Sportech PLC
Annual Report and
Accounts 2015

A WORLD LEADER IN POOL BETTING

Sportech PLC

Welcome to our Annual Report 2015

Sportech is one of the largest pool betting operators and technology suppliers in the world, with international reach and a presence in over 30 countries.

What's inside this report

Highlights of the year

Investment in technology drives progress

Group highlights

- Results in line with expectations with EBITDA of £23.1m (2014: £24.0m)
- Balance sheet strengthened with net debt down by 10%
- Investment in technology delivering new international customers
- Expansion into providing lottery products for professional sports teams
- Football Pools division nearing completion of modernisation programme
- Expansion of venues strategy into California
- Disposal of online interests in New Jersey for a pre-tax gain of £8.1m
- £97m VAT refund appeal to be held in Court of Appeal on 7/8 April 2016

Divisional highlights

Sportech Racing and Digital

- EBITDA growth of £0.5m to £8.6m (2014: £8.1m)
- Continued investment in technology attracting new international customers and successful installation of new hardware and software for Betfred (Totepool)
- Opening of office in Asia delivering benefits with new contracts

Sportech Venues

- EBITDA of £2.8m (2014: £3.2m), affected by the previously highlighted severe winter weather in Connecticut and year-long closure for refurbishment of a key Jai Alai venue
- Officially opened on 28 January 2016 the only sports bar, restaurant and betting venue in San Diego
- Discussions continue regarding expanded gaming (slots) in Connecticut

Football Pools

- EBITDA of £15.2m (2014: £16.6m) in line with expectations
- Ongoing improvements in technology platforms and processes
- The division is now set for stability and growth

Overview
Sportech at a glance

“We are starting to see the results of our technological investments across the Group, with the modernisation of the Football Pools division, new contracts in the US and Asia and the expansion of customers for Bump 50:50. We look forward to a year of growth in 2016.

Roger Withers
Chairman

Sportech Racing and Digital

Supplier of tote equipment, services and software both on and off-track (online and mobile). The division also includes Bump 50:50, our professional sports charitable lotteries business.

Division information	The division is the largest supplier of tote based technology and services to the global racing industry and has expanded into sports charitable lotteries
Location	US, Canada, UK and Ireland
Customers	Worldwide
Divisional performance	Revenue £34.6m; EBITDA £8.6m
Contribution to Group revenue	34%

Sportech Venues

Operator of betting on racing in venues and online across Connecticut and the Netherlands. New venue opened in California in 2015.

The division operates brands Winners (Connecticut), Striders (California) and Runnerz (the Netherlands)

US (Connecticut and California) and the Netherlands

Connecticut, California and the Netherlands

Revenue	EBITDA
£32.7m	£2.8m

33%

Football Pools

Operator of pools betting predominantly through subscription and online channels.

300,000 customers playing a range of pools and instant win games every week

UK

Predominantly UK

Revenue	EBITDA
£33.8m	£15.2m

33%

Chief Executive's review
Positioning Sportech as one of the leaders in the global betting market

The Group has reached an important stage in its development, as our US businesses make continued progress on many fronts, and our UK Football Pools business arrives at the inflection point of expected stability after years of modernisation.

Business model

Overview

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

The Group comprises three divisions: Racing and Digital, Venues and The Football Pools.

Both the Racing and Digital division (which processes $13bn bets annually) and the Venues division (which operates legal betting exclusively and in perpetuity in Connecticut in venues, online and mobile on horseracing and greyhounds) are based in the US and Canada where we employ 630 people across field operations and four corporate offices. We are licensed by gaming regulators in 28 US States.

The Football Pools is based in the UK, and is the oldest football gaming business in the world.

Group highlights

- Results in line with expectations with EBITDA of £23.1m (2014: £24.0m)
- Balance sheet strengthened with net debt down by 10%
- Investment in technology delivering new international customers
- Expansion into providing lottery products for professional sports teams
- Football Pools division nearing completion of modernisation programme
- Expansion of venues strategy into California
- Disposal of online interests in New Jersey for a pre-tax gain of £8.1m
- £97m VAT refund appeal to be held in Court of Appeal on 7/8 April 2016

We have invested substantial time into developing our activities and licensing position in the US. During the year, we sold our iGaming interest in New Jersey, realising a threefold return on our investment after only three months of operation.

We continue to evaluate opportunities to deliver the full potential of our divisions whilst ensuring we maintain prudent financial ratios. In this regard, over the past twelve months we have considered approaches for the Group as well as for The Football Pools.

Despite this, we have remained focused on our operations and we will continue to investigate any proposals that recognise the value of the inherent potential of these businesses. We look forward to moving into a year of growth in 2016.

Sportech Racing and Digital

Sportech entered the market in the US five years ago, and has substantially developed its technology, gaming products and licensing position over that time.

In 2015, we have seen the benefits of our significant investment in improving our systems with the deployment of new hardware and software to Betfred's Totepool business in the UK (our largest single customer contract to date). Furthermore, we have secured several other new customer contracts in the US, and two new contracts in Asia (Malaysia and Vietnam), following the opening of our office in Singapore. However, we lost our contract with racing in California to an industry competitor with extensive interests in racehorse, racetrack, media and online betting in the State.

Bump 50:50 provides in-stadia electronic lotteries to professional sports teams. Since acquiring the business in late 2014, we have grown the seven contracts the business had at that time to 21, with new customers including teams from the NHL, NBA, NFL, Nascar, MLS and the Canadian F1 Grand Prix. 2016 has already seen the launch of the first 50/50 lottery in the State of Texas and the launch of the first-ever online raffles, providing fans of the Colorado Avalanche, Denver Nuggets, Colorado Mammoth and Colorado Rapids, the chance to play on PC, tablet and mobile, as well as in-stadia. Under Sportech's ownership, Bump 50:50 is forecast to make profits for the first time in 2016. The acquisition ensures the name and responsible betting reputation of Sportech is known in the North American professional sports market ahead of any regulation to enable sports betting.

	Leadership in core markets through ongoing investment	Using cash from stable core business for investment	Capitalising on opportunities as markets regulate
Strategic priorities	– Stabilise Football Pools revenues and earnings – Increase the Group's earning capabilities	– Drive value from exclusive licences and US position – Invest in innovation and new technologies to open new markets and opportunities	– Capitalise on regulatory change – Continuing leadership in technology
Progress in 2015	– Football Pools modernisation and rationalisation – New Racing and Digital contracts including PNG and new contracts in Asia	– Expansion of Venues into CA – Investment driving new contracts in US, Europe and Asia – Launch of iGaming in New Jersey	– Continually monitoring opportunities for sports betting, slots and iGaming – Strong growth in sports lottery business
Priorities for the future	– Complete modernisation of Football Pools – Stabilise Football Pools revenues and earnings – Focus on improved margins via technology enhancement	– Finalise plans for Stamford and Norco – Drive value from regulatory position in the US and internationally	– Delivery of strategic value for our shareholders

Chief Executive's review continued

We were pleased to demonstrate the value of our licensed position when we sold our iGaming interests in New Jersey only three months into its operation. The sale generated a net profit on disposal before tax of £8.1m and consideration of £10.9m, including 2.2m shares in the Canadian-listed NYX Gaming Group ("NYX") and £1.1m in contingent consideration (which, due to the expected introduction of iGaming in North America later this decade, we expect to receive). The Group continues to hold a 4% stake in NYX (whose shares traded at CAD $2.72 each at 31 December) as a result of this transaction.

The Group's existing Indian joint venture with Playwin, India's largest lottery provider, has agreed to supply technology and services to an Indian company which has been engaged by a Sikkim licence holder to support the operation of pool games. These operations commenced in February 2016.

To further develop our US positioning, in September we entered the daily fantasy sports market through the acquisition (for zero cash consideration and for effecting a number of customer introductions) of a 39.2% stake in DraftDay Gaming Group, whose largest shareholder is the NASDAQ listed DraftDay Fantasy Sports, Inc.

Sportech Venues

In the State of Connecticut, Sportech Venues operates all betting on horseracing, greyhound racing and Jai Alai under an exclusive and in perpetuity licence for retail, telephone, internet and mobile. The business, which is operated with close consultation and oversight from the State, is the only legally permitted betting operator in Connecticut. In time, we would hope to be in a position to offer betting on sports and slots.

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

We continue to develop our retail estate under our exclusive licence, and have full approvals for the development of a $7m flagship sports bar, restaurant and betting venue in downtown Stamford. As with our sports bar and betting facility in Bradley, this will be done in partnership with Bobby Valentine, who will relocate his existing renowned sports bar and restaurant into the new facility. An additional venue is progressing through the planning stage.

We have appointed the land and property consultant, CBRE, to market and sell surplus property and land assets we own in New Haven, Connecticut. This is expected to realise capital capable of funding the majority of our venues build out strategy up to 2018.

We previously announced that our Connecticut venues business was impacted by the severe winter weather at the beginning of 2015 which caused significant race cancellations, together with the absence of popular betting content due to the temporary closure of a Jai Alai venue throughout the year. Despite this and competition faced from unlicensed illegal internet operators who continue to take bets (together with tax and jobs) from Connecticut residents, despite the issue of cease and desist letters, a 50% growth in internet betting was achieved. We anticipate support from the State to protect the terms of our licence, and to grow jobs and State tax revenues.

We have extended our business strategy from Connecticut into California, where the Group has an agreement to develop up to ten new sports bar, restaurant and betting venues across Southern California under the brand name "Striders". The first of these had its launch on 28 January 2016, having had its soft launch in late 2015. This venue has been developed as a joint venture with local operator, Silky Sullivan Group. The Group also has approval to construct a second site in the town of Norco.

In the Netherlands we operate a number of OTBs, point-of-sale terminals and online betting on horseracing, all on an exclusive basis under a licence from the Ministry of Justice. This licence is in place until December 2016 and we continue to work closely with the Government, the regulator and the horseracing industry regarding the future regulatory plans.

Football Pools

Several years ago, we set out a clear strategy for the Football Pools division, forecasting EBITDA of £15.0m in 2015, followed by earnings stability and growth thereafter. To achieve that position, the business needed to improve customer retention, increase spend per head from core customers, recruit new players and convert existing paper players into direct debit and online channels. To support delivery of this strategy, the business needed to modernise its operations and consolidate its customers into a single database, enabling greater cross-sell opportunities with a lower, more agile operating cost base.

We are pleased, therefore, that the 2015 Football Pools EBITDA was £15.2m. Ongoing improvements in technology platforms will provide a basis for stability and subsequently growth in future years.

VAT claim

Following the Upper Tribunal's decision in September 2014 to uphold the appeal from HMRC in relation to the £97m VAT repayment claim regarding Spot the Ball, the Group was granted permission to appeal to the Court of Appeal and were advised that the hearing would take place in November 2015. Due to a lack of judicial availability, this hearing did not take place. We have now been advised that the hearing will take place on 7/8 April 2016.

Corporate activity

During the year the Group received an indicative proposal from Contagious Gaming, Inc. but this did not result in a formal offer being made. In December, following receipt of a number of indicative proposals in respect of the Football Pools division, the Board invited interested parties to submit their best offers in early 2016, and the Board continues with this process.

Outlook

We have started the year well and, for the first two months of the year, are trading in line with expectations.

