betting technology business, provides and operates betting technology solutions for some of the world's best-known gaming companies, sports teams, and horse and greyhound racetracks, as well as owning and operating its own gaming venues in Connecticut under exclusive licences.

The Group focuses on highly regulated markets worldwide. It has more than 27,000 betting terminals deployed to over 400 clients in 37 countries. Its global systems process US$12 billion in betting handle annually. In the US, it operates under 35 licences across 37 states. The Group has invested over US$60 million in the last five years in the successful expansion of its US gaming Venues and in developing its technology services, resulting in its proprietary Quantum™ System being the most widely deployed pari-mutuel betting system globally.

Executive Chairman's Statement

Sportech faced many challenges in 2018. Management attention was diverted early in the year due to the Formal Sale Process, a consequence of attracting interest from would-be suitors. In addition, further senior leadership changes were announced towards the end of the period, which will result in numerous changes to the way we will operate the Company going forward.

In addressing these hurdles, we are focused on executing a clear strategy to deliver growth opportunities across all business lines, whilst simultaneously and aggressively managing the cost base. Cost reviews and reforms will continue into 2019 as we look to manage operational efficiencies across all areas of our business.

The year brought some significant changes at the executive and board level. Tom Hearne was appointed as our new Chief Financial Officer and an Executive Board member, and we also welcomed Chris Rigg as a new Non-executive Director to the Board. In November 2018, CEO Andrew Gaughan announced that he would be stepping down in early 2019. 2018 also recorded the departure of Non-executive Director, Richard Cooper. On behalf of the Group and the Board of Directors, I offer thanks to Richard Cooper for his dedicated service and to Andrew Gaughan for his leadership, not only as CEO but also for many years as President of Sportech Racing and Digital.

The Group concluded its strategic review in 2018 and we have commenced implementation of certain tasks to manage the cost base. The results of this initiative were vital to the Group's net performance in 2018 as we offset a marginal decline in revenues with a 18.8% year on year increase in adjusted EBITDA before sports betting costs. Our new management's vigilance in controlling costs will be a critical continued focus, while challenging and changing previous assumptions, behaviours, and processes. We see this as a key component to shifting the Group's market position, and to supporting the development of our entrepreneurial culture to quickly and adeptly explore new opportunities as they arise.

The Racing and Digital division maintained its global position in pari-mutuel betting solutions, recording numerous contract successes and implementing enhancements to our core technology base for future growth. Bump 50:50, our digital sports raffle business, continued its expansion programme, adding new teams and events to its impressive roster while renewing numerous relationships with key clients. Sportech Venues, burdened with a significant fixed cost base, is seeking emerging opportunities, including the anticipated legalisation of sports betting in Connecticut.

In implementing changes to the Group's culture, focus and prospects, we place significant emphasis on providing a superior service to our clients while demonstrating our team has the appropriate dedication, determination, and skill sets to achieve this goal. One step forward in delivering on this objective was the Group's announcement in December 2018 of our interest in acquiring Lot.to Systems Limited (Lot.to), a UK-regulated iGaming platform, and its team.

This transaction was completed in early 2019. Although Sportech delivers a successful lottery platform within its Racing and Digital division, geographical growth beyond a significant single client has eluded our Company historically. This acquisition will immediately support client growth initiatives and provide the required depth to deliver solutions to a wider range of clientele. The Lot.to team have already engaged with numerous clients to develop solutions to meet their needs under the Sportech banner and we anticipate recording contractual successes through 2019 and beyond.

In addition to the growth opportunities, the acquisition adds a team of digital betting specialists with mobile-first expertise and modular gaming technology capabilities, enabling us to be more dynamic and agile. This will position the business to adapt to different geographical and operator demands more quickly than others, and better serve a mobile-hungry audience in real-time, essential for online gambling operators addressing different markets. We are integrating the businesses to enhance Sportech's current lottery product offering with digital and mobile-first options and to introduce Lot.to's innovative lottery games to Sportech's global customer base of licensed gaming operators.

We are proud of our Bump 50:50 team's continued success and achievements. In adding 20 new clients and renewing 20 standing clients' contracts in 2018, Bump's scope has expanded from a range of professional and collegiate athletic organisations to include coverage for other genres of large-scale entertainment events. To further increase their prospects, we continue to invest in their technology platform and development team to facilitate future geographic and online expansion. The Division continues to deliver mobile and web platforms, where permitted, and to explore other new opportunities in a competitive environment.

In prior years, we had highlighted our planning and positioning for the introduction of sports betting across the US. Following the repeal of the Professional and Amateur Sports Protection Act of 1992 ("PASPA") in May 2018, this potential became a clear ambition for the Company. We held a sports betting conference in Connecticut attended by significant clients, regulators, legislators, and partners from across the US to address issues around the opportunity, and to introduce Sportech's position on sports betting in Connecticut, and Sportech's solutions to the industry. The Racing and Digital division also commenced a B2B sales and marketing campaign to customers considering sports betting, as legal options in their states emerge.

In Connecticut, where sports betting has not yet been legalised by the State Legislature, we commenced a strategic communications campaign in 2018 that expanded significantly into 2019 to drive our position in seeking an appropriate right to deliver legal sports betting across our Connecticut venues and through the intra-state web and mobile betting service. The campaign is extensive and consists of both legislator and consumer-facing messaging, lobbying, and public relations activities. Sports betting licensing acquisition in Connecticut remains a critical focus for the Group and includes dedicated senior management engagement to support our local efforts and initiatives in positioning the business appropriately.

This year, the Group developed new branding for the Connecticut MyWinners.com and Winners business to ensure the Winners brand appeals to an anticipated new and dynamic demographic in the Connecticut market.

Management has continued our lobbying and communications efforts for enforcement of protections of Sportech's exclusive Advance Deposit Wagering ("ADW") licence in Connecticut. Currently, unlicensed and untaxed out-of-state ADW operators continue to accept Connecticut wagers, in violation of Sportech's exclusive licence and despite being issued cease and desist letters from the State's Attorney General's office. Whilst the proposed bills were not successful in the 2018 legislative session, we anticipate another opportunity to address this loophole for illegal, out-of-state competitors as the State's attention is focused on a variety of gambling-related and taxation topics.

The Group continues to implement changes designed to streamline and enhance operations, including the consolidation of accounting functions to Sportech's North American headquarters in Connecticut. We have also created a task force led by Sportech Racing and Digital's Global Operations Director to identify, evaluate, and pursue opportunities to optimise the Division's terminal hardware products.

Each year, we face contractual renewal challenges as previous agreements mature in an extremely competitive landscape. We are working on extending contracts across our business lines, and we are engaging with clients to secure long-term extensions on mutually beneficial terms. We shall keep the market and shareholders appraised of our progress.

The Group's risk management strategy considers risks arising from each area of the business and principal risks to the Group are described in detail in the "Risk Management" section of the Annual Report. The Group view the potential risks associated with "Brexit" to be immaterial to the business due to the global, primarily North American, focus of our business operations and our customer base.

On behalf of all the shareholders, I extend our thanks to our tireless staff. As a service business, our employees' dedication, commitment and drive to deliver superior products and exceptional service is, and will continue to be, critical to our success. I applaud our colleagues and their efforts as we transition to a more entrepreneurial culture to face and conquer the numerous challenges before us, twenty-four hours a day, seven days a week.

The Group enters 2019 with determination to drive capital efficiencies across every division and to convert significant opportunities for growth in revenues and client base. With the launch of new betting products and features, the acquisition of an impressive iLottery platform, and a clear focus on enhancing digital initiatives, we are well positioned for the continued evolution in our industry.

Operating Review of the Business

2018 was a challenging period, resulting in a 0.9% decline in revenue performance on a constant currency basis. Our focus on the operational cost base, however, resulted in a 22.3% improvement on adjusted EBITDA before sports betting costs, on a constant currency basis. In 2017, we invested heavily in our Venues business in anticipation of likely growth from the advent of legalised sports betting. 2018 brought further investment towards developing our sports betting opportunities both in B2B and in our Connecticut consumer business. In Connecticut, the General Assembly legislative session is expected to adjourn on 5 June 2019, so whilst investment will continue in 2019, we anticipate starting to comment on returns during 2019. We remain dedicated to meeting these challenges by providing our clients with a superior product and service delivery, and further enhancing our product range and digital experience to meet our expectations.

In 2018 the Group had two operating divisions, Sportech Racing and Digital (including Bump 50:50) and Sportech Venues.

Sportech Racing and Digital

Sportech Racing and Digital provides pari-mutuel betting technologies and services to 293 racetracks, off-track betting network, casino, lottery, and online operator customers, plus an additional 147 commingling customers, in 37 countries and 37 US states. The total net customer count remains unchanged from 2017, with lost/closed customers offset by new contracts. The Division has over 27,000 betting terminals, 26 white-label betting websites, and 24 white-label mobile apps deployed worldwide, and our pari-mutuel systems annually process US$12 billion in betting handle.