Sportech has established a unique position in the regulated gaming market worldwide, most notably with our licensed gaming businesses in the US. Following a number of years of significant investment in our technology and licensing, we are now in the position to grow our business, dispose of surplus property assets, benefit from regulatory change and deliver earnings stability and then growth within the Football Pools division.

We will take the actions that are required to deliver value to our shareholders.

Ian Penrose
Chief Executive
3 March 2016

KPIs
Measuring our performance

Financial KPIs

Revenue
£m

EBITDA
£m

Profit before tax
£m

Adjusted profit before tax
£m

Net debt
£m

Capital expenditure
£m

Non-financial KPI

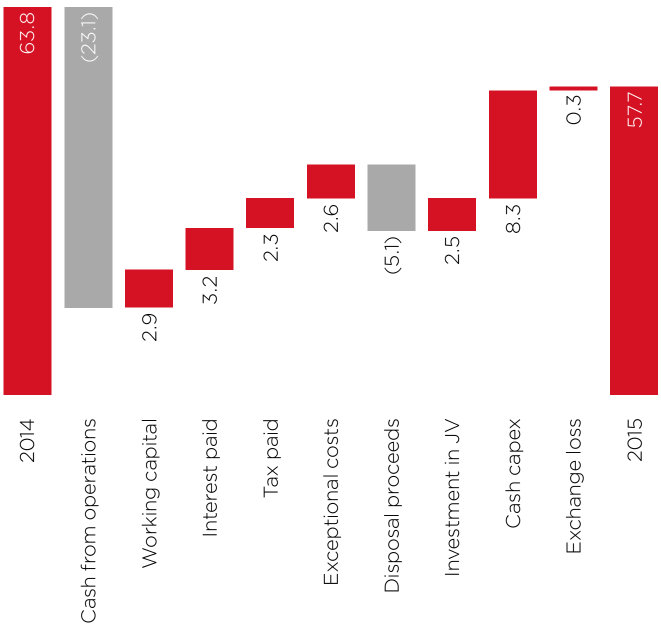
Employees
Number of full-time equivalents

Financial review
How we have performed

Summary

- EBITDA at £23.1m (2014: £24.0m) in line with expectations
- The Group's balance sheet strengthened with net debt reducing by 10% (£6.1m) to £57.7m
- Statutory profit before tax increased to £9.7m (2014: loss of £20.0m, primarily due to non-cash impairment of the Football Pools goodwill)
- On a constant currency basis, revenue declined by 6% and EBITDA declined by 5%. 2014 revenue and EBITDA were £106.4m and £24.3m respectively at constant currency

Net debt bridge



Group financial overview

Revenue

	2015 £m	2014* £m
Racing and Digital	**34.6**	35.2
Venues	**32.7**	34.2
Football Pools	**33.8**	38.0
FX effect	**–**	(2.3)
Trading divisions	**101.1**	105.1
Inter-segment elimination	**(0.9)**	(1.0)
Total	**100.2**	104.1

EBITDA

	2015 £m	2014* £m
Racing and Digital	**8.6**	8.2
Venues	**2.8**	3.4
Football Pools	**15.2**	16.6
FX effect	**–**	(0.3)
Trading divisions	**26.6**	27.9
Corporate costs and inter-segment elimination	**(3.5)**	(3.9)
Total	**23.1**	24.0

* 2014 numbers are at "constant currency", translated using 2015 exchange rates

Group revenue was £100.2m (2014: £104.1m and £106.4m at constant currency) with the £3.9m reduction due primarily to the expected fall in revenues from the Football Pools collector channel. EBITDA reduced by 4% to £23.1m (2014: £24.0m and £24.3m at constant currency). Adjusted profit before tax was £11.8m (2014: £14.4m), the EBITDA shortfall and increased depreciation and interest costs being offset by a lower share-based payment charge. Profit before tax was £9.7m (2014: loss £20.0m) with basic earnings per share of 3.3p (2014: loss of 10.4p) and adjusted earnings per share of 4.4p (2014: 5.5p). The Group's balance sheet has been strengthened, with net debt reducing by 10% (£6.1m) to £57.7m.

Financial review continued

Sportech Racing and Digital

Key financials

An analysis of revenue and EBITDA from our Sportech Racing and Digital division is set out as follows:

	2015 £m	2014* £m
Tote services	**27.3**	27.8
Equipment sales	**4.8**	3.4
Digital	**2.5**	4.0
FX impact	**—**	(0.7)
Total revenue	**34.6**	34.5
Payroll	**(12.7)**	(13.1)
Other costs	**(13.3)**	(13.9)
FX impact	**—**	0.6
EBITDA	**8.6**	8.1

* 2014 numbers are at "constant currency", translated using 2015 exchange rates

For the Racing and Digital division, overall revenues have increased to £34.6m (2014: £34.5m) with a foreign exchange benefit of £0.7m, and EBITDA for the division has increased by £0.5m to £8.6m (2014: £8.1m) with a foreign exchange benefit of £0.1m. Within tote services and equipment sales, on a constant currency basis, revenues are £0.9m ahead of prior year. Overall revenues from the US and Dominican Republic were in line with prior year with growth from Bump 50:50. Total equipment sales revenues in the period were £4.8m (2014: £3.4m, constant currency basis).

Strong EBITDA performance in tote services was driven by the new contract with Betfred (Totepool), increased maintenance revenues from new customers and cost efficiencies.

In addition to the successful implementation of our Quantum Tote system, together with supporting software and hardware to Betfred, Sportech Racing has signed new long-term contracts in the US with Remington Park and Lonestar Park to supply on-track technology, including the recently launched Digital Link mobile betting app. The announcement in December of our two new customers in Asia, Royal Sabah Turf Club of Malaysia and Sports Network Limited, a reseller to Vietnamese tracks, mark our first steps into Asia, further expanding our global presence.

We lost two significant Digital customers earlier in the year, one of whom ceased all racing operations in April 2015. Cost actions, including a management restructure, have helped mitigate the EBITDA impact, although EBITDA has fallen to £0.6m (2014: £1.2m, constant currency basis). However, since then we have secured new customers, including Hawthorne racecourse in Chicago and a contract with Penn National Gaming Inc. to deliver new internet and mobile solutions, providing the G4 internet betting platform and Digital Link mobile betting app, together with associated services, including telephone betting, customer services and technical support.

The exit from our contract to operate betting for the California racing industry in October incurred exceptional costs of £0.6m relating to staff restructuring and terminal transport. We have reallocated a number of betting terminals from the California business to new and existing contracts, with the remaining book value of those terminals and associated software of £2.4m being written off. To drive further efficiencies, we also decided to exit our loss-making contract with German racing at the end of the year. As a result, we have consolidated our data and operations centre activities into New Jersey, and therefore closed the German-based operations centre. Restructuring costs of £0.8m were incurred as part of these actions.

Sportech Venues

Key financials

A detailed analysis of our Sportech Venues division is set out as follows:

Connecticut Venues	2015 £m	2014* £m
Revenue	**27.6**	29.2
Tax	**(3.8)**	(4.1)
Track/tote/ interface fees	**(8.0)**	(8.3)
Margin	**15.8**	16.8
Payroll	**(4.9)**	(5.3)
Facility costs	**(3.7)**	(3.7)
Other costs	**(4.6)**	(4.5)
Connecticut EBITDA	**2.6**	3.3
Other EBITDA	**0.2**	0.1
FX impact	**–**	(0.2)
Total Venues EBITDA	**2.8**	3.2

* 2014 numbers are at "constant currency", translated using 2015 exchange rates

Overall revenues have increased to £32.7m (2014: £32.6m), which includes a £1.6m benefit from foreign exchange, whilst EBITDA has fallen to £2.8m (2014: £3.2m), again with a £0.2m benefit from foreign exchange.

The impact of the previously mentioned extreme weather in Connecticut and the temporary Jai Alai venue closure for refurbishment accounted for 6% reduction in betting volumes in the year and we anticipate a recovery in betting volumes in 2016, and indeed the Jai Alai venue has now reopened. The reduction in betting revenues has contributed to revenues and EBITDA in Connecticut declining by £1.6m and £0.7m respectively, compared to prior year at constant currency.

Our venue at Bradley made a contribution of $1.0m, before central costs, and it was pleasing that the food and beverage at this venue (Bobby V's sports bar and restaurant) moved to break-even in 2015 and in 2016 is currently more than 30% up compared to the same period last year.

In the Netherlands our business performed in line with last year, with revenues stable at £4.6m (2014: £4.6m) and EBITDA marginally up to £0.2m (2014: £0.1m), comparatives at constant currency.

In addition to our recently opened Striders venue, in California, we also supply technology services to eight independently-owned sports bar locations in the south of the State. Amounts wagered at these locations generated revenues of £0.5m (2014: £0.4m).

Football Pools

Key financials

The key performance indicators of our Football Pools division are set out as follows:

	2015	2014
Revenue (£m)	**33.8**	38.0
EBITDA (£m)	**15.2**	16.6
Weekly revenue per subscription customer (£)	**2.95**	2.88

The financial results for the Football Pools division were as expected and in line with the strategic plan. Revenues for the period were £33.8m (2014: £38.0m), with 70% of the reduction due to the decrease in the number of customers who play by the collector channel. As mentioned, EBITDA was £15.2m (2014: £16.6m).

The continued focus on the subscription channel revenues saw weekly spend per customer increasing 2.4% to £2.95 (2014: £2.88), offsetting some of the reduction in customer numbers. Subscription revenues showed increasing signs of a move towards stability at £27.3m (2014: £28.1m).

In December 2015, our main Classic Pools game had 221,000 subscription customers (2014: 240,000). Encouragingly, over 60% of our customers are now playing by direct debit. 18,000 new subscription customers were recruited (2014: 23,000), with 9,300 from digital channels (2014: 8,900).

Financial review continued

In the second half of 2015, footballpools.com released a newly configured version of the website. The latest code offers flexibility to create new game formats and features, such as new payment types, and also gives the opportunity for improved analysis of players' online behaviour. These developments also provided the launch pad for the development of an iOS App, giving the Football Pools the opportunity to reach more mobile users and raise engagement levels.

These developments have put us in the position to drive online revenue growth, and our average weekly gross win in the first six weeks of 2016 is 59% higher than the same period in 2015.

We anticipate exceptional costs for modernisation of up to £3.0m this year.

Corporate costs

Corporate costs of £3.5m (2014: £3.9m) have been reduced by 10% and remain tightly controlled. In addition, we also have a non-cash share option expense under IFRS 2 of £0.5m (2014: £0.6m).

Depreciation, amortisation and impairment of assets

The Group's normal depreciation and amortisation charge increased in the period to £7.6m (2014: £6.2m), principally due to the ongoing capital expenditure in our businesses in North America.

The Group incurred a non-cash amortisation charge of £1.2m (2014: £1.4m) on the intangible assets acquired with eBet in 2012, Datatote in 2013 and Bump in 2014. The prior year also included amortisation of intangibles acquired with Vernons in 2007 of £2.7m, which became fully amortised in June 2014. A non-cash impairment charge of £3.7m has been charged against the goodwill recognised on the original acquisition of eBet in 2012. Impairment charges against fixed assets previously deployed in California (£2.4m) have also been recognised in the year. In 2014, an impairment of £28.1m was recorded to reduce the carrying value of the Football Pools goodwill to £119.5m.

Exceptional income

During the period, the Group completed the sale of its iGaming interest in New Jersey, generating a profit of £8.1m on disposal. We sold our 50% stake in Sportech-NYX Gaming, LLC ("SNG") to our joint venture partner, NYX Gaming Group Limited ("NYX"), for a total consideration of up to CAD $22.1m (£11.3m), comprising £5.1m cash, 2.2 million NYX ordinary shares equating to an aggregate value of CAD $9.1m (£4.7m) at a price of CAD $4.15 per share and up to a maximum of CAD $3.0m (£1.5m) in contingent consideration. This contingent consideration is discounted at disposal date to £1.1m to give a fair value of total consideration recognised of £10.9m.

Exceptional costs

The Group has incurred exceptional administration costs of £2.6m (2014: £2.3m) in the twelve-month period. These costs include restructuring and other costs of £1.0m (2014: £1.4m) of which £0.8m relate to the closure of our loss-making German operations. Costs of £0.6m (2014: £nil) comprising restructuring, terminal transport and storage were incurred following the loss of the Californian contract in the Racing and Digital division. We incurred costs of £0.2m (2014: £nil) in relation to potential corporate activity; costs in relation to the set-up of our joint venture companies of £0.2m (2014: £0.6m); costs in relation to the granting of our New Jersey licence of £0.3m (2014: £0.1m) and transaction costs in relation to acquisitions of £0.1m (2014: £0.1m). Realised fair value losses on the NYX ordinary shares held by the Group of £0.2m have also been incurred in the year (2014: £nil), representing movement in the NYX share price from the disposal date to the date the shares were received. The costs disclosed as exceptional are consistent with the type of cost disclosed as exceptional in prior periods.

Net finance costs

The Group has incurred net interest costs in the period of £3.2m (2014: £2.8m), with the increase over prior year due to the savings made in 2014 from holding £93m in cash in relation to the VAT repayment claim from the end of June to November 2014, when it was repaid. In addition, other finance income amounted to £0.6m (2014: £0.3m), reflecting the credit of fair value movement on interest rate swaps of £0.5m and foreign exchange gains on inter-company loans of £0.4m, net of £0.3m exceptional finance costs (2014: £nil) in relation to banking facility amendments.

Taxation

A tax charge for the period of £3.0m (2014: £1.3m) has been provided at the weighted average applicable tax rate for the Group of 17.0% (2014: 23.0%) together with the tax effects of permanent differences and other adjustments. The Group has a net deferred tax asset of £0.5m (2014: £0.8m), representing primarily foreign taxes withheld, which can be utilised against future profits. Tax payments of £2.3m were made during the period (2014: £1.3m), principally representing final payments for prior-year tax liabilities and overseas tax deducted at source.

Net bank debt

The Group continues to operate comfortably within its covenant test ratios. We amended the terms of our revolving credit facility during the year, reducing the facility to £75m whilst obtaining improved covenant terms. The facility is in place until August 2018 with a banking syndicate of Royal Bank of Scotland plc, Barclays Bank PLC and Bank of Scotland plc. Net bank debt has decreased by £6.1m (10%) in the year to £57.7m (31 December 2014: £63.8m). The Group's bank leverage ratio for covenant testing purposes (adjusted net bank debt/adjusted EBITDA) has improved to 2.50x as at 31 December 2015 (31 December 2014: 2.66x), comfortably satisfying the bank leverage covenant test of 3.00x. Under the revised terms of the facility, this leverage covenant decreases to 2.75x at December 2016 and 2.50x at June 2017.

Capital expenditure

	2015 £m	2014 £m	Change £m
Sportech Racing and Digital	**4.5**	5.7	(1.2)
Sportech Venues	**1.1**	1.3	(0.2)
Football Pools	**2.5**	3.0	(0.5)
Corporate costs	**0.3**	–	0.3
	8.4	10.0	(1.6)

The Group is starting to see the benefit of its previous heavy technological investment and is now able to reduce its capital expenditure levels accordingly. As the Group has continued to develop its divisional technology offering, capital expenditure reduced 16% (£1.6m) in the period to £8.4m (2014: £10.0m).

Investment in joint ventures and associates

The Group has invested £1.1m into its Californian joint venture for build-out and start-up costs in relation to its San Diego venue. The Group had also invested £2.1m in our iGaming interests in New Jersey, prior to its profitable disposal and we continue to support the running costs of our Indian joint venture at £0.2m per annum.

During the year the Group acquired a 39.2% share in DraftDay for nil cash consideration. The Group has recorded an asset and corresponding liability in respect of the management time and customer contacts that will be provided.

Dividend

No dividend is proposed. The Board will continue to assess when to commence the payment of dividends.

Shareholders' funds

Total equity and the Group's net assets at 31 December 2015 have increased to £126.2m (2014: £119.8m).

Cliff Baty
Chief Financial Officer
3 March 2016

Principal risks
Effective risk management

Appropriate risk management aids effective decision making and helps to ensure that the risks the business takes are adequately assessed and challenged.

Measuring risk

Our risk management strategy is to consider risks arising from each area of the business through a top-down and bottom-up approach. This is achieved by the communication through the Group of a risk appetite statement and the activities of the Group's Risk Committee, as further explained below.

The Board has established and approved a risk appetite statement, which has been distributed to the Executive Boards of the three main business units. This statement, which will be reviewed on at least an annual basis, provides guidance on the Group's appetite for risk across business areas and supports the Executive Boards in determining the appropriate balance of risk and return within their businesses. For example, the statement outlines the Group's view on regulatory risk as highly cautious.

The Group's Risk Committee, which is led by the Chief Financial Officer, meets quarterly with the Executive Boards of each of the three main business units to assess risk on an ongoing basis and formally update their business-specific risk registers. The Risk Committee reports to the Board which in turn regularly reviews the overall risks associated with the Group's activities and strategy. The Board formally reviews a Group principal risk register annually. In reviewing such register, the Board ensures that appropriate systems and controls are in place to mitigate the occurrence and impact of such risks.

Risk registers identify the most significant risks to the business and rate each risk on a mitigated basis following the assessment of the controls and processes put in place to reduce the impact of the risk.

The table below shows the most significant risks to Sportech PLC as a Group, the potential impact of such risks and the mitigating activities that the Group carries out to reduce the likelihood and impact of such risks. The movement in the level of the risk in the Board's opinion is also indicated.

Risk description	Mitigating activities	Change
Regulatory The Group operates under numerous licences worldwide, including the UK and US. The loss or inadvertent breach of any such licence could have a significant impact on the Group's ability to continue to trade within that and other jurisdictions and, therefore, on the Group's trading and results. In addition, such loss or inadvertent breach would potentially lead to the imposition of fines and penalties on the Group and could lead to substantial legal costs. In certain jurisdictions, personal liability rules could lead to imprisonment of Group personnel. There would also be the threat of reputation damage, hindering the expansion of the business into other jurisdictions.	The Group considers that its licences to operate around the world are a key asset to the business and as such looks to mitigate the inherent associated risks as follows: – the Group employs a Director of Corporate Affairs, one of whose primary roles is to ensure compliance with the requirements of our licences worldwide; – the Group monitors the territories from which business is accepted, to ensure that the threat of legal action against the Group is minimised, and that territories presenting criminal/terrorist money laundering risk are avoided; – the Group employs a Group General Counsel in the UK who oversees regulatory and legal compliance worldwide and also employs a General Counsel within its key US subsidiary, Sportech, Inc.; – the Group employs third-party specialist legal counsel as appropriate to ensure relationships with regulatory bodies are maintained at the highest level and specialist local advice is available as may be required; – regular updates and training are provided to those employees involved in areas of the business that have inherent regulatory risk. Policies and procedures are in place to which staff are required to adhere; – where commercially realistic insurance policies are available, they are purchased; – all Directors (including Non-executive Directors) have clauses in their contracts requiring them to provide whatever information is required by appropriate regulatory authorities to ensure Sportech PLC and its subsidiaries remain licensed in all jurisdictions; – as regulatory compliance can require disclosure from Sportech PLC's shareholders, a resolution was agreed at the 2011 AGM to ensure that, if required, shareholders provide the necessary information to ensure Sportech PLC and its subsidiaries remain fully licensed.	**Level** The Group continues to operate in the same jurisdictions and monitors the changing gaming environment. There have been no detrimental changes of note during the period.

Risk description	Mitigating activities	Change
Financial The Group has historically been relatively highly leveraged and dependent on the provision of debt financing. The Group's existing financing facilities expire in August 2018 and we expect to be able to refinance this facility prior to maturity. The Group is therefore exposed to the risk of changing credit markets which may reduce the availability and increase the cost of finance. The Group is also exposed to foreign exchange movements which can impact its reported results. The Group's leverage covenant within its existing banking facility is based on net debt to EBITDA ratio. This covenant level is currently 3.0x and reduces to 2.75x at 31 December 2016 and 2.5x at 30 June 2017. As at 31 December 2015 the Group's leverage was 2.5x net debt to EBITDA.	The Group: – has three principal lenders, Bank of Scotland Plc, Barclays Bank PLC and Royal Bank of Scotland Plc. We maintain very close relationships with each finance lender; – continues to be focused on cash generation to improve its financial position; – maintains relationships with potential future finance partners and keeps abreast of changing credit market conditions; – keeps foreign exchange rates under review and if appropriate, seeks to mitigate their impact through hedging instruments; and – monitors its performance against covenants on a regular basis.	**Level** In the event that performance materially worsens from 2015 levels, the risk of breaching existing banking covenants will increase.
Product A significant proportion of the Group's annual income is derived from the traditional football pools betting product together with pools betting on US horseracing in both Venues and Racing and Digital divisions. In recent years, both products have experienced challenges in the recruitment of customers, leading to an ageing player base. Our objective is to modernise our business to address these challenges. In the US, certain horseracing, greyhound and Jai Alai venues that provide the Group's betting content operate under tight financial conditions.	Management has taken, and continues to take, mitigating actions to protect the Group from the impact of decline in the popularity of products offered as follows: – the Football Pools division continues to recruit new players to the products on offer and retention and marketing resources are being increased; – the Football Pools is changing its distribution methods to online and direct relationships with customers rather than through commission agents; – the Group is investing in its venues in Connecticut and California with a sports bar concept to attract younger, new customers to bet on horseracing; – the Group invests significant amounts in developing new and innovative products; – operating cost bases within the key operational divisions are structured to offset potential declines in revenue; – revenue channels have been and continue to be expanded in terms of both product and territory by the acquisition of a broader base of revenue streams for the Group, including the diversification into electronic raffle products for professional sports teams in North America; – where possible, fixed income or minimum guaranteed income contracts (in respect of Sportech Racing and Digital) have been entered into with our customers, limiting downside risk; and – management reviews of performance against budget take place on a regular basis and would highlight the need to implement change.	**Level** If the recruitment and retention of younger players to the Group's products is not successful there is an increase in the risk that the current products will decline in popularity. In the US, there remains the risk of certain racing tracks closing. However, whilst amounts wagered on thoroughbred horses declined between 2008 and 2011, in 2015 amounts wagered showed a 1% increase over 2014.