		Reported
£'000	**2018**	**2017**
Service revenue	32,278	34,080
Sales revenue	1,726	1,389
Total revenues	34,004	35,469
Contribution	29,277	30,380
Contribution margin	86.1%	85.7%
Adjusted operating expenses (net)	(20,634)	(22,672)
Adjusted EBITDA	8,643	7,708
Internal software capitalised	2,923	3,026
Purchase of other intangibles	172	865
Purchase of PPE	1,529	1,281
Total capex in year	4,624	5,172

*Table above includes results of Bump 50:50

Service revenues reflect higher Digital and Bump 50:50 revenues offset by contract losses in Canada and the US in late 2017.

Developments during the year

Sportech Racing and Digital continues to evolve its proprietary Quantum™ System software, the most widely deployed pari-mutuel betting software in the world. In 2018, the Division delivered a significant system upgrade that included popular numbers-based lottery games previously offered only to a single customer through a legacy system. The addition of these lottery games to Quantum™ now makes them available to a wider market, which we are focused on developing.

The menu of pools and bet types supported by Quantum™ System was also significantly expanded to include the full range of popular exotics offered by Pari Mutuel Urbain of France, ZeTurf of France, Hong Kong Jockey

Club, and Macau Jockey Club. Continually updating and expanding the list of pools and bet types helps maintain interest in high-value global commingling connections between Sportech's customers.

Along with product and feature upgrades to Quantum™ System, the Division's technology team also completed critical regulatory and legal projects to allow our customers to remain compliant with important requirements, including the delivery of an audit solution to Danske Spil of Denmark and a fully-automated IRS aggregation for our US clients.

In digital products and services, the Division rolled out a significant update of the G4 white-label betting website to current G4 customers. We deployed new G4 platforms for Parx Racing, Saratoga Casino Hotel, and Jockey Club del Perú, and delivered new Digital Link® mobile betting solutions to Parx Racing and Saratoga Casino Hotel. The Division also introduced a tablet-based update to its Walk About teller device, using Sportech's proprietary wireless teller software and off-the-shelf hardware to deliver the full range of teller services.

Sportech Racing and Digital's North American footprint widened with the execution of new, long-term contracts and the signing of contract extensions with eighteen clients. This included tote contract extensions with Nassau Regional Off-track Betting Corporation, Monmouth Park, Camarero Racetrack of Puerto Rico, and Saratoga Casino Hotel. It also includes a new digital services agreement with Parx Racing, and a contract with new client, Arizona Downs.

Sportech Racing and Digital's footprint also expanded in Europe, with two new commingling customers, Norsk Rikstoto and OPAP. Norsk Rikstoto is the foundation that supervises pari-mutuel betting on horseracing in Norway. OPAP holds the exclusive rights to numerical lotteries and sports betting in Greece. In addition, the Division struck a new contract with Ladbrokes/Coral for centralised tote operation of their four UK greyhound racetracks, and a service contract for terminal maintenance at Ascot Racecourse. These new agreements leverage Sportech's Quantum™ System software, European operations, and Global Quantum™ Data and Operations Centre hosting and operational services.

Looking forward

The Group continues to pursue suitable sports betting platform opportunities and build upon well-established relationships with licensed operators to offer an integrated solution that leverages Sportech's extensive infrastructure, operations, and implementation expertise. With access to additional digital development resources resulting from the Lot.to acquisition, management sees an opportunity to further drive digital innovation and to assertively promote a mobile-first strategy for both pari-mutuel and sports betting.

Sportech's Global Operations Director is spearheading an initiative in conjunction with the terminal hardware engineering, terminal software, and digital software teams, to demand greater efficiency out of our terminal hardware capital, to identify hardware options that will drive more returns from tote contract investments in North America, and to deliver a reliable, easy-to-maintain, appealing device.

In early 2019, the Division entered into a contract to deliver 300 BetJet® Aero teller terminals to our longstanding client, the Turkish Jockey Club. In addition, contract extensions have been signed with five North American customers.

Bump 50:50

As of the end of 2018, the number of Bump clients has grown to 75, including collegiate sports programmes, entertainment venues and some of the world's largest sports team franchises. In providing the technologies and services that allow charitable foundations to run successful 50:50 raffles at their events, Bump 50:50's electronic raffle technologies and proven marketing strategies help foundations maximise the return on their charitable fundraising programmes, dividing jackpots equally between the foundation and the drawing winner.

Financial performance

Revenues, currently included within the Racing and Digital division, were in 2018, up 26% at £1.5 million (2017: £1.2 million). However, as the business invested in technology enhancements and personnel, added new clients, and positioned for future growth, the Adjusted EBITDA eased marginally to £0.50 million (2017: £0.54 million).

Developments during the year

The Bump 50:50 business produced yet another year of strong customer growth in 2018, signing 20 new customers, including the official charitable foundations of the National Basketball Associations' Detroit Pistons and San Antonio Spurs, Major League Baseball's Pittsburgh Pirates, and the Ultimate Fighting Championships (UFC). The Division also secured a new contract with Florida State University's Athletics Department and Seminole Boosters, Inc. to provide electronic 50:50 raffle programmes at select Seminole home games and online during their football, men's and women's basketball, baseball, and softball home games. These new contracts bring the total number of Bump 50:50 customers to 75, representing foundations from 18 different professional and collegiate sports leagues. We are proud to say Bump 50:50 helped our clients' foundations raise US$17 million for their charitable missions in 2018.

Bump 50:50 launched a new online and mobile raffle programme to supplement in-stadia play and used this new platform to help the Tampa Bay Lightning Foundation reach a jackpot record of US$260,000 during the NHL® All-Star event. The Division also successfully launched online and mobile platforms for the National Basketball Association's Chicago Bulls. Bump 50:50's developers continue to devise system enhancements that give clients greater control over the management of their raffle programs, reducing overall customer service demands, and helping contain costs. And, Bump 50:50 hosted its inaugural Bump Academy event in 2018, sharing proven strategies for effective program execution and sales maximisation with clients from across North America.

Looking Forward

Bump 50:50 has already secured contracts with five additional clients in early 2019, including the charitable foundations of Major League Baseball's LA Dodgers, San Francisco Giants, and San Diego Padres, and the National Football Association's San Francisco 49ers. Together, these charities represent an estimated 60% of California's sports raffle market. In addition, a new contract has been signed with Major League Baseball's Cincinnati Reds and, with the signing of Florida State University, Bump 50:50 increasingly views the US collegiate fundraising market as a key opportunity for growth. We will continue to pursue opportunities and strategies in both US professional and collegiate sports, while looking to expand our global reach in this core Division.

Sportech Venues

Sportech Venues offers legal betting on horseracing, greyhound racing and jai alai across the State of Connecticut under an exclusive and perpetual licence. Digital betting services are offered across multiple channels, including our myWinners.com online platform and a mobile app powered by Sportech's Digital Link® mobile. Bets can also be wagered through our traditional phone betting service featuring personal tellers, and in person at any of our 16 venues. The Venues division employs approximately 400 employees across these 16 locations and our Sports Haven venue in New Haven hosts our North American headquarters. We are proud to have two of our premium venues branded under the Bobby V's Restaurant & Sports Bar brand (bobbyvsrestaurant.com), in association with local entrepreneur, philanthropist, and sports personality Bobby Valentine.

£'000	2018	Reported 2017
F&B – Stamford	2,272	1,471
F&B – Other	2,452	2,561
F&B – Total	4,724	4,032
Wagering revenue	25,655	27,574
Total revenues	30,379	31,606
Contribution	14,886	15,482
Contribution margin	49.0%	49.0%
Adjusted operated expenses	(13,473)	(13,985)
Adjusted EBITDA	1,413	1,497
PPE – Stamford	-	5,238
PPE – Other	398	370
PPE – Total	398	5,608

In our Venues business, the new Bobby V's Restaurant & Sports Bar continues to grow, albeit at a slower pace than we would prefer. In July 2018 we added new highly-experienced Food and Beverage and Group Sales Managers. We are looking to both to deliver beneficial progress going forward and especially into 2019, invigorating food and beverage growth and profitability, especially at our Stamford location. Total food and beverage revenue increased by 17% over the prior year.

Wagering revenues softness versus the prior year is from a combination of lower VIP betting and a reduced number of track racing days in key markets such as New York, Florida and Pennsylvania. This was offset somewhat by our successful Triple Crown where turnover was up 25% over the previous year.

Developments during the year

Venues betting handle declined 7% (3.2% on a constant currency basis) in 2018. This was influenced by a variety of factors, including adverse weather conditions, poor race card quality from certain locations at the end of the year, and the competition from the introduction of sports betting in neighbouring states. Another consequential influence was the unchecked competition from unlicensed and untaxed out-of-state Advanced Deposit Wagering ('ADW') operators, which continued to take its toll. We seek to address this during this legislative session. Management continues to identify cost saving measures across the Division, including renegotiating leasehold property contracts and exploring options around our freehold estates in New Haven and Windsor Locks.

With the passage of a 2018 referendum in Florida to ban greyhound racing effective 1 January 2021, and a growing momentum across the US to do likewise, we have commenced initiatives to seek alternative international products to satisfy customer demand for quality greyhound racing at our Connecticut Venues.

In 2017, the Division successfully lobbied the Connecticut legislature for licensing permission to open additional venues, bringing the potential total to 24. Steps were not taken in 2018 to open new venues, however, as the Division focused on a campaign to secure the rights to offer sports betting once PASPA was repealed in May 2018. Management anticipates exploration of the Division's full venue potential once the position on sports betting is known.