Principal risks
Effective risk management continued

Risk description	Mitigating activities	Change
Technology A significant proportion of the Group's annual income is dependent on the sale of technology-led products and the effective delivery of services through such products. The Group's sales are at risk if its product technology and development are not competitive. The Group is also exposed to the risk of failure in software/hardware used across the business in both operations and back office support.	Management ensures that the risks posed by technology are mitigated where possible as follows: – the Group has invested heavily in up-to-date server and storage infrastructure in its principal data centre and continues to invest in improving its applications to ensure compliance with best practice and customer needs; – the Group employs skilled and experienced system developers and operators to ensure that its applications run without material error or interruption; – the Group invests significant amounts in developing new and innovative products such as Digital Link; – the Group is upgrading its finance software in 2016 and outsourcing the hosting of the software to minimise risk of failure/downtime; – Group systems, principally in the US , UK and in the Netherlands, are subject to annual third-party audit to provide assurances to our customers that our systems are robust and complete; – where third-party software is utilised, leading technology providers are chosen as suppliers of choice; and – disaster recovery procedures and infrastructure are in place and are regularly reviewed and tested. Insurance cover is obtained to mitigate the cost of business interruption.	**Level** The Group continues to invest in upgrading and enhancing its technology to keep pace with technological change. Following periods of significant investment to develop and improve the Group's technology, this risk is considered to be stable.
Industry competition The Group's pool betting processing business, Sportech Racing and Digital, is dependent on key contracts and established software and systems. The market for these services in the US is particularly competitive, with our business being one of the three main operators. Contracts have a typical three to ten year term. Competitive tenders issued as part of a renewal process can lead to a loss of contract or a reduction in revenues in order to retain the same. Outside of the US, the business sells systems in conjunction with maintenance contracts to pools operators worldwide. The frequency of these systems sales can be irregular due to their dependency upon a customer's system and upgrade strategy.	The Group: – maintains good relationships with all of its current and potential customers; – ensures that actual and potential customers are aware of the premium products and technologies that it can deliver; – provides a first class service to seek to avoid the desire for a customer to run a competitive bid process; – is developing new and innovative products by which to differentiate the Company from the competition; – notes that costs of transitioning supplier are significant which helps to protect the current customer base and provide a barrier to entry.	**Level** The Group's Racing and Digital division has retained most of its existing customer contracts that were up for renewal, won a number of new racetracks, secured new international system sales, but also lost an important contract in California.

Viability statement

The Board has assessed the prospects of the Group over a longer period than the 12 months required by the going concern requirements of the UK Corporate Governance Code (the "Code"). This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, made on page 53. The Board conducted this review for a period up to December 2018, which was selected for the following reasons:

i. The Group's strategic review process generally covers a three-year period.

ii. The Group's operations are underpinned by largely stable businesses and medium-term contracts, allowing for sufficient certainty to forecast results for this length of time.

The Group's financing facilities are due to expire in August 2018, and an assumption has been made for this review that refinancing will be available during this period.

The December 2015 strategic review considered the Group's cash flows, earnings, leverage, and other key financial ratios over the period. These metrics were subject to sensitivity analysis which involved flexing a number of the main assumptions underlying the forecast, both individually and in unison. The assumptions included the impact of the potential occurrence of the Group's principal risks and the effectiveness of available mitigating actions, other than the impact of a loss of a key licence or severe technology failure. These were not included within the forecasts as it is the Board's opinion that the likelihood of those risks occurring is minimal.

The Group has net debt of £57.7m at year end and its banking agreement's main covenant is based on an EBITDA to net debt ratio. One of the scenarios modelled assumed revenue reductions across all three operating divisions. This would lead to approximately a 15% decline in the Group's EBITDA from the 2015 figure for each year of the three-year forecast period. This modelling demonstrated that the Group would be able to withstand the impact of such an EBITDA decline through taking mitigating actions such as a reduction in capital expenditure and other cash outflows.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities, as they fall due, over the period of their assessment.

On behalf of the Board

Cliff Baty
Director
3 March 2016

Corporate social responsibility report
Operating responsibly

Customers

The Group's divisions hold licences to permit the provision of business-to-business services for pari-mutuel betting on horse and greyhound racing in over 30 jurisdictions in the Americas and Europe. Licences for business-to-consumer activity for the same products are held in Connecticut, California and the Netherlands, and for a wider range of gambling products in the UK. To ensure that the obligations placed on the Group under these licences are adhered to, the Group employs a Director of Corporate Affairs who is responsible for ensuring that the terms of all applicable regulations are met. He works closely with the Group General Counsel and local Legal Counsel to ensure the Group meets its policy of maintaining the highest standards of compliance and integrity. The Group also employs security and compliance staff whose primary role is to ensure that our customers are treated fairly, that our advertising is compliant with advertising standards and codes, that the young and vulnerable are prevented from accessing our products, and that abuse and illegal behaviour are identified and stopped. All gaming products are subject to age restrictions and age verification software is used by the Group where appropriate.

The Group actively promotes GamCare to its customers, and nearly £0.5m has been contributed to the Responsible Gambling Trust, GamCare's major funder, and its predecessor bodies over recent years. The Venues business in Connecticut contributes over £0.1m annually to promote responsible gambling in the State.

Society

The Group's support for communities across the UK is virtually unparalleled. Since the mid-1970s The Football Pools has contributed £1.3bn at today's value to football, sport, the arts and charitable causes. Today, the Group helps to generate £0.5m annually for charitable use through its management and operation of society lotteries within its Football Pools business activities.

The Group remains focused on identifying charitable opportunities to support in the communities where our customers live and our businesses operate.

Environment

The Group recognises its responsibility to achieve good environmental practice and continues to strive to improve its environmental impact. The nature of its business results in the principal environmental impact arising from energy and paper consumption. Wherever possible, waste consumable materials are recycled or disposed of in a manner most suitable to reduce any impact on the natural environment. The Group's business practices encourage the use of technology to facilitate information, data collection and dissemination, which has led to reduced demand for paper resources. All employees are encouraged to participate in the implementation of this policy and suppliers of consumable products are encouraged to be environmentally friendly, wherever practical.

In compliance with the Companies Act 2006 the Group is reporting on greenhouse gas emissions (see table below). The Group believes that the approach it has taken, incorporating the use of relevant audited costs and data sourced from highly regarded public bodies, is robust. As well as providing a summary of the Scope 1 and Scope 2 CO_2 emissions produced, an intensity ratio using Group revenue is also included. In 2015, an increase in intensity of 20% over 2014 has occurred due to increased use of natural gas, electricity and motor fuel, following business developments in the US and an overall decline in Group revenues.

	2015	2014	2013
CO_2 (metric tonnes)	**7,176**	6,202	6,521
Group revenues	**100.2**	104.1	110.3
Intensity ratio	**71.6**	59.6	59.1
Increase on prior year (%)	**20.0**	1.0	—

Sportech's support of charitable causes in the UK and beyond is fantastic. Over £1.3 billion has been given to sport, the arts and other charities over the years. I am particularly proud to have been involved in programs supporting grass roots football in the UK.

Alan Hansen
Liverpool and Scotland legend

Employees

The Board is acutely aware of the vital contribution of employees to the future success of the business. It recognises the importance of providing employees with information on matters of concern to them, enabling employees to improve their performance and make an active contribution to the achievement of the Group's business objectives. This is accomplished through formal and informal briefings and meetings.

Employee representatives are consulted regularly on a wide range of matters affecting their interests. The Group's 'Investors in People' accreditation reflects the progressive training and development programmes that are in place within the business.

The Group is committed to equality of opportunity and dignity at work for all, irrespective of race, colour, creed, ethnic or national origins, gender, marital status, sexuality, disability, class or age. It ensures that recruitment and promotion decisions are made solely on the basis of suitability for the job. Information on gender diversity is contained in the Corporate governance report on page 30.

In the UK, it is the policy of the Group to comply with the requirements of the Disability and Equality Act 2010 in offering equality of opportunity to disabled persons applying for employment, selection being made on the basis of the most suitable person for the job in respect of experience and qualifications. Training, career development and promotion are offered to all employees on the basis of their merit and ability.

Every effort is made to continue to employ, in the same or alternative employment, and where necessary to retrain, employees who become disabled during their employment with the Group.

The Group proactively addresses health and safety management and we have a programme of risk identification, management and improvement in place. The Board receives a report in respect of health and safety across all of its businesses at each Board meeting.

Human rights

Following a review, the Board considers that it is not necessary for the Group to operate a specific human rights policy at present. Our policies operate within a framework to comply with relevant laws, to behave in an ethical manner and to respect the human rights of our employees and other stakeholders in the business.

On behalf of the Board

Ian Penrose
Chief Executive
3 March 2016

Chairman's statement
Technology driving expansion and modernisation

Dear Shareholder

It has been another busy year for the Group. Our results highlight both the progress made and the challenges we have faced.

We have reached an important point in the Group's development, following a long period of investment in technology and modernisation.

Performance

Overall, the Board is pleased with the strategic position that each of its divisions has secured, but recognises that each division will also require further investment, ahead of anticipated revenue and profit benefits, to better enable them to deliver their full potential.

Group results are in line with expectations and the reduction in our net debt strengthens the Group's balance sheet.

Investment in technology across the Group, our reputation and regulatory position have driven both a significant number of new contracts in Racing and Digital whilst we are also nearing the completion of the modernisation of The Football Pools.

Technology has also driven an expanding customer base in Bump 50:50, the business providing lottery products for professional sports teams.

We expanded our Venues business into California under the brand name "Striders", with the official opening in January 2016.

The Group sold its stake in its US online gaming joint venture, SNG, for an £8.1m profit in June. This business had only been operating for three months and the profit realised is recognition of the Group using its US licensing and regulatory position to generate value.

Shareholder value

Delivery of shareholder value is our key aim as a Group. The profit realised from the sale of SNG demonstrates this and the Group continues to make investments to support its organic strategy.

In addition, during the year the Group received indicative offers for both the entire Group and certain operating divisions. In reviewing these and any other potential offers, the Board together with its advisers consider the balance of the immediate shareholder value to be realised compared to the long-term prospects of the Group.

The Group continues to invest in its core businesses and potential growth opportunities. As such, no dividend is proposed for the year to 31 December 2015. The Board continues to assess the appropriate time to commence dividend payments.

Governance

As Chairman, I am responsible for ensuring your Board remains effective. I work closely with Ian Penrose, Sportech's Chief Executive, to ensure your Board provides the appropriate support and guidance to the Executive team. This Annual Report as a whole is considered by the Board to be "fair, balanced and understandable" as is required by the UK Corporate Governance Code.

Board and employees

The Board is pleased that the appointment of Mickey Kalifa as Chief Financial Officer takes effect from today. Mickey has been our Corporate Development Director for the past six years. He has extensive experience in finance and executive roles within some of the world's largest media and technology companies, including Young & Rubicam, Disney, Time Warner, BSkyB and Liberty Media. He succeeds Cliff Baty, whom we thank for his contribution to the Group.

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

Corporate governance report

The following report is intended to outline the Group's corporate governance structure, policies and procedures, and inform shareholders of the activities of the Board and its Committees during the year to 31 December 2015. I trust the report is informative and insightful for shareholders and demonstrates the Board's commitment to high standards of governance, and I welcome any feedback or comment from shareholders or other stakeholders.