Along these lines, Venues appointed new events/group sales management last year and began developing marketing campaigns to focus on mobile betting opportunities across the estate. The team also created and offered direct competitions around major sporting events to develop a strong base of support for sports viewing at the Bobby V's locations, with a focus on providing these customers a full product suite once the State of Connecticut legalises sports betting.

Sportech Venues' digital channels continue to face illegal competition from unlicensed out-of-state internet betting operators who accept wagers from Connecticut residents, despite being issued cease and desist letters by the State's Attorney General's office. Management lobbied heavily for legislation that would address this, but it did not pass in 2018. The Group is once again aggressively pursuing protections during the 2019 legislative session as we are Connecticut's only licensed and taxed operator. Management believes that the increased focus on gambling in general in the State will help Sportech elevate this issue in the legislature.

Efforts to secure an extension of the Sportech licence to include sports betting has been noted in this report and remains a key strategic focus for our management and staff. Lobbying, public relations, and marketing efforts began in 2018 and have been significantly enhanced into the 2019 legislative session. Communications efforts were expanded to our venues, digital channels, and social media with a consumer-focused advocacy campaign drawing attention to the issue and generating consumer support. The positioning of the Bobby V's Restaurant & Sports Bar locations, particularly the location in Stamford, has been helpful in the overall positioning of Sportech as a logical option to deliver regulated sports betting in the State.

The Group has conducted a detailed evaluation of current responsible gaming policies and procedures in its consumer-facing businesses, as well as a comprehensive survey of local and global best practices. Recommendations to strengthen the programme are under evaluation and will be rolled out to the Group in 2019.

The Division makes annual statutory payments to external responsible gaming agencies to support responsible gaming awareness activities and to develop a robust consumer protection program, and in 2018 alone the Division provided almost US $220,000 to these external responsible gambling agencies.

Sportech Venues undertook key projects to reinvigorate its consumer brand, to position the brand for the introduction of sports betting, and to deliver an enhanced user experience to more effectively compete at the digital level. In 2019, the Division launched new Winners branding, developed by a Connecticut-based digital marketing agency. In addition, Sportech harnessed the digital development assets acquired with Lot.to to launch a newly redesigned MyWinners.com website. The betting module of the MyWinners.com website received a refresh in 2018 with the upgrade of Sportech's G4 white label platform. The betting pages now offer a fully responsive design, a streamlined modern look and feel, and features designed to make the user interface more intuitive and customisable by the end user.

Corporate Management Structuring and Focus

Sportech held fast to its dominance in the pari-mutuel betting market in 2018, strengthening and enhancing its core Quantum™ System product. In experiencing yet another year of change in 2018, the Group laid the groundwork for the extension of sports betting, both through the Connecticut operations and as a white label solution available in other states. Once the decision on sports betting is made by the State of Connecticut, Sportech Venues is ready to deliver a sports betting solution across the State, complementing its tote offering, and is positioning itself for growth through a refreshed brand, enhanced digital services, and increased responsible gaming initiatives. The Bump 50:50 growth trajectory continues, with opportunities in professional sports as well as in collegiate and non-sporting charities. Finally, the addition of Lot.to to the Sportech Group offers new lottery games and iLottery platforms to Sportech customers and strengthens the Group's digital focus, development, and expertise.

It is an incredibly busy time for our Company. We are fortunate to have a dedicated and experienced management team and workforce, without whom our ambitions and aspirations would be impossible to deliver. Together, we remain committed to enhancing Sportech's capabilities to our clients, expanding our product range, and positioning the Group for efficient sustainable growth. I am proud to be leading Sportech at this exciting transformational time, as we address numerous inherited challenges, however I am inspired by what is possible as we boldly embrace the future of Sportech PLC.

Richard McGuire
Interim Executive Chairman
20 March 2018

Financial Review

Income Statement – Statutory View

£'000	2018	Reported 2017
Revenue	63,718	66,271
Gross profits	46,099	47,709
Contribution	44,111	45,591
Operating costs (net)	(47,023)	(67,238)
Operating loss before JV result, interest and taxation	(2,912)	(21,647)

Income Statement – Detailed View

£'000	2018	Reported 2017	Constant currency 2017
Service revenue	61,992	64,886	62,908
Sales revenue	1,726	1,385	1,381
Total revenues	63,718	66,271	64,289
Cost of sales	(17,619)	(18,562)	(17,885)
Gross profits	46,099	47,709	46,404
Marketing and distribution costs	(1,988)	(2,118)	(2,040)
Contribution	44,111	45,591	44,364
Contribution margin %	69.2%	68.8%	69.0%
Adjusted operating expenses (net)	(37,571)	(38,884)	(37,848)
Impact of FX on reported earnings	—	—	191
Adjusted EBITDA	6,540	6,707	6,707
Spot the Ball ("STB")	—	827	
Exceptional items other than STB	(3,453)	(5,603)	
Non-cash items:			
Share option charges – normal	(1,222)	(666)	
Share option charges – accelerated	—	(3,765)	
Depreciation	(2,860)	(2,740)	
Amortisation	(1,917)	(1,540)	
Amortisation of acquired intangibles	—	(350)	
Impairment of PPE	—	(874)	
Impairment of intangible assets	—	(12,040)	
Impairment of goodwill	—	—	
Investments – loss on sale of NYX shares	—	(1,603)	
Total – non-cash items	(5,999)	(23,578)	
EBIT	(2,912)	(21,647)	
Share of losses from JVs	—	(300)	
Impairment of investment in JVs	—	(1,184)	
Net finance charges	473	(19)	
EBT	(2,439)	(23,150)	
Taxation	(2,019)	230	
Result after taxation – continuing ops	(4,458)	(22,920)	
Discontinued – Football Pools	(32)	(1,696)	
Discontinued – Holland	1,854	174	
Loss for the year	(2,636)	(24,442)	
Adjusted profit before tax for the year from continuing operations	559	1,549	

Within the Adjusted EBITDA reported above are write-downs of inventory of £nil (2017: £126k) and release of a bad debt provision carried over of £76k, where a previously provided receivable was recovered (2017: write down of £762k).

A summary of the result by division is shown below:

£'000	Revenues 2018	Revenues Constant currency 2017	Adjusted EBITDA 2018	Adjusted EBITDA Constant currency 2017
Racing and Digital	34,004	34,613	8,643	7,603
Venues	30,379	30,459	1,413	1,411
Corporate (and inter-divisional elimination)	(665)	(783)	(2,088)	(2,498)
Total, before sports betting and with constant currency impact of foreign exchange	63,718	64,289	7,968	6,516
Sports betting	—	—	(1,428)	—
Total, with constant currency impact of foreign exchange	63,718	64,289	6,540	6,516

Note 1 – Revenues

£'000	2018	Reported 2017	Constant currency 2017
Racing and Digital Service revenue	30,776	32,890	32,076
Racing and Digital Sales revenue	1,726	1,389	1,381
Bump 50:50 revenue	1,502	1,190	1,156
Venues wagering revenue	25,655	27,574	26,506
Venues F&B revenue	4,724	4,032	3,953
Inter-group elimination	(665)	(804)	(783)
Total revenues	63,718	66,271	64,289

Group revenues at £63,718 were 4% down on reported revenues and down 1% 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 down 4% at £30,776k, although sales revenues from Racing and Digital were higher by 25% at £1,726k.
- Revenues from Bump 50:50 were up 30% at £1,502k 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 3% at £25,655k.
- Food & Beverage ('F&B') revenues were up 20% at £4,724k. The increase in F&B revenues at the Stamford location was the main contributor.

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	2018	Reported 2017	Constant currency 2017
Tote and track fees	11,261	12,166	11,703
Cost of inventory sold	810	1,134	1,091
Provision for obsolete inventory	—	126	131
Food and Beverage consumables	1,405	1,322	1,286
Ticket paper and programmes	1,386	1,327	1,287
Betting and gaming duties	738	480	464
Repairs of deployed terminals	335	402	392
Outsourced service costs	1,684	1,605	1,531
Total cost of sales	17,619	18,562	17,885

Note 3 – Contribution

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

£'000	2018	Reported 2017	Constant currency 2017
Racing and Digital	29,277	30,380	29,676
Contribution margin %	86.1%	85.7%	85.7%
Venues	14,886	15,482	14,925
Contribution margin %	49.0%	49.0%	49.1%
Total Contribution*	44,111	45,591	44,364
Contribution margin %	69.2%	68.8%	69.0%

*includes inter-divisional eliminations of £52k (see note1).

Contribution margins across the Group improved slightly 69.2% (2017: 69.0%). The Racing and Digital business produced a contribution margin of 86.1% (2017: 85.7%) against the contribution margin in Venues of 49.0% (2017: 49.1%).

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 2017 have been regarded by the company as 'exceptional'. These items are discussed in further detail below.

Adjusted operating expenses, net of capitalised software, declined by £104k to £37,744k at constant currency, due to reductions in bad debts.

Note 4a – Group

£'000	2018	Reported 2017	Constant currency 2017
Gross employment costs	27,532	28,562	27,788
Less: capitalised	(2,923)	(3,026)	(2,911)
Net Employment costs	24,609	25,536	24,877
Property costs	5,314	5,454	5,226
Professional fees	4,391	3,249	3,200
Travel & Entertainment	1,353	1,524	1,495
IT & Communications	1,355	1,351	1,313
Bad debts from prior periods	(76)	762	748
Other costs	798	1,008	989
Adjusted operating expenses*	37,744	38,884	37,848
Costs, gross of capitalised software	*40,667*	*41,910*	*40,759*

*excludes operating income of £173k (see note 1 of the Financial Statements).

Gross employment costs at £27,532k represented 68% of the aggregate of the adjusted operating expenses and capitalised staff costs (2017: £28,562k, 68%). Gross employment costs increased 1% in the year at constant currency. 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 7 below.

The North American employees are unionised and are entitled to annual wage rises.

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:

£'000	2018	Reported 2017	Constant currency 2017
Racing and Digital (note 4b)	23,731	25,698	24,951
Venues (note 4c)	13,473	13,985	13,507
Sports betting costs	1,428	—	—
Corporate (and inter-divisional elimination)	2,035	2,227	2,301
Total	40,667	41,910	40,759

Note 4b – Racing and Digital

£'000	2018	Constant currency 2017
Gross employment costs	18,760	18,868
Less: capitalised	(2,923)	(2,911)
Net Employment costs	15,837	15,957
Property costs	919	898
Professional fees	1,848	1,554
Travel & Entertainment	911	1,037
IT & Communications	854	781
Bad debts from prior periods	(76)	685
Other costs	515	1,128
Adjusted operating expenses	20,808	22,040
Costs, gross of capitalised software	*23,731*	*24,951*

Note 4c – Venues

£'000	2018	Constant currency 2017
Gross employment costs	7,567	7,584
Less: capitalised	—	—
Net Employment costs	7,567	7,584
Property costs	4,263	4,088
Professional fees	790	755
Travel & Entertainment	71	162
IT & Communications	391	379
Bad debts from prior periods	—	104
Other costs	391	435
Adjusted operating expenses	13,473	13,507

The number of full-time equivalent staff employed (or on contracts) and including the Executive Directors at 31 December 2018 and 2017 is as shown below:

	2018	2017
Racing and Digital (excluding Bump 50:50)	294	295
Bump 50:50	5	4
Venues	229	245
Corporate	14	9
Total	542	553

Staff numbers in Venues are related to staffing adjustments at particular venues where cost savings were desired.

Note 5 – Adjusted EBITDA

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

£'000	2018	Reported 2017	Constant currency 2017
Racing and Digital	8,643	7,708	7,603
Venues	1,413	1,497	1,411
Central costs	(2,088)	(2,498)	(2,498)
Adjusted EBITDA before sports betting costs	7,968	6,707	6,516
Sports betting	(1,428)	—	—
Adjusted EBITDA	6,540	6,707	6,516

Sports betting costs are shown as a separate line item and excluded from the Venues trading numbers as these costs are significant and separate from the Venues underlying trading. Following the announcement of the repeal of PASPA in May 2018, the Group has invested heavily in positioning itself to take advantage of opportunities as US States regulate sports betting, in particular, in Connecticut where we aim to obtain a B2C licence but also in other states where we are targeting B2B arrangements with licence holders.

Note 6 – Exceptional items

An estimation was recorded in prior years of the consideration arising from the disposal terms of the investment in NYX Gaming LLC which was 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. In discussions with management the Group no longer believes these sales will come to fruition and has accordingly written down the asset to £nil at 31 December 2018 resulting in an exceptional charge of £1,729k.

Other separately reported items are listed below:

£'000	**2018**	**Reported 2017**
Restructuring and redundancy costs (note a)	1,178	2,291
Costs of exit from California (note b)	(291)	2,740
Losses from and impairment in Striders Sports Bar (S&S JV) (note b)	291	—
Lobbying and licencing costs (note c)	—	264
Costs of implementing new VCP (note d)	—	150
Costs in relation to STB VAT refund (note e)	205	—
Costs in relation to legacy tax disputes (note e)	111	—
Impairment of contingent consideration re NYX Gaming	1,729	—
Legal costs re IP infringement	150	—
Other exceptional items (net)	80	158
	3,453	5,603

Note a: In 2017, the Group announced the departure of the incumbent CEO and CFO. This was accompanied by a strategic review and Formal Sale Process under the Takeover Code following a series of initial approaches made to the Group. 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 in 2018. In 2018 the Group announced the departure of its CEO effective February 2019, with the Chairman assuming those duties in his role as Executive Chairman.

Note b: The Group had a number of contractual arrangements in the State of California, none of which were profitable and included real-estate leases for a considerable duration with no benefit to the Group. As of 2017, these have been provided for in full, with certain other items also written off. The costs incurred in the year relating to these prior year provisions were £291k, as such, the provision has been released to offset these costs. The costs incurred in the JV have been shown here in exceptional costs so as to net with the provision release related to the costs.

Note c: In 2017 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. In 2018 the costs of lobbying for a Connecticut sports betting license are in sports betting costs.

Note d: 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 e: 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.

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

Note 7 – Share based payments

£'000	2018	Reported 2017
Accelerated charge for departing Executives and Directors	—	(3,765)
Normalised charges	(1,222)	(666)
	(1,222)	(4,431)

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 2018 change arises from VCP grants made in 2017 and grants made during 2018 in addition to the final charge on the remaining PSP grant from November 2016.

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 was recognised in 2017. It is non-cash in nature.

Note 8 – Depreciation and amortisation

Tangible and intangible fixed assets are depreciated/amortised over their useful lives as disclosed in the notes to the Consolidated Financial Statements. Both charges have reduced from prior year primarily due to impairment charges made to certain assets in 2017. In 2018 there were no impairments in any of these asset classes.

Note 9 – Asset impairments

£'000	2018	Reported 2017
Impairment of PPE	—	874
Impairment of goodwill	—	—
Impairment of intangible assets	—	12,040

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 currently negotiating the exit of this lease (2017: £874k).

The Group is obligated to conduct an impairment review of its business units each year based on events that existed at the balance sheet date and not on events regarding legislation or liberalisation which might occur after the balance sheet date. There were deemed to be no impairments in intangible assets in 2018. In 2017, the softer level of betting transactions in the Venues business led to a downgrading of its accounting value and an impairment charge was taken of £12,040k.

Note 10 – Joint ventures

In 2017, 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 was made against the entire investment, £1.2 million.

Note 11 – Taxation

The Group has recognised a net tax charge of £2,019k (2017: credit of £230k) due primarily to changes in tax laws in the US which will impair the ability to offset foreign tax credits carried forward against future profits. Deferred tax assets at 31 December 2018 are £5,979k (2017: £6,406k).

Note 12 – Discontinued activities

The contribution to earnings during 2018 was as below:

£'000	2018	Reported 2017
Football Pools – trading result excluding asset impairments	(91)	6,771
Football Pools – net profit/(loss) on disposal	59	(8,467)
Net result from Football Pools	(32)	(1,696)
Netherlands trading result	(475)	174
Netherlands gain on disposal	2,329	—
Net result from Venues, Netherlands	1,854	174
Net result from discontinued operations	1,822	(1,522)

The Group's Football Pools business was sold in June 2017.

In July 2018 the Group completed the sale of its Venues business in the Netherlands. Accordingly, the results from this business have been presented as a discontinued operation. The net gain on this disposal of £2,329k was recognised in the 2018 financial statements.

Note 13 – Balance Sheet

The table below provides a bridge between 31 December 2017 and 31 December 2018.

	£'000
Net assets at 31 December 2017	51,210
Loss for the period	(2,636)
Offsetting equity items	1,222
Foreign exchange movements	2,411
Movement in defined benefit pension obligation (net of tax)	232
Employer taxes paid on vesting of options	(67)
Net assets at 31 December 2018	52,372

A summary of the balance sheet is shown below:

£'000	Non-current	Current	Combined
Intangible fixed assets and PPE	39,888	—	39,888
Cash, net of customer liabilities	—	14,728	14,728
Trade receivables	452	5,312	5,764
Other receivables	215	2,857	3,072
Inventories	—	2,576	2,576
Deferred tax asset	5,979	—	5,979
Tax liabilities	—	(6,563)	(6,563)
Trade payables	—	(9,759)	(9,759)
Retirement benefits	(902)	—	(902)
Provisions	(1,434)	(977)	(2,411)
	44,198	8,174	52,372

Note 14 – Trade receivables

Current asset trade receivables of £5,312k (2017: £7,339k) represent 30 days of revenue (2017: 40 days). Certain provisions have been made for debtors significantly overdue, these amounted to £1,569k (2017: £1,606k). In certain circumstances, arrangements have been reached with customers to spread significantly overdue debts over a longer period.

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

£'000	As at 31.12.18	As at 31.12.17
Current trade receivables		
– Racing and Digital	4,911	6,469
– Venues	401	870
Total current trade receivables	5,312	7,339
Total non-current trade receivables	452	450
Total trade receivables	5,764	7,789
Total debtor days	33	43

Current trade receivables within the Racing and Digital division total £4,911k (2017: £6,469k) representing 53 days of revenue (2017: 67 days). Within the Venues division, current trade receivables total £401k (2017: £870k), which equates to 5 days of revenue (2017: 10 days).