Our report to you on corporate governance explains how we approach and implement the principles of good governance across Sportech and the level of importance we give to each area. The effectiveness of our Board is a key priority, as we believe this to be fundamental in order to deliver on business objectives and ultimately to deliver shareholder value, whilst operating in an ethical way.

Our Committees are structured to ensure the responsibilities of the Board are carried out effectively and in line with best practice procedure. Detail on each Committee and its responsibilities and duties carried out during the year under review can be found within this report.

We will continue to strive for best practice governance. We use our time together as a Board, and our communications with Directors outside of formal meetings, to address the core responsibilities of strategy, review of financial and operational performance, review of risk management and internal controls. This ensures the composition of the Board delivers an effective governing body for Sportech.

Roger Withers
Non-executive Chairman
3 March 2016

Board of Directors

Roger Withers (73)
Non-executive Chairman

Date of appointment: February 2011
Board Committees: **N**

Roger was appointed Non-executive Chairman in February 2011. Roger has over 40 years' experience in the leisure and gaming industries. He was appointed as Non-executive Chairman of AIM-listed Safecharge International Group Limited in March 2014 and has previously held a number of Non-executive Directorships, including Chairman of Playtech Ltd, Chairman of Arena Leisure PLC and Executive Chairman of Bass Leisure South Africa.

Ian Penrose (50)
Chief Executive

Date of appointment: October 2005

Ian was appointed Chief Executive in October 2005 and has led the turnaround of Sportech from a declining and UK-centric business with very high levels of debt into one of the world's leading pools and tote gaming companies. He was previously Chief Executive of Arena Leisure PLC, and left in September 2005 having built the UK's largest horseracing and media group. Ian is also a Trustee of the National Football Museum.

Cliff Baty (45)
Chief Financial Officer

Appointed: May 2013
Date of resignation: March 2016

Cliff was appointed to the Board in May 2013 joining from Ladbrokes plc, where he held a number of senior finance roles including Finance Director of its e-Gaming and international businesses.

Mickey Kalifa (49)
Chief Financial Officer

Date of appointment: March 2016

Mickey was appointed to the Board in March 2016. Mickey has been our Corporate Development Director for the past six years. He has extensive experience in finance and executive roles with some of the world's largest media and technology companies, including Young & Rubicam, Disney, Time Warner, BSkyB and Liberty Media.

Rich Roberts (51)
President: Sportech Digital

Date of appointment: July 2014

Rich was appointed as President of Digital in July 2014, having previously served as an Independent Non-executive Director of the Company. He has over 20 years of game and gaming experience across senior business development and C-level positions. Rich was Chief Executive Officer of Slingo Inc. from 2010 to 2013. Prior to that, Rich was VP (Chief Revenue Officer) of Playfirst, Inc. and previously led Hasbro Interactive/Atari into the digital game industry.

Peter Williams (62)
Senior Independent Non-executive Director

Date of appointment: February 2011
Board Committees: **R, A, N, ID**

Peter was appointed Senior Independent Non-executive Director in February 2011. Peter is Chairman of boohoo.com plc and Mister Spex. He is also Senior Independent Non-executive Director of Rightmove plc; Chairman Designate at U and I Group PLC; and is a trustee of the Design Council. In the past he has also served on a number of boards including ASOS plc, Cineworld Group plc, the EMI Group, Silverstone Holdings Limited and Capital Radio Group plc.

David McKeith (64)
Independent Non-executive Director

Date of appointment: August 2011
Board Committees: **R, A, N, ID**

David was appointed to the Board as an Independent Non-executive Director in August 2011 and chairs the Audit Committee. He has around 30 years' experience as a chartered accountant and tax adviser in large professional firms, latterly as office senior partner for PricewaterhouseCoopers LLP in Manchester. He is chairman of the Hallé Orchestra and a Non-executive Director of Norcros PLC, where he is Senior Independent Non-executive Director and Audit Committee Chairman.

Full biographies of the Board members can be found at www.sportechplc.com

R Remuneration Committee
A Audit Committee
N Nomination Committee
ID Independent Directors Committee

Note:
Red icon indicates Chairman of Committee

Senior management

Sportech PLC

Luisa Wright
Group General Counsel and Company Secretary

Richard Boardley
Director of Corporate Affairs

Nicola McCabe
Group Financial Controller

Michelle Robbins
Group Marketing and Communications Manager

Football Pools

Conleth Byrne
Managing Director

Carl Lynn
Finance Director

Nick Mounteer
Director of Marketing and Operations

Kevan Woodcock
Director of Technology

Sportech Racing and Digital

Andrew Gaughan
President

Bob Mercer
Finance Director

Louis Skelton
Vice President of Technical Services

Frank J. Chesky III
Executive Vice President and General Counsel

Sportech Venues

Ted Taylor
President – Connecticut Venues

Phil Balderamos
Managing Director – California Venues

James D Birney
Vice President of Finance

Paul Klomp
Managing Director – Netherlands Venues and Online

Corporate governance report

Compliance with the UK Corporate Governance Code

Sportech is committed to a high standard of corporate governance and, throughout the financial year ended 31 December 2015, has complied with the provisions of the UK Corporate Governance Code (the "Code"). A copy of the Code is publicly available from www.frc.org.uk. It is the policy of the Board to manage the affairs of the Company in accordance with the principles of the Code so far as the Board believes it is practical. This report, together with the Remuneration report on pages 33 to 51, describes how the Company has applied the main principles of corporate governance as set out in the Code.

Board of Directors

The Board comprises the Non-executive Chairman, three Executive Directors and two Independent Non-executive Directors as follows:

Roger Withers Non-executive Chairman

Ian Penrose Chief Executive

Cliff Baty Chief Financial Officer

Rich Roberts President: Sportech Digital

Peter Williams Senior Independent Non-executive Director

David McKeith Independent Non-executive Director

Cliff Baty gave notice in October 2015 and steps down from the Board on 3 March 2016. Mickey Kalifa is appointed to the Board, as Chief Financial Officer, on 3 March 2016. Biographies of these Board members appear on page 22. These illustrate the wide-ranging business experience of Board members, which is essential to manage effectively a business of the size and complexity of Sportech.

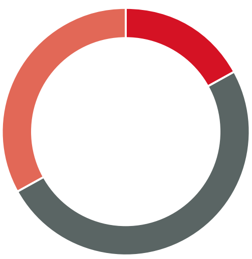
The Board considers Peter Williams and David McKeith to be Independent Directors. In light of his previous roles as Chairman of Playtech Limited, from which he resigned on 10 October 2013 (although he was retained as an industry adviser through to September 2014) and his capacity as a retained adviser to Scientific Games Corporation, Inc. ("SGC"), a position that came to an end on 30 September 2013, which were held upon his appointment as Chairman of the Board, Roger Withers cannot be deemed to be independent.

Conflicts of interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest, as required by the Companies Act 2006. As part of this process, the members of the Board prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict situations, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations that will need to be authorised by the Board. Authorisations given by the Board are reviewed annually. The Independent Directors Committee of the Board has powers to deal with matters concerning the Company and its major shareholders, including in relation to areas where conflicts of interest might otherwise arise.

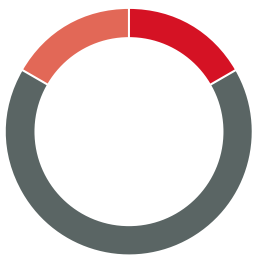
Board composition

Non-executive Chairman	17%
Non-executive Directors	50%
Independent Non-executive Directors	33%



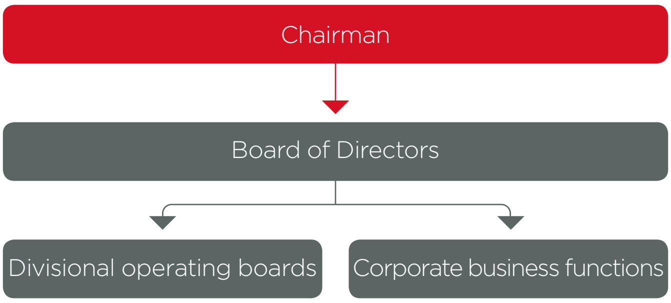
Length of service*

Up to two years	1
Two to six years	4
More than six years	1



* As at 31 December 2015

Board responsibility



Board effectiveness

Division of responsibilities, information and professional development

The Board of Directors is responsible for the management of the business of the Company and its long-term success. It may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's Articles. The Articles, for instance, contain specific provisions and restrictions regarding the Company's power to borrow money. A copy of the Articles is available to view by request from the Company Secretary or from the Company's website, www.sportechplc.com/investors/shareholder-information/ memorandum-and-articles-of-association.

The Board is also responsible for setting the Company's strategic objectives and managing the Company's resources to enable those objectives to be met. The division of responsibility between the Chairman and the Chief Executive is clearly defined and has been agreed by the Board. The Chairman is primarily responsible for the workings of the Board and ensuring its effectiveness. The Chief Executive is responsible for running the Group's business, for implementing Board strategy and policy, and for shareholder communication. The Chairman also ensures that Directors maintain the appropriate skills and knowledge to fulfil their responsibilities and that the Company provides the necessary resources to Directors to enable this to be achieved, both by way of induction upon joining the Board and thereafter by way of updates.

Luisa Wright, the Company's Group General Counsel and Company Secretary, provides in-house legal advice to the Board and management. During Luisa's maternity leave period in 2015, the Board engaged and retained various advisers in order to continue to receive counsel where and when it was necessary. In addition, the Company takes external legal advice where appropriate to ensure compliance with best practice. As Company Secretary, Luisa Wright also advises the Chairman and the Board on all governance matters.

The Board has in place a number of key processes designed to ensure that management responsibilities are clear. Executive Directors distribute relevant information and key financial reports to Board members in advance of each meeting, together with other materials required to facilitate proper consideration of business issues. A schedule of reserved matters for the Board has been established and communicated to the Senior Management teams.

An Executive Committee, chaired by the Chief Executive, oversees the detailed operations of the business. The Executive Board meets formally on a regular basis to update the Group on ongoing corporate matters and to review the performance of each business segment and progress against key operational targets.

The Company maintains insurance cover in respect of legal action against its Directors and independent professional advice may be taken by the Directors as required, at the Company's cost.

Board performance evaluation

The Board is satisfied that each Director continues to show the necessary commitment, allocates sufficient time to discharge their duties and continues to be an effective member of the Board due to their skills, expertise and business acumen. During the year, it was announced that Peter Williams had been approved as Non-executive Director and Chairman Designate of U and I Group plc with effect from 4 January 2016, to become Chairman on 14 July 2016. This additional commitment of the Senior Independent Non-executive Director is not anticipated to impact his ability to effectively discharge his duties to the Company.

Full-scale Board and Committee review processes are performed annually towards the end of each financial year. All Board members are invited to complete an online self-assessment and evaluation of the effectiveness of the Board. Amongst other things, Directors are asked for their views on Company strategy; key challenges for the business; the mix of skills, experience, independence, knowledge and diversity on the Board (including gender); effectiveness of the Board's engagement with shareholders; and how well the Board operates. The confidential questionnaires were completed in January 2016 and the results were circulated to the Directors in February 2016. The results will be discussed by the Board at the April 2016 Board meeting. The Board will review the key findings and ensure that any follow-up action required is undertaken promptly. It will continue to review its procedures, its effectiveness and development in the financial year ahead.