Note 15 – Inventories

Inventory held was £2,576k (2017: £2,652k). This consists of work in progress, £103k (2017: £99k); Tote machines, £256k (2017: £240k); and machine parts available for deployment, £2,217k (2017: £2,313k). 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.

Note 16 – Cash at bank

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

£'000	As at 31.12.18
Group cash, excluding customer cash	14,728
Customer cash	3,187
	17,915

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:

£'000	As at 31.12.18
GBP	6,441
USD	6,546
EUR	1,740
Other	1
	14,728

The cash was held in the following banks:

£'000	As at 31.12.18
Lloyds/Bank of Scotland	10,449
Wells Fargo	1,956
Ulster Bank	898
Bank of America	420
Türkiye Garanti Bankası A.Ş.	495
BNP Paribas	342
Unicredit	167
Other banks	1
	14,728

This represented cash of 7.9 pence per ordinary share at 31 December 2018.

Note 17 – Cashflow

The Group's cash flow for the year is as follows:

£'000		2018
Adjusted EBITDA		6,540
Add:	Sportech Racing BV Sale	2,411
Less:	Other Acquisition, disposal, and JV items	(183)
	Capitalised software	(3,106)
	Property plant and equipment	(1,927)
	Exceptional items	(1,833)
	Working capital and other	(1,002)
	Tax paid and interest, net	(1,966)
	FX impact	(91)
Net cashflows in year		(1,157)
Opening cash		15,885
Closing cash, excluding customer balances		14,728

Note 18 – 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 £29k at December 2018 (2017: £9k) for this scheme. The Group is actively trying to secure a buy-out for the scheme, not least as the actuarial, administration and trustee fees each year of running this scheme are in excess of £80k. Payments into the scheme during the year totalled £55k (2017: £305k). A one-off increase in the payments was made in 2017 to fully fund the scheme's liabilities.

In addition, the Group's US employees are enrolled in pension schemes which have a deficit of £931k (2017: £1,546k). The payments made to the US scheme in the year were £637k (2017: £223k). US law requires that any actuarial deficit as measured in any one year is funded to not less than 80% in the subsequent financial year. There was an accelerated cash funding of these schemes in 2018. Funding was just under 80% at 31 December 2018 and so a small catch up is required in 2019 of approximately £15k.

Note 19 – Liquidity: current assets (excluding inventories) less current and non-current liabilities

The Group's liquidity can be summarised as follows:

£'000	As at 31.12.18	Reported As at 31.12.17
Current assets	28,660	32,529
Current liabilities	(20,486)	(24,442)
Net current assets	8,174	8,087
Non-current trade and other receivables	667	2,443
Non-current liabilities	(2,336)	(3,060)
Net non-current liabilities	(1,669)	(617)
Net position	6,505	7,470
Less: inventories held	(2,576)	(2,652)
Implied liquidity (long-term)	3,929	4,818
Amount per share	2.1p	2.6p

Note 20 – 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.

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

Note 21 – 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 rather than recognised as liabilities in the financial statements.

Income Statement
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Revenue	D	**63,718**	66,271
Cost of sales		**(17,619)**	(18,562)
Gross profit		**46,099**	47,709
Marketing and distribution costs		**(1,988)**	(2,118)
Contribution		**44,111**	45,591
Operating costs		**(47,196)**	(68,065)
Other income		**173**	827
Operating loss		**(2,912)**	(21,647)
Finance costs	F	**(67)**	(212)
Finance income	F	**85**	—
Other financial income	F	**455**	193
Share of loss after tax and impairments of joint ventures and associates		**—**	(1,484)
Loss before tax from continuing operations		**(2,439)**	(23,150)
Tax – continuing operations	G	**(2,019)**	230
Loss for the year – continuing operations		**(4,458)**	(22,920)
Net profit/(loss) from discontinued operations		**1,822**	(1,522)
Loss for the year		**(2,636)**	(24,442)
Attributable to:			
Owners of the Company		**(2,636)**	(24,300)
Non-controlling interests		—	(142)
		(2,636)	(24,442)

	Note	2018	2017
Earnings per share attributable to owners of the Company from continuing operations			
Basic	I	**(2.4)p**	(12.0)p
Diluted	I	**(2.4)p**	(12.0)p
Earnings per share attributable to owners of the Company from discontinued operations			
Basic	I	**1.0p**	(0.8)p
Diluted	I	**1.0p**	(0.8)p
Adjusted earnings per share attributable to owners of the Company			
Basic	I	**0.3p**	2.9p
Diluted	I	**0.3p**	2.9p

Statement of Comprehensive Income
for the year ended 31 December 2018

	2018	2017
	£000	£000
Loss for the year	**(2,636)**	(24,442)
Other comprehensive income/(expense):		
Items that will not be reclassified to profit and loss		
Actuarial gain/(loss) on retirement benefit liability	**315**	(171)
Deferred tax on movement on retirement benefit liability	**(83)**	55
	232	(116)
Items that have been reclassified to profit and loss		
Realised fair value loss on available-for-sale financial assets	**—**	2,500
Items that may be subsequently reclassified to profit and loss		
Currency translation differences	**2,411**	(4,935)
Total other comprehensive income/(expense) for the year, net of tax	**2,643**	(2,551)
Total comprehensive income/(expense) for the year	**7**	(26,993)
Attributable to:		
Owners of the Company	**7**	(26,862)
Non-controlling interests	—	(131)
	7	(26,993)

Balance Sheet
As at 31 December 2018

	Note	2018 £000	2017 £000
ASSETS			
Non-current assets			
Intangible fixed assets	**J**	**13,551**	11,629
Property, plant and equipment	**K**	**26,337**	25,705
Trade and other receivables	**L**	**667**	2,443
Deferred tax assets		**5,979**	6,406
		46,534	46,183
Current assets			
Trade and other receivables	**L**	**8,169**	10,342
Inventories	**M**	**2,576**	2,652
Assets held for sale		—	778
Cash and cash equivalents	**N**	**17,915**	18,757
		28,660	32,529
TOTAL ASSETS		**75,194**	78,712
LIABILITIES			
Current liabilities			
Trade and other payables	**O**	**(12,946)**	(16,058)
Provisions	**P**	**(977)**	(1,103)
Financial liabilities		—	(175)
Current tax liabilities		**(6,563)**	(7,106)
		(20,486)	(24,442)
Net current assets		**8,174**	8,087
Non-current liabilities			
Retirement benefit liability		**(902)**	(1,537)
Provisions	**P**	**(1,434)**	(1,523)
		(2,336)	(3,060)
TOTAL LIABILITIES		**(22,822)**	(27,502)
NET ASSETS		**52,372**	51,210
EQUITY			
Ordinary shares		**37,350**	37,123
Other reserves		**25,971**	22,400
Retained earnings		**(10,949)**	(8,313)
TOTAL EQUITY		**52,372**	51,210

Statement of Changes in Equity
for the year ended 31 December 2018

	Ordinary shares £000	Capital redemption reserve £000	Share option reserve £000	Pension reserve £000	FX** reserve £000	Retained earnings £000	Total £000
At 1 January 2018	37,123	10,312	6,608	(646)	6,126	(8,313)	51,210
Comprehensive income/(expense)							
Loss for the year	—	—	—	—	—	(2,636)	(2,636)
Other comprehensive items							
Actuarial gain on defined benefit pension liability*	—	—	—	232	—	—	232
Currency translation differences	—	—	—	—	2,411	—	2,411
Total other comprehensive items	—	—	—	232	2,411	—	2,643
Total comprehensive items	—	—	—	232	2,411	(2,636)	7
Transactions with owners							
Share option charge	—	—	1,222	—	—	—	1,222
Employer taxes paid on vesting of options	—	—	(67)	—	—	—	(67)
Shares issued in relation to the PSP	227	—	(227)	—	—	—	—
Total transactions with owners	227	—	928	—	—	—	1,155
Total changes in equity	227	—	928	232	2,411	(2,636)	1,162
At 31 December 2018	**37,350**	**10,312**	**7,536**	**(414)**	**8,537**	**(10,949)**	**52,372**

* Net of deferred tax
** Foreign exchange reserve

Statement of cash flows
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Cash generated from operations, before exceptional items	Q	**5,890**	6,418
Interest received		**85**	—
Interest paid		**(22)**	(235)
Tax paid		**(2,029)**	(15,859)
Net cash generated from/(used in) operating activities before exceptional items		**3,924**	(9,676)
Exceptional cash inflows		**487**	3,685
Exceptional cash outflows		**(2,320)**	(8,391)
Cash generated from/(used in) operations - continuing operations		**2,091**	(14,382)
Cash used in operations - discontinued operations		**(37)**	(7,114)
Net cash generated from/(used in) operating activities		**2,054**	(21,496)
Cash flows from investing activities			
Investment in joint ventures and associates		**(291)**	(173)
Disposal of shares in NYX Gaming Group		**—**	2,333
Disposal of Football Pools division		**275**	86,200
Disposal of Sportech Racing BV (net of transaction costs)		**2,411**	—
Contingent consideration paid for Bump (Worldwide) Inc		**(167)**	—
Investment in intangible fixed assets		**(3,106)**	(3,948)
Purchase of property, plant and equipment		**(1,927)**	(6,905)
Cash (used in)/from investing activities - continuing operations		**(2,805)**	77,507
Cash used in investing activities - discontinued operations		**—**	(1,104)
Net cash (used in)/generated from investing activities		**(2,805)**	76,403
Cash flows from financing activities			
Distributions to shareholders		**—**	(75,020)
Net cash used in financing activities		**—**	(75,020)
Net decrease in cash and cash equivalents		**(751)**	(20,113)
Effect of foreign exchange on cash and cash equivalents		**(91)**	(357)
Net cash and cash equivalents at the beginning of the year		**18,757**	39,640
Net cash and cash equivalents at the end of the year		**17,915**	19,170
Less cash held by asset held for sale		**—**	(413)
Group cash and cash equivalents at the end of the year		**17,915**	18,757
Represented by:			
Cash and cash equivalents		**17,915**	18,757
Less customer funds		**(3,187)**	(2,872)
Adjusted net cash at the end of the year		**14,728**	15,885

Notes to the Final Statement
For the year ended 31 December 2018

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 2018 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 2017 financial statements, other than for the adoption of IFRS 15 and IFRS 9 as follows:

   IFRS 15 requires the Group to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for transferring those goods or services to the customer. The Group carried out a thorough review of all customer relationships to determine the timing and value of revenue to be recognised and has determined that no adjustments to the reported revenue in 2017 is required. The Group applied the modified retrospective approach to its application of IFRS 15.

   IFRS 9 requires the Group to include an "expected credit loss" provision at the time of recognising revenue consistent with the expectation of the level receivables that will be recovered. The Group performed a thorough review of past experience of bad debts, the level of current provisioning and future expectations and concluded no increases in receivable provisions was required at either 31 December 2017 or 31 December 2018.

   All accounting policies applied in this Preliminary Statement 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 2018 were approved by the Board of Directors on 20 March 2019.

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 30 December 2018 (2017: 31 December 2017). For ease of reference in this preliminary announcement, all references to the results for the year are for the year ended 31 December 2018 (2017: 31 December 2017) and the financial position at 31 December 2018 (2017: 31 December 2017).

d. The financial information set out in this announcement does not constitute statutory financial statements for the years ended 31 December 2018 and 2017 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 Standards Interpretation Committee ("IFRS IC") 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 Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of non-recurring expenditure such as 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	**2018 £000**	2017 £000
Operating costs per income statement		**(47,196)**	(68,065)
Add back:			
Depreciation	K	**2,860**	2,740
Amortisation, excluding acquired intangible assets	J	**1,917**	1,540
Amortisation of acquired intangible assets		—	350
Impairment of intangible assets		—	12,040
Impairment of property, plant and equipment		—	874
Share option charge, excluding acceleration of charge for departing management		**1,222**	666
Accelerated IFRS 2 charge for departing management		—	3,765
Fair value losses realised on shares held in NYX Gaming Group		—	1,603
Exceptional items	E	**3,453**	5,603
Adjusted operating costs		**(37,744)**	(38,884)
Other operating income*		**173**	—
Total adjusted net operating costs		**(37,571)**	(38,884)

* Note prior year other operating income is included in exceptionals and therefore is not included in adjusted net operating cost. Other operating income of £173k in 2018 was an insurance payout for business interruption following hurricane Maria and is considered to be non-exceptional operating income and is included in adjusted net operating costs.

Adjusted EBITDA is calculated as below.

	2018 £000	2017 £000
Revenue	**63,718**	66,271
Cost of sales	**(17,619)**	(18,562)
Gross profit	**46,099**	47,709
Marketing and distribution costs	**(1,988)**	(2,118)

Contribution	**44,111**	45,591
Adjusted operating income and costs (pre sports betting investment)	**(36,143)**	(38,884)
Adjusted EBITDA pre sports betting investment	**7,968**	6,707
Sports betting investment	**(1,428)**	—
Adjusted EBITDA	**6,540**	6,707

Sports betting investment includes lobbying costs, additional staff costs, travel and consultants, and also includes an allocation of senior management time. Of these costs, £508k were external costs and £920k were internal.

Contribution is also an adjusted performance measure disclosed in the financial statements, being the revenue less directly variable costs of trade. This is presented to explain the underlying profit margins earned by the Group from its trade.

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.

	2018			2017		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
	£000	**£000**	**£000**	£000	£000	£000
Adjusted EBITDA	**6,540**	**175**	**6,715**	6,707	6,172	12,879
Share option charge	**(1,222)**	**—**	**(1,222)**	(666)	—	(666)
Depreciation	**(2,860)**	**(93)**	**(2,953)**	(2,740)	(179)	(2,919)
Amortisation (excluding amortisation of acquired intangibles)	**(1,917)**	**—**	**(1,917)**	(1,540)	(561)	(2,101)
Net finance income/(charges)	**18**	**(18)**	**—**	(212)	—	(212)
Adjusted profit before tax	**559**	**64**	**623**	1,549	5,432	6,981
Tax at 22.7% (2017: 21.6%)			**(139)**			(1,508)
Adjusted profit after tax			**484**			5,473

Adjusted profit before tax from continuing operations prior to sports betting investment of £1,428k is £1,987k.

D. Segmental reporting

2018	Sportech Racing and Digital	Sportech Venues	Corporate costs	Inter-segment elimination	Group
	£000	£000	£000	£000	£000
Revenue from sale of goods	1,770	—	—	(44)	1,726
Revenue from rendering of services	32,234	30,379	—	(621)	61,992
Total revenue	34,004	30,379	—	(665)	63,718
Cost of sales	(3,991)	(14,241)	—	613	(17,619)
Gross profit	30,013	16,138	—	(52)	46,099
Marketing and distribution costs	(736)	(1,252)	—	—	(1,988)
Contribution	29,277	14,886	—	(52)	44,111
Adjusted net operating costs	(20,634)	(13,473)	(2,088)	52	(36,143)
Adjusted EBITDA (pre sports betting investment)	**8,643**	**1,413**	**(2,088)**	**—**	**7,968**
Sports betting investment	—	(1,428)	—	—	(1,428)
Adjusted EBITDA	**8,643**	**(15)**	**(2,088)**	**—**	**6,540**
Share option charge	—	—	(1,222)	—	(1,222)
Depreciation	(1,715)	(1,115)	(30)	—	(2,860)
Amortisation	(1,743)	—	(174)	—	(1,917)
Segment result	5,185	(1,130)	(3,514)	—	541
Exceptional costs	(2,214)	(65)	(1,174)	—	(3,453)
Operating profit/(loss)	2,971	(1,195)	(4,688)	—	(2,912)
Net finance income					473
Share of loss after tax and impairment of joint ventures					—
Loss before taxation					(2,439)
Taxation					(2,019)
Loss for the year - continuing operations					(4,458)
Net profit from discontinued operations					1,822
Loss for the year					(2,636)
Segment assets	102,967	28,815	16,196	(72,784)	75,194
Segment liabilities	(37,007)	(12,901)	(45,698)	72,784	(22,822)
Other segment items					
Capital expenditure - Intangible assets	3,095	—	11	—	3,106
Capital expenditure - Property, plant and equipment	1,529	398	—	—	1,927

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	(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)
Loss before taxation					(23,150)
Taxation					230
Loss for the year - continuing operations					(22,920)
Net loss from discontinued operations					(1,522)
Loss for the year					(24,442)
Segment assets	98,316	28,200	16,138	(63,942)	78,712
Segment liabilities	(68,265)	(12,357)	(10,822)	63,942	(27,502)
Other segment items					
Capital expenditure - Intangible assets	3,891	—	57	—	3,948
Capital expenditure - Property, plant and equipment	1,281	5,608	16	—	6,905

E. Exceptional items

	Note	2018 £000	2017 £000
Included in operating costs:			
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	(a)	**1,178**	2,291
Onerous contract provisions and other losses resulting from exit from Californian operations	(b)	**(291)**	2,740
Losses from and impairment in Striders Sports Bar (S&S JV)	(b)	**291**	
Compensation received in relation to 2017 New Jersey data outage		**—**	(45)
Costs in relation to the Spot the Ball VAT refund	(c)	**205**	—
Costs in relation to legacy tax disputes	(d)	**111**	—
Licensing costs in New Jersey in respect of the acquisition of Sportech Racing		**—**	110
One off start up costs of new ventures, including new venue builds and joint ventures		**29**	390
Costs in relation to exiting the Group's interests in India		**51**	—
Impairment of contingent consideration in relation to NYX Gaming	(e)	**1,729**	—
Legal costs in relation to intellectual property infringement law suit	(f)	**150**	—
Earn out and similar costs required to be recognised as an expense		**—**	74
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 licence		**—**	154
		3,453	5,603
Included in other operating income:			
Net gain on successful outcome of Supreme Court Spot the Ball ruling		**—**	(827)
Net exceptional costs		**3,453**	4,776

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

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

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

(b) Onerous contract provision and other losses resulting from exit from California operations

The Group recoded a provision in 2017 against its contractual arrangements in the State of California, including a loss making joint venture and real estate leases. The provision has been released in the year to the value of the losses incurred in the joint venture company. The losses of the joint venture company and the impairment of the additional capital injected during the year, has been included in exceptional costs rather than within the share of joint venture losses line on the income statement, so as to match the provision release with the costs it was provided to cover.