Corporate governance report continued

Board meetings

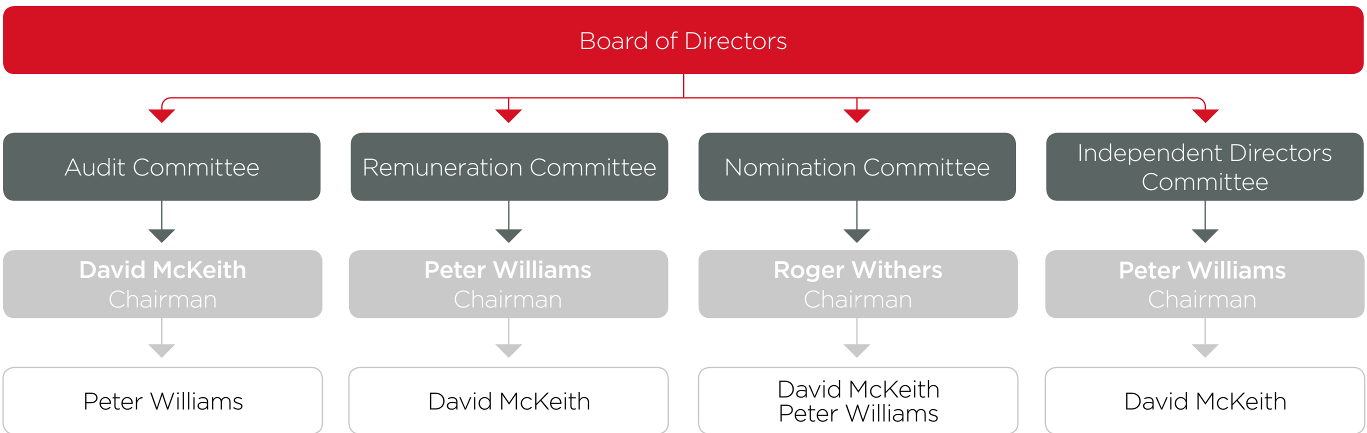
The Board meets at least six times a year. Certain matters are considered at all Board meetings, including the Chief Executive's report; the latest available Group consolidated accounts and Chief Financial Officer's report; divisional reports and the strategic developments report. Directors unable to attend a Board meeting receive all materials to be presented and can discuss any issue which may arise with the Chairman or any Executive Director.

Attendance at scheduled meetings of the Board and its Committees in 2015

	Main Board	Audit Committee	Remuneration Committee	Nomination Committee	Independent Directors Committee
Number of meetings held in year	8	3	5	2	—
Executive Directors					
Ian Penrose	8	—	—	—	—
Cliff Baty	8	—	—	—	—
Rich Roberts	8	—	—	—	—
Non-executive Directors					
Roger Withers	8	—	—	2	—
Peter Williams	8	3	5	2	—
David McKeith	8	3	5	2	—

There are seven scheduled Board meetings for 2016.

Board Committees



The Committees of the Board are the Audit Committee, Remuneration Committee, the Nomination Committee and the Independent Directors Committee. The terms of reference of the Audit, Remuneration and Nomination Committees are available on request from the Company Secretary and are available on the corporate website, www.sportechplc.com/investors/corporate-governance. Management ensures that the Committees are provided with all the necessary resources to enable them to undertake their duties in an effective and efficient manner. The Company Secretary or her delegate acts as secretary to the Committees.

Chairman and financial expert
David McKeith

The Audit Committee

Member
Peter Williams

The Audit Committee of the Board comprises the Independent Non-executive Directors and is currently chaired by David McKeith, who is considered to have recent and relevant financial experience. The Committee is scheduled to meet at least three times a year. The Committee's main responsibilities include reviewing the Annual Report and Accounts and Interim Report, including considering significant financial reporting issues and judgements that they contain. The Committee reviews, and challenges where necessary, the consistency and changes to accounting policies, methods used to account for significant and unusual transactions, whether the Company has followed appropriate accounting standards and the clarity of disclosure in the Company's financial statements. Further to this, the Committee is delegated from the Board the responsibility for review of the effectiveness of internal controls, the Company's whistleblowing procedures and the need for an internal audit function as well as the scope, extent and effectiveness of such a function. The Chief Financial Officer, Chairman and Chief Executive are invited to attend the Committee as appropriate.

Financial reporting

Following updates to the Code and the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting", the Committee spent time ensuring that the additional requirements were met by the Group.

The primary role of the Committee in relation to financial reporting is the review, with both management and the external Auditors, of the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the consistency of the Annual Report as a whole and ensuring it presents a fair, balanced and understandable picture of the Company as well as providing shareholders with the information necessary to assess the Company's performance, business model and strategy;
- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- the material areas in which significant judgements have been applied or there has been discussion with the external Auditors; and
- any correspondence from regulators in relation to the Company's financial reporting.

During the year, the Committee received a presentation from the Finance Director of the Racing and Digital division on the control environment of the business. The Committee also considered internal reports from the Chief Financial Officer and the Group Financial Controller, together with the external Auditor's report, in their half-year review and annual audit, reviewing the Group's financial reporting function.

The primary areas of judgement considered by the Committee in relation to the 2015 financial statements were:

- the assumptions underlying impairment testing of the Group's goodwill and intangible assets, particularly in relation to the Football Pools goodwill, Sportech Venues perpetual licence and eBet goodwill and acquired intangibles;
- the carrying value of joint venture investments;
- the carrying value of contingent consideration receivable in relation to NYX; and
- the assessment of going concern and viability statement disclosures, including the appropriate time period for financial modelling.

In order to be comfortable with the consistency, fairness and accuracy of these financial statements the following was undertaken in relation to these key areas of judgement:

- detailed review and discussion of models used for impairment testing and forecasts for going concern and viability statement reviews;
- detailed review of joint venture business plans;
- stress testing of assumptions to understand impacts and possible mitigations; and
- scenario analysis.

Corporate governance report continued

In testing assets for impairment, the key assumptions underpinning their value-in-use are discount rates and growth rates applied to projected earnings. These assumptions are inherently judgemental. The Committee considers those judgements in light of regular updates received on business plans and performance against targets. In addition, the Committee considers findings of the work of the Auditors in this area.

In assessing the carrying value of the contingent consideration receivable from NYX, the Committee receives updates from executive management on the development of the North American online gaming market and the pertinent regulatory and commercial issues.

In assessing the Group's ability to continue as a going concern, and its viability statement, the Committee has challenged the Group's strategic cash flow forecasts and the appropriateness of the time period through detailed review of the outputs. The Committee also considered the resilience of the Group to the potential impact of the Group's principal risks and associated mitigating actions.

External audit

The Committee is responsible for the relationship with the external Auditors. The Committee considers the nature and extent of non-audit services provided by the Auditors in order to seek to balance the maintenance of objectivity, access to applicable technical expertise and value for money. To help avoid the objectivity and independence of the external Auditors becoming compromised, the Committee has a formal policy governing the engagement of the external Auditor to provide non-audit services. This policy precludes PricewaterhouseCoopers LLP from providing certain services such as internal audit work or accounting services. For all other services the Chief Financial Officer must approve spend on discrete projects in excess of £10,000 and secondary approval is required from the Chairman of the Audit Committee for spend on projects that are estimated will exceed £50,000 in fees. The Committee is regularly updated on the spend to date with the external Auditors and also with other financial advisers.

The Auditors are also subject to professional standards that safeguard the integrity of their auditing role. The Committee remains confident that the objectivity and independence of the external Auditors are not in any way impaired by reason of the audit and non-audit services which they provide to the Group. Moreover, the Committee is satisfied that such work is best handled by them, either because of their knowledge of the Group or because they have been awarded it through a competitive tendering process. In addition, the independence of the Auditors is safeguarded by the use of separate teams for individual assignments such as acquisition due diligence and the audit being subject to internal PricewaterhouseCoopers LLP quality control procedures. A breakdown of non-audit fees charged by the Auditors is disclosed in note 5 in the notes to the financial statements. A significant proportion of the non-audit fees charged by the Auditors in 2015 relates to work undertaken in respect of ongoing issues in relation to indirect taxes and other advisory services. It was concluded by the Committee that it was in the interest of the Company to purchase these services on a single tender basis from PricewaterhouseCoopers LLP due to the cumulative historical knowledge already gained, the timing of the work, the tie-in to the financial statements and confidentiality.

Effectiveness

The effectiveness of the external audit process is dependent on appropriate audit risk identification and at the start of the audit cycle we receive from PricewaterhouseCoopers LLP a detailed audit plan ("Audit Strategy Memorandum"), identifying their assessment of these key risks. For 2015 the significant risks identified were in relation to asset impairment, management override of controls, fraud in revenue recognition and going concern. The Committee spends time with the external Auditors without management present at each meeting to provide additional opportunity for open dialogue and feedback. Matters typically discussed include the Auditors' assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, independence of their audit and how they have exercised professional scepticism. The Chairman of the Audit Committee also has regular discussions with the external audit partner outside the formal committee process.

Appointment and reappointment

The Committee considers the reappointment of the external Auditors, including the rotation of the audit partner each year, and also assesses their independence on an ongoing basis. The external Auditors are required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner, Nigel Reynolds, has performed the role since 2014.

PricewaterhouseCoopers LLP have been the Company's external Auditors since 1998, although a competitive tender process was conducted in 2006. As part of the Committee's review of the objectivity and effectiveness of the audit process, an assessment was made not to put the audit engagement out to tender in 2015. The Committee will continue to assess the appropriate time at which an audit tender process should be conducted and continues to assess the effectiveness, independence and value for money of PricewaterhouseCoopers LLP.

The Audit Committee provided the Board with its recommendation to the shareholders on the reappointment of PricewaterhouseCoopers LLP as external Auditors for the year ending 31 December 2016 and as a result, in accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of PricewaterhouseCoopers LLP as our Auditors will be put to the shareholders at the 2016 Annual General Meeting ("AGM"). There are no contractual obligations restricting the Committee's choice of external Auditors and we do not indemnify our external Auditors. The Committee will keep the appointment of the external Auditors under annual review.

Internal control and internal audit

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness; this responsibility has been delegated to the Audit Committee. On this basis, there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review. Data consolidated into the Group's financial statements is reconciled to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the true position and results of the Group are reflected through compliance with approved accounting policies and the appropriate accounting for non-routine transactions.

The Group performs an annual strategy and budgeting process and the Board approves the annual Group budget as part of its normal responsibilities. The Group results are reported monthly to the Board. A quarterly forecasting regime is adhered to and revised forecasts are produced for the Board whenever significant financial trends are identified in the periods between the quarterly assessments.

The Audit Committee reviews the effectiveness of the internal control environment of the Group, excluding that of the Group's joint ventures. It receives reports from the external Auditors, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. Significant risk issues are referred to the Board for consideration. The principal risks facing the Group and the mitigating actions taken by the Board and management are included on pages 14 to 16 of the Strategic report. The Group separately employs an India-based accountant as a consultant who is responsible for ensuring the integrity of results and robustness of internal controls and procedures in the Group's Indian joint venture. Similarly, the Group's Californian joint venture, S&S Venues employs a local accounting firm and is subject to oversight from the Venues division Vice President of Finance to ensure integrity of results and that the Group's high standard of internal control is replicated.

To manage lower-level risks, a risk management programme is in place, supported by a business control and risk self-assessment process and a business continuity plan. The risk management programme places responsibility on managers to identify risks facing each business unit and for implementing procedures to mitigate those risks. The risk appraisal process is regularly reviewed by the Board and accords with the Code. The Audit Committee and Board have reviewed the effectiveness of the internal controls of the Group for the year ended 31 December 2015 and up to the date of approval of the Annual Report and Accounts. This review covered controls in areas of finance, operations, risk management and compliance.

The Group does not have an internal audit function. The Audit Committee has considered the use of an internal audit function during the year but considers that due to the size and nature of the Group there is not a requirement for such an internal function. The central Group Finance function continues to undertake certain work of an internal audit nature and reports its findings to the Audit Committee. During the year, the Group Finance function performed internal controls reviews of all three operating divisions: Football Pools, Sportech Venues and Sportech Racing and Digital. The Committee will continue to assess the need for specific internal audit reviews and an ongoing internal audit strategy during the coming months.

Whistleblowing policy

The Company is committed to providing a safe and confidential avenue for all employees within the Group to raise concerns about serious wrongdoings. The Company also acknowledges the requirements of the Code in this regard, which states that the Audit Committee should review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Further to this, an appropriate policy so as to encourage and enable staff to raise any such concerns is in place and has been throughout the year. No instances of serious wrongdoing have been reported to the Audit Committee during the period.

David McKeith
Chairman of the Audit Committee
3 March 2016

Corporate governance report continued

The Remuneration Committee

The Remuneration Committee of the Board comprised the two Independent Non-executive Directors, and is chaired by Peter Williams. The purpose of the Committee is to ensure that the remuneration of Executive Directors and Senior Executives, together with their terms and conditions of employment, is sufficient to recruit and retain individuals of the calibre required to ensure profitable growth of the business. The Remuneration report is set out on pages 33 to 51.

The Nomination Committee

The Nomination Committee comprises two Independent Non-executive Directors and the Chairman of the Board, who also chairs the Committee.

The Committee's main objectives are to lead the process for any new appointments to the Board, whether Executive or Non-executive, and make recommendations to the Board in relation to the same, evaluate the balance of skills, knowledge and experience on the Board, consider any matters relating to the continuation in office of any Director at any time, review Committee memberships, and formulate plans for succession. The Nomination Committee's activities are underpinned by the principle that all appointments should be made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. Accordingly, the Committee prepares a description of the role and capabilities required for a particular appointment. Notably, during the year under review, the Committee recommended to the Board the appointment of Mickey Kalifa to the role of Chief Financial Officer, upon the departure of Cliff Baty, with effect from 3 March 2016.

The Committee, in its recommendations to the Board, acknowledges that diversity extends beyond the boardroom and supports management in their efforts to build a diverse organisation throughout the Group. Out of a workforce of approximately 1,000 employees, 41% are female and out of 16 members of senior management 19% are female. The Committee endorses the Company's policy to attract and develop a highly qualified and diverse workforce; to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. Although at present there are no female Board members, the Committee acknowledges the importance of diversity, including gender, to the effective functioning of the Board. Furthermore, the Board acknowledges the recommendations of the Davies Report, and supports the principle of improving, in particular, gender imbalance, both at a Board level and throughout its businesses. Subject to securing suitable candidates, when recruiting additional Directors and/or filling vacancies that arise when Directors do not seek re-election, we will seek to appoint new Directors who fit the skills criteria and gender balance that is in line with the Company's policy. We continue to focus on encouraging diversity of business skills and experience, recognising that Directors with diverse skill sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the Board.

The Independent Directors Committee

The Independent Directors Committee comprises two Independent Non-executive Directors, chaired by Peter Williams, and is responsible for dealing with matters where conflicts of interest might arise due to the Board's previous composition and shareholder representation. The Committee did not meet formally during the year, and only meets when circumstances of conflicts of interest are considered to have arisen that require review.

Investor relations

There is regular dialogue with shareholders through a planned programme of investor relations which includes formal presentations of the Group's results by the Chief Executive and Chief Financial Officer. Meetings also take place with institutional investors and analysts on a regular basis and there is regular communication with shareholders through the Annual and Interim Reports and Sportech's corporate website (www.sportechplc.com). They are also available at other times, outside close periods, to enter into dialogue with shareholders.
All shareholders have the opportunity to question the Board at the AGM both formally and informally. The Non-executive Directors have taken steps to develop an understanding of the views of the major shareholders about the Company through face-to-face contact and analyst and broker briefings.

All resolutions at the 2015 AGM were voted by way of a manual poll. This follows best practice and allows the Company to count all votes rather than just those of shareholders attending the meeting. As recommended by the Code, all resolutions were voted on separately and the voting results, which included all votes cast for, against and those withheld, together with all proxies lodged prior to the meeting, were indicated at the meeting and the final results were released to the London Stock Exchange as soon as practicable after the meeting. The announcement was also made available on the Company's corporate website. As in previous years, the proxy form and the announcement of the voting results made it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against the resolution.

The Board recognises the high level of withholding of votes and abstentions in relation to the auditors' remuneration (resolution 6) and reappointment (resolution 5) respectively at the 2015 AGM.
The appointment of PricewaterhouseCoopers LLP as external Auditors is subject to regular review by the Audit Committee and it is the belief of the Committee, as stated in the Audit Committee report, that the effectiveness, independence and value for money of PricewaterhouseCoopers LLP as external Auditors remains appropriate.

On behalf of the Board

Cliff Baty
Director
3 March 2016

Report of the Remuneration Committee

Letter from the Remuneration Committee Chairman

Dear Shareholder

I am pleased to present the Remuneration report (the "Report") for the year ended 31 December 2015.

This Report sets out the remuneration paid to Directors over the year under review and details the remuneration policy for the forthcoming year.

The Directors on the Remuneration Committee (the "Committee") are mindful of balancing the increased focus and guidance from stakeholders on remuneration issues with the need of the Company to attract and retain the best available talent. The Committee is comfortable that in 2015 it achieved an appropriate balance in this regard. More generally, the Committee believes that the policy outlined in this Report continues to achieve its overriding objective of establishing a stable remuneration platform, enabling the recruitment, retention and motivation of a talented executive management team that is fully incentivised to maximise shareholder value and capable of taking the business forward through its next phase of strategic development.

In addition, given that the package has a substantial weighting towards long-term performance, the Committee is comfortable that the current arrangements do not inadvertently encourage undue risk taking and that its policy motivates behaviours that are in the long-term interests of the Company and its shareholders.

In determining remuneration levels, the Committee has taken account of market conditions, the performance of the Company, responsibility to shareholders and good corporate governance. Accordingly, basic salaries of Executive Directors for 2016 have increased by 1%, with no increases taking place in the other elements of remuneration vis-à-vis 2015.

Performance and reward in relation to 2015

As set out in detail in the Strategic report, the Company delivered against a number of strategically important objectives during the year under review (including exploring indicative proposals made during the year for the Group, launching the Resorts online casino via SNG Interactive, the Group's joint venture with NYX Gaming Group Limited ("NYX") and subsequently selling its stake in such joint venture to NYX, integrating its systems and technology into Betfred's Totepool business and acquiring a 39.2% share in DraftDay Gaming Group, an associate established to pursue fantasy sports opportunities) and delivered EBITDA of £23.1m. Challenging EBITDA targets were not met during the year, but a number of personal and strategic objectives were achieved. Therefore, overall bonuses earned were between 17.5% and 22.5% of maximum bonus entitlement.

Cliff Baty was considered eligible for an annual bonus in relation to 2015 on the basis he served as Chief Financial Officer for the whole performance period and ensured an orderly handover process. He will not be entitled to a bonus in relation to the period of service rendered in 2016.

Performance Share Plan ("PSP") awards granted in 2013 will be eligible to vest in 2016 subject to two independent performance conditions. The 50% of the award subject to a relative Total Shareholder Return ("TSR") performance condition has a performance period ending in March 2016 but based on the most recent assessment, TSR performance is ranked below the median position on a relative basis, so there is no vesting expected from this element of the award. The remaining 50% of the PSP awards was based on EPS growth over the three-year period ending 31 December 2015 with this element of the awards not vesting due to EPS growth over the financial years not achieving the minimum target.

The Committee has reviewed the variable incentive payouts based on the financial period ended 31 December 2015 and is satisfied that the overall reward reflects the performance delivered.

Policy for 2016

The Committee has reviewed the remuneration policy in line with the current business strategy and considers it to remain fit for purpose. As such, no changes have been proposed for 2016 with the exception of an increased focus on shareholder value creation through the use of a TSR metric as the primary performance measure for Long-Term Incentive Plan ("LTIP") awards, alongside a financial performance underpin.

The remuneration package for the new Chief Financial Officer, Mickey Kalifa, will be broadly comparable to his predecessor in terms of salary, benefits, pension and variable incentive.

Shareholder feedback

The Committee has not proposed any significant changes to the remuneration policy for 2015 or 2016 that necessitated any direct consultations with shareholders during the year. However, the Committee welcomes any feedback on this Report and the remuneration policy in general and hopes for your continued support at the AGM.

Peter Williams
Senior Independent Non-executive Director and
Chairman of the Remuneration Committee
3 March 2016

Remuneration report

for the year ended 31 December 2015

This Report has been prepared in accordance with the Large and Medium-Sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations").

The Directors' Remuneration Policy report 2013 was subject to a binding shareholder vote at the 2014 AGM with an effective date of 13 May 2014, with the intention being that the policy is applied for the three-year period to 13 May 2017. It is re-presented in this report for information purposes only, with some minor changes to page references, updating references to former/new Directors where necessary and the graph illustrating pay scenarios removed. The full original report can be viewed at www.sportechplc.com/investors/results/2013. Of the votes cast on approval of the Directors' Remuneration Policy at the 2014 AGM, 99.43% were in favour of the policy. Less than 1% of the total votes available on this resolution were withheld.

The policy detailed in the 2013 report and repeated within this report, has operated for the entire current financial year. The Chairman's Statement and the Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2016 AGM. This report is intended to be in full compliance with the requirements of the Regulations and the Code. PricewaterhouseCoopers LLP have audited the contents of the Report to the extent required by the Regulations.

Directors' Remuneration Policy

The Committee's key objectives are to: (i) establish a competitive remuneration policy for the Executive Directors; and (ii) align Senior Executives' remuneration with the interests of shareholders and other stakeholders, including customers and employees.

In connection with this, the Committee aims to ensure that the remuneration packages offered to Executive Directors and Senior Executives:

- are competitive and attract, retain and motivate Executives of the right calibre;
- reflect their responsibility and experience within the business;
- incorporate a significant element of performance-related pay linked to the achievement of challenging performance criteria that are aligned with the Group's strategy and increased shareholder value, but remain appropriate given the Group's risk profile;
- provide a total remuneration offering at "target" levels of performance that is competitive in the relevant market;
- incentivise performance beyond "target" levels, to be achieved by offering a significant proportion of remuneration to be delivered through incentive-related pay;
- create a strong alignment between the interests of senior management and the sustained delivery of shareholder value;
- take due account/full consideration of the principles set out in the Code;
- take due account of pay and employment conditions elsewhere in the Group;
- provide the foundation for overall reward and remuneration structures at senior management levels; and
- provide an appropriate balance between non-performance-related and performance-related pay.