(c) Costs in relation to Spot the Ball ("STB") VAT refund

The Group settled a claim from a former director during the year and paid costs. Further costs were incurred in claiming costs from HMRC and tax advice has been sought in relation to treatment of the refund for corporation tax purposes.

(d) Costs in relation to legacy tax disputes

The Group has received assessments for underpaid VAT in the holding Company, Sportech PLC, the Group is robustly defending its position but incurring advisor fees in doing so.

(e) Impairment of contingent consideration in relation to NYX Gaming

The Group has received confirmation from the current owners of NYX Gaming that there are no sales in the pipeline for 2019 which would result in contingent consideration being payable to Sportech PLC. The contingent consideration period ends in May 2020 and as such it is management's expectation that no consideration will be received in relation to the asset, which has therefore been impaired in full.

(f) Legal costs in relation to intellectual property ("IP") infringement law suit

The Group believes its IP in Datatote (England) Limited has been infringed and is seeking to prevent further infringement and damages for lost revenues and costs incurred. The costs of defending this position are being expensed as incurred and no expected income has been accrued due to the uncertainty given the case is in early stages.

F. Net finance costs

	2018	2017
	£000	£000
Finance costs:		
Interest payable on bank loans, derivative financial instruments and overdrafts	**(22)**	(159)
Interest on defined benefit pension obligation (net)	**(45)**	(53)
Total finance costs	**(67)**	(212)
Finance income	**85**	—
Other financial income:		
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	**363**	97
Unwinding of interest on discounted non-current balances	**92**	96
Total other financial income	**455**	193
Net finance costs	**473**	(19)

G. Taxation

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

	2018	2017
	£000	£000
Current tax:		
Current tax on profit for the year	**1,977**	1,245
Adjustments in respect of prior years	**(570)**	2,381
Total current tax	**1,407**	3,626
Deferred tax:		
Origination and reversal of temporary differences	**(1,089)**	(7,114)
Effect of changes in tax rates	**53**	3,245
Adjustments in respect of prior years	**(13)**	13
Derecognition of previously recognised deferred tax assets	**1,661**	—
Total deferred tax	**612**	(3,856)
Total tax charge/(credit)	**2,019**	(230)

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

	2018	2017
	£000	£000
Loss before tax	**(2,439)**	(23,150)
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	**(527)**	(7,635)
Tax effects of:		
– permanent differences	**1,519**	1,480
– effect of changes in tax rates	**53**	3,245
– adjustments in respect of prior years – current tax	**(570)**	2,381
– adjustments in respect of prior years – deferred tax	**(13)**	13
– deferred tax not previously provided	**(104)**	(97)
– deferred tax not recognised	**—**	383
– derecognition of previously recognised deferred tax assets	**1,661**	—
Total tax charge/(credit)	**2,019**	(230)

Included within permanent differences are the foreign taxes taken as a deduction rather than a carried forward credit (prior to the subsequent downward revaluation of the deferred tax asset) and the share option charges expensed in the period as well as certain other non-deductible expenses.

US deferred tax assets have been revalued downwards by £1,661k following a review of the recoverability of credits for foreign taxes paid (predominantly in the Dominican Republic).

As the Group's year end is after the substantive enactment date (15 September 2017) of the Finance Act 2017, these financial statements account for the change in the UK Corporation Tax rate from 19% to 17% for financial years beginning 1 April 2020. Deferred tax in the UK is provided at a blended rate, depending on when the deferred tax is expected to unwind. There are no changes expected in the US federal income tax rate from the current rate of 21%.

Included within the Group's current tax liabilities are provisions for uncertain tax positions in relation to; the treatment of the gain included in the 2016 financial statements for the Spot the Ball VAT refund; the treatment of the disposal of the trade and assets of the Football Pools division in 2017, and; other positions taken (in "open years") within tax returns across the jurisdictions in which the Group files.

H. Discontinued operations

Results from discontinued operations includes the Football Pools division, disposed of in June 2017, and also the Venues business in The Netherlands, Sportech Racing BV and its subsidiaries ("Sportech Holland"). Sportech Holland was disposed of in full on 26 July 2018. The sale of this business to RBP Luxembourg SA was structured as a locked box, with an effective date of 1 January 2018. The risks and benefits of its cash generation are therefore transferred to the purchaser from that date. Control of the entity did not however transfer until completion of the deal on 26 July 2018, and accordingly its results have been included in the financial statements for the year ended 31 December 2018 as those of a discontinued operation.

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

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

	2018			2017		
	FP	**Holland***	**Total**	FP*	Holland	Total
	£000	**£000**	**£000**	£000	£000	£000
Revenue	**—**	**3,065**	**3,065**	13,971	6,038	20,009
Cost of sales, marketing and distribution and adjusted operating expenses	**78**	**(2,968)**	**(2,890)**	(8,226)	(5,611)	(13,837)
Adjusted EBITDA	**78**	**97**	**175**	5,745	427	6,172
Depreciation and amortisation	**—**	**(93)**	**(93)**	(523)	(216)	(739)
Exceptional items	**—**	**(461)**	**(461)**	917	(37)	880
Finance costs	**—**	**(18)**	**(18)**	—	—	—
Profit/(loss) before tax	**78**	**(475)**	**(397)**	6,139	174	6,313
Tax, excluding tax arising on disposal	**(169)**	**—**	**(169)**	632	—	632
(Loss)/profit after tax	**(91)**	**(475)**	**(566)**	6,771	174	6,945
Gain/(loss) on disposal	**59**	**2,329**	**2,388**	(8,467)	—	(8,467)
Net result from discontinued operations	**(32)**	**1,854**	**1,822**	(1,696)	174	(1,522)

** Holland results for 2018 are to the date of disposal of 26 July 2018. Football Pools results for 2017 are to the date of disposal of 26 June 2017.*

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

For Football Pools: £78k of income in the period relates to a £115k release of a provision no longer required, net of £37k of costs incurred in the year. No further costs are expected going forward within this legacy division. The tax charge related to tax on the income in the year plus a prior year adjustment to write off a deferred tax asset which is no longer recoverable.

Net gain/(loss) on disposal	**Holland 2018 £000**	**FP 2018 £000**	**Total 2018 £000**	FP 2017 £000
Consideration, net of working capital adjustments	**73**	**3,007**	**3,080**	86,149
Net assets disposed of	**—**	**(318)**	**(318)**	(3,124)
Goodwill relating to the Football Pools division	**—**	**—**	**—**	(81,849)
Transaction costs incurred in the year	**—**	**(360)**	**(360)**	(3,248)
Pre-tax gain/(loss) on disposal	**73**	**2,329**	**2,402**	(2,072)
Tax arising on disposal	**(14)**	**—**	**(14)**	(6,395)
Gain/(loss) on disposal	**59**	**2,329**	**2,388**	(8,467)

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

Of the consideration receivable for Sportech Racing BV, £2,692k was received in cash during the year and £314k was recorded as contingent consideration receivable and was paid in January 2019. Transaction costs of £79k were also paid in January 2019, the rest having been settled in cash in 2018. No tax is payable on the disposal of Sportech Racing BV as Substantial Shareholder Relief is being applied.

I. Earnings per share

(a) Basic

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

	2018			**2017**		
	Continuing £000	**Discontinued £000**	**Total £000**	**Continuing £000**	**Discontinued £000**	**Total £000**
(Loss)/profit attributable to the owners of the Company	**(4,458)**	**1,822**	**(2,636)**	(22,778)	(1,522)	(24,300)
Weighted average number of ordinary shares in issue ('000)	**186,393**	**186,393**	**186,393**	190,135	190,135	190,135
Basic (loss)/earnings per share	**(2.4)p**	**1.0p**	**(1.4)p**	(12.0)p	(0.8)p	(12.8)p

(b) Diluted

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

	2018			**2017**		
	Continuing £000	**Discontinued £000**	**Total £000**	**Continuing £000**	**Discontinued £000**	**Total £000**
(Loss)/profit attributable to the owners of the Company	**(4,458)**	**1,822**	**(2,636)**	(22,778)	(1,522)	(24,300)
Weighted average number of ordinary shares in issue ('000)	**186,393**	**186,393**	**186,393**	190,135	190,135	190,135
Dilutive potential ordinary shares	**N/A**	**—**	**N/A**	N/A	N/A	N/A
Total potential ordinary shares	**186,393**	**186,393**	**186,393**	190,078	190,078	190,078
Diluted (loss)/earnings per share	**(2.4)p**	**1.0p**	**(1.4)p**	(12.0)p	(0.8)p	(12.8)p

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.

	2018	2017

	Adjusted Profit after tax £000	**Weighted average number of shares £000**	**Per share amount Pence**	Adjusted Profit after tax £000	Weighted average number of shares £000	Per share amount Pence
Basic adjusted EPS	**484**	**186,393**	**0.3p**	5,473	190,135	2.9p
Diluted adjusted EPS	**484**	**186,393**	**0.3p**	5,473	190,988	2.9p

J. Intangible fixed assets

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

Of the amounts capitalised in the year in continuing operations, £2,923k arose from capitalising staff costs for development expenditure (2017: £3,026k).

Amortisation has been included within operating costs.

Impairment - Licences

The Group holds a licence in perpetuity to offer pari-mutuel off-track betting in the State of Connecticut in the US for its Venues division. This asset has a book value in USD at the reporting date, prior to any impairment that may be considered necessary, of £5,966k ($7,569k, 2017: $7,596k). Given this licence is in perpetuity, the book value of the asset is not amortised and the useful economic life allocated to the asset is indefinite.

As required by IAS 36, an impairment test has been carried out as at 31 December 2018. In testing for impairment, other assets used solely to generate cash flows in the CGU are also included, totalling £15,180k, $19,261k (2017: £14,921, $20,158k).

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

- EBITDA forecasts assume year-on-year handle decline in the core operating business of 4.4% in 2019 and 1% per annum thereafter and into perpetuity;
- 7.6% increase in online handle in 2019, 40% in 2020 (representing enforcement by the State of Sportech's exclusivity rights), a further 10% increase in 2021, 3% annually through to 2023 and 2% into perpetuity;
- Handle at our Stamford venue is assumed to increase by 8% in 2019, 10% per annum from 2020 to 2023 and by 2% into perpetuity;
- a 6.1% increase in core F&B revenues, which excludes the Stamford venue, in 2019 and then declines of 1.4%, 0.6%, 0.6% and 0.7% in 2020, 2021, 2022 and 2023 respectively and thereafter stable revenues into perpetuity;
- F&B revenues at Bobby V's in Stamford are forecasted to increase by 17%, 15% and 5% in 2019, 2020 and 2021 respectively, by 3% in 2020 and 2023 and by 2% into perpetuity;

- capital expenditure was included in the cash flows at management's best estimate of industry norm for reinvestment in retail outlets of the kind under review; and
- a post-tax discount rate of 9.1% (2017: 9.1%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU. The pre-tax discount rate was 12.0%.

Following the impairment review, the recoverable amount of those assets was deemed to be £23,440k, $29,740k and accordingly no impairment was identified (2017: impairment of £12,040k, $16,075k) was charged to the income statement within operating costs).

The below assumptions represent a reasonable downside case and value the CGU at £13,514k, $17,146k, being an impairment of £7,632k to the carrying value of the licence and other assets used solely to generate cash flows in the CGU. This would reduce the carrying value of the intangible to £nil and result in an impairment to the carrying value of the property, plant and equipment used in the CGU of £1,667k.

- all assumptions for 2019 remain the same;
- core handle declines by a further 1% each year but remains at 1% decline into perpetuity;
- the State of Connecticut does not enforce Sportech's exclusive rights meaning growth in online is reduced to 3% in 2020, and 2% per annum thereafter and into perpetuity;
- handle at the Stamford venue grows at 5% per annum rather than 10% and increases into perpetuity at 2%;
- core food and beverage revenue decline is marginally worse; and
- Stamford food and beverage revenue growth is reduced to 5% in 2020, 3% in 2021, 1% in 2022 and 2023 and 2% into perpetuity.

Note that in the Downside Case, mitigating actions have been including representing cost saving measures attributing $410k of EBITDA annually and into perpetuity. Additionally, for information, if a post-tax discount rate of 9.9% was used in the Base Case model this would lead to an impairment of £38k, a post-tax discount rate of 10.5% would lead to an impairment of £1,506k.

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 - 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

K. Property, plant and equipment

2018	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 2018	246	16,018	9,867	5,095	643	31,869
Additions	—	—	1,058	2	867	1,927
Disposal	—	—	(10)	—	—	(10)
Transfer	—	231	37	226	(494)	—
At 31 December 2018	246	16,249	10,952	5,323	1,016	33,786
Accumulated depreciation						
At 1 January 2018	119	5,005	472	3,229	709	9,534
Charge for year	20	512	1,769	559	—	2,860
Disposal	—	—	(10)	—	—	(10)
At 31 December 2018	139	5,517	2,231	3,788	709	12,384
Exchange differences	36	2,326	1,470	494	609	4,935
Net book amount at 31 December 2018	**143**	**13,058**	**10,191**	**2,029**	**916**	**26,337**

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 2017	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 2017	154	12,551	10,387	2,243	370	25,705

L. Trade and other receivables

	2018 £000	2017 £000
Non-current		
Trade receivables	**1,041**	450
Less provision for impairment of receivables	**(589)**	—
Trade receivables – net	**452**	450
Accrued income	**—**	250
Other receivables	**215**	197
Contingent consideration due on the disposal of Sportech-NYX Gaming, LLC	**—**	1,546
Non-current trade and other receivables	**667**	2,443
Current		
Trade receivables	**6,292**	8,945
Less provision for impairment of receivables	**(980)**	(1,606)
Trade receivables – net	**5,312**	7,339
Other receivables	**1,644**	1,498
Accrued income	**177**	575
Prepayments	**1,036**	930
Current trade and other receivables	**8,169**	10,342
Total trade and other receivables	**8,836**	12,785

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

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 is now management's belief that NYX will sign up no new customers to the relevant platform and therefore the contingent consideration receivable has been impaired in full in the year, expensed to operating costs and disclosed as an exceptional item (see note E(e)).

M. Inventories

	2018 £000	2017 £000
Work in progress	**103**	99
Spare parts	**2,217**	2,313
Finished goods	**256**	240
	2,576	2,652

N. Cash and cash equivalents

	2018 £000	2017 £000
Cash and short-term deposits	**14,728**	15,885
Customer funds	**3,187**	2,872
	17,915	18,757

O. Trade and other payables

	2018 £000	2017 £000
Trade payables	**4,018**	5,356
Other taxes and social security costs	**113**	435
Accruals	**5,382**	7,107
Deferred income	**246**	288
Player liability	**3,187**	2,872
	12,946	16,058

P. Provisions

	Onerous contracts £000	Other Provisions £000	Total £000
At 1 January 2017	127	431	558
Net charge to income statement, excluding release of provisions which did	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
Utilised during the year	(96)	—	(96)
Credit to the income statement – share of loss of JV	(291)	—	(291)
Release of discount interest to the income statement	22	—	22
Currency differences	143	7	150
At 31 December 2018	**2,292**	**119**	**2,411**
Of which:			
Current provisions	**977**	**—**	**977**
Non-current provisions	**1,315**	**119**	**1,434**
	2,292	**119**	**2,411**

Q. Cash generated from operations

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

	Note	2018 £000	2017 £000
Loss before tax – continuing operations		**(2,439)**	(23,150)
Adjustments for:			
Net exceptional items	E	**3,453**	4,776
Realised losses on sale of shares in NYX Gaming Group		**—**	1,603
Share of loss after tax and impairment of joint ventures/associates		**—**	1,484
Depreciation and amortisation	J, K	**4,777**	4,630
Impairment of assets		**—**	12,914
Net finance (income)/costs	F	**(473)**	19
Acceleration of IFRS 2 charge for departing management		**—**	3,765
Share option expense		**1,222**	666
Employers' taxes paid on options vested		**(67)**	(21)
Changes in working capital:			
Decrease in trade and other receivables		**1,831**	1,099
Decrease/(increase) in inventories		**76**	(177)
Decrease in trade and other payables		**(2,805)**	(939)
Increase/(decrease) in customer funds		**315**	(251)
Cash generated from operating activities, before exceptional items		**5,890**	6,418

R. Post balance sheet events

Acquisition of Lot.to Systems Limited

On 1 February 2019, the Group acquired 100% of the issued share capital of Lot.to Systems Limited ("LOT.TO"), a leading, UK-based digital gaming technology business.

The acquisition provides Sportech with a leading digital gaming platform, iLottery, and a specialist team focused on innovative digital gaming technologies. It will also help solidify the Group's global gaming capabilities and services position. Importantly, the acquisition also provides Sportech with growth opportunities through broadening the suite of gaming services offered by the Group.

UK-regulated LOT.TO is recognised as a digital specialist in the lottery sector providing turn-key solutions to its B2B client base. Whilst its proprietary 'Rapid Lotto' and lotto betting verticals online have been its core consumer products, LOT.TO's iLottery platform has the capability to operate in any gambling vertical including self-service POS terminals plus online and mobile interfaces.

The consideration will be satisfied by way of issuance of two million new Sportech ordinary shares of 20p each to the vendors (the "Consideration Shares"). The vendors are subject to a three-year lock-up arrangement in respect of their Consideration Shares (subject to certain customary exceptions), effective from the acquisition date. Of the two million shares issued, 100,000 were issued to Richard McGuire (Interim Executive Chairman), in consideration of his 5% holding in Lot.to Systems Limited prior to its sale to Sportech PLC.

Full disclosure of the impact on the Group's financial statements will be included in the 2019 Interim Report. In addition, the Group will repay £1.3m of former shareholders' loans by the end of 2019.

- Ends -