The Committee reviews the remuneration policy, and in particular performance-related pay scheme structures, on an annual basis to ensure that they continue to operate within the agreed risk framework of the Group. The Committee also ensures that an effective system of control and risk management is in place with regards to remuneration, which includes access to the Audit Committee to discuss matters of operational and financial risk. The Committee is satisfied that the current policy does not encourage or reward for undue risk taking.

The Committee ensures that performance-related pay structures will not raise environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters.

The policy, in relation to subsequent years, will be kept under review to ensure that it reflects any changing circumstances.

Remuneration for Executive Directors

The main component parts of the remuneration packages for Executive Directors are detailed in the table on pages 34 to 37, which should be read in conjunction with the recruitment/promotion policy on page 40, and the "Detailed remuneration policy for 2016" section of the Annual report on remuneration, which starts on page 41.

Remuneration report continued

for the year ended 31 December 2015

Policy table

Remuneration element and purpose	Operation
Base salary To attract and retain key individuals. Reflects the relevant skills and experience in role.	– Salaries are set on 1 January each year and reviewed annually against performance, experience, responsibilities, relevant market information and the level of workforce pay increases.
Pension To provide cost-effective, yet market competitive, retirement benefits.	– Contribution to a personal pension arrangement or cash in lieu of pension by way of a salary supplement.
Benefits To provide cost-effective, yet market competitive, benefits.	– A car allowance for certain UK Executive Directors, private health insurance and life insurance cover. – The Committee may offer Executive Directors other employee benefits on broadly similar terms to those of the wider workforce.
Annual bonus plan To motivate Executive Directors and incentivise the achievement of key financial and strategic goals and targets over the financial year.	– Bonus is paid wholly in cash. – Based on the achievement of performance metrics with a sliding scale from a threshold to maximum level of performance. – Clawback may be applied in the event of material misconduct and/or an error in the calculation of the bonus payable.

Opportunity	Performance metrics
– The current salaries are set out in the Annual report on remuneration on page 41. – Annual increases will usually be commensurate with those of the wider workforce. – If there are significant changes in responsibility or a change in scope, increases may exceed this level. – New joiners, where pay is initially set below market levels, may experience larger increases as their salary is progressed towards the market rate, based on their development in the role.	A broad-based assessment of individual and Company performance is considered as part of any salary review.
– 8% of salary for UK Executive Directors. Only basic annual salary is pensionable.	Not applicable.
– Car allowance of £16,000 for the Chief Executive. – Family cover private health insurance. – Life insurance cover of four times salary. – The value of insured benefits may vary from year to year based on the third-party costs of supplying the benefits. – Where Executive Directors are recruited from overseas, benefits more tailored to their geographical location may be provided.	Not applicable.
– Maximum bonus potential is 100% of salary for the Chief Executive and 75% of salary for other Directors. The Committee, in its discretion, acting fairly and reasonably, may alter the bonus outcome (upwards or downwards) if it feels that the payout is inconsistent with the Company's overall performance and events taking place during the year along with any other factors it considers relevant. The Committee will consult with the Company's major shareholders before any exercise of its discretion to increase the bonus outcome and will explain the use of any such discretion in the relevant Annual report on remuneration.	The majority of the bonus will be based on financial measures such as EBITDA-targeted performance of the Group (and operating divisions as appropriate), which takes into account market forecasts, and a minority of the bonus will be based on Group strategic objectives and/or personal objectives tailored to the achievement of the Group strategic goals. The proportion of the maximum bonus that may become payable at the threshold performance level where financial targets are set will be 0% of that part of the bonus. Bonuses above this level are earned on a graduated basis to the maximum performance level. Where strategic targets are set, it is not always practicable to operate targets that can be assessed using a graduated scale. The performance measures used for the 2015 annual bonus and those proposed for 2016 are described in the Annual report on remuneration on page 41.

Remuneration report continued
for the year ended 31 December 2015

Remuneration element and purpose	Operation
Long term incentive plan To motivate Executive Directors and incentivise delivery of performance over the long term. To encourage greater shareholder alignment by rewarding TSR outperformance. To facilitate share ownership.	– Annual awards of performance share awards which vest subject to performance after three years. – Directors may be entitled to dividends which accrue on vested awards.
All Employee Share Plans To promote wider employee share ownership.	– All employees (including Executive Directors) may be invited periodically to participate in a Company Sharesave plan. – Participants would have the right to commit to a savings contract whereby the proceeds can be used towards the exercise of an option granted at the time they participate. The exercise price can be discounted by up to 20% of the share price on grant.
Executive share ownership To align Executive Directors' and shareholders' interests.	– All Executive Directors are expected to hold an investment of at least 100% of base salary in the Company, using 50% of net awards under the Company's LTIPs to achieve the shareholdings, if required.
Non-executive fees To attract and retain high-calibre Non-executive Directors. To set remuneration by reference to the responsibilities and time commitment undertaken by each Non-executive Director.	– Fee levels are reviewed on a regular basis and are set based on expected time commitments, responsibilities and in context of the fee levels in companies of a comparable size and complexity, and reflecting the onerous obligations of international racing regimes.

Opportunity	Performance metrics
– Performance share awards of up to 100% of salary can be granted for a normal annual grant, with up to 200% of salary used in exceptional circumstances. – The policy is to grant awards of up to 100% of salary for Directors.	Awards will be granted subject to a combination of relative TSR and financial measures (such as EPS) over a three-year period. The Committee will review the appropriateness of the performance conditions on an annual basis and may make changes to the weightings or introduce new measures which are aligned to the Company strategy at that time. A minority (25%) of the award will vest for threshold levels of performance, rising on a straight-line basis to full vesting for outperformance. The performance measures used for the 2015 PSP award and those proposed for the 2016 PSP award are described in the Annual report on remuneration.
– Monthly savings limits are based on HMRC rules which currently limit monthly savings towards share purchases under three-year savings contracts to £500.	Not applicable.
– 100% of salary for all Executive Directors.	Not applicable.
– The Non-executive Chairman's fee and Non-executive fees are set out in the Annual report on remuneration on page 41. – Any increase in fees may be above those of the wider workforce (in percentage terms) in any particular year, reflecting the periodic nature of any review and changes to time commitments and/or responsibilities.	Not applicable.

Remuneration report continued
for the year ended 31 December 2015

The Committee operates the annual bonus plan and LTIPs according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. These include:

- the timing of awards and payments;
- the size of an award (within the limits noted in the table on pages 34 to 37), and when and how much should vest;
- who receives an award or payment;
- dealing with a change of control or restructuring of the Group;
- determining whether a participant is a good or bad leaver for incentive plan purposes and whether and what proportion of awards vest;
- any adjustments required to awards in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- the weightings, measures and targets for the annual bonus plan and LTIP from year to year.

The Committee retains the discretion to adjust the targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (e.g. a major acquisition or disposal) which cause it to determine that the conditions are unable to fulfil their original intended purpose and the change would not be materially less difficult to satisfy.

Existing awards
The Committee intends to honour any commitments, including outstanding PSP awards, on the terms applicable at the time each such commitment was made. The relevant outstanding awards are described in more detail on pages 46 to 48.

Policy on contracts of service
All Directors have rolling contracts with notice periods of no more than twelve months.

	Date of appointment	Notice period
Roger Withers	07.02.11	3 months
Ian Penrose	01.10.05	12 months
Cliff Baty*	14.05.13	12 months
Rich Roberts	14.07.14	12 months
Peter Williams	07.02.11	3 months
David McKeith	25.08.11	3 months

* Cliff Baty gave notice in October 2015 and steps down from the Board on 3 March 2016.

Copies of contracts of service are available for inspection on request to the Company Secretary.

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

In the event of termination, the Committee's policy is that payments on termination should reflect the specific circumstances prevailing. In general it would be the Committee's policy to make a payment in lieu of notice where necessary, limited to base salary and benefits. To the extent that an individual might otherwise seek to bring a claim against the Company in relation to the termination of their employment (e.g. for breach of contract or unfair dismissal), the Committee retains the right to make an appropriate payment in settlement of such potential or actual claims. Payments in connection with any statutory entitlements (e.g. in relation to redundancy) may be made as required. In connection with the foregoing, the Committee reserves the right to award to an Executive Director a bonus in respect of the period of the year in which notice of termination had not been served (and, in certain exceptional circumstances, in respect of any period following receipt of notice of resignation) that the individual remained in employment, subject to the appropriate performance measures being achieved. The determination of any share incentive vesting would be subject to the rules of the relevant plan, but in general where an individual is a good leaver (death, injury or disability, retirement, redundancy, transfer of business outside of the Group and any other reason the Committee decides) their awards would vest on the cessation date, unless the Committee decides the award should continue to the original vesting date and remain subject to the appropriate performance measures being achieved and time pro rating (unless the Committee decides it is inappropriate to apply time pro rating).

The Committee would intend to apply the above policy for any new appointment, which may include the ability to make phased payments with mitigation.

The Non-executive Directors have letters of appointment which provide for notice by either party giving to the other not less than three months' notice in writing. The Company may also terminate by making a payment in lieu of notice.

None of the employment contracts of the Directors contain special contractual termination provisions.

Policy on external appointments
Sportech PLC recognises that its Directors are likely to be invited to become Non-executive Directors of other companies and that such exposure can broaden experience and knowledge, which will benefit the Company. Executive Directors are therefore allowed to accept Non-executive appointments and retain any fees earned, with the Board's prior permission, as long as these are not likely to lead to conflicts of interest. In this regard, Ian Penrose is a Trustee of the National Football Museum, a registered charity, and he receives no remuneration in respect of this appointment.

Other employees' pay
The Committee did not consult with employees directly on matters of Executive remuneration. However, the Committee is aware of the disconnect which can be created if Executive Director remuneration is set in isolation and therefore is updated during the year with details of the pay and employment conditions in the wider workforce. In particular the Committee is made aware of general salary increases, general benefit provision and the proposed level of annual bonuses. The Committee is also responsible for reviewing the participants of the LTIPs and participation levels in the all-employee plans.

Base salary increases across the Group were in the range of 1% to 1.5% for 2016, reflecting the RPI prevailing in the country in which the individual is employed. The Executive Directors received an increase of 1% for 2016 which is consistent with the general pay award for the Group's employees.

Remuneration policy across the Group
The remuneration policy described in this Report is broadly consistent with the policy used for other Senior Executives of the Company. A significant proportion of remuneration remains performance-related, although lower quantums will operate.

The majority of employees will participate in annual bonus schemes, although the limits and performance metrics will vary according to the seniority and location of the role.

Participation in the LTIPs is targeted at senior management and key staff, to align employees' interests with those of shareholders.

The majority of new employees are eligible to join a defined contribution pension plan.

Remuneration report continued
for the year ended 31 December 2015

Policy on Executive Director recruitments/promotions
In relation to an external executive recruitment or an internal promotion the Committee will follow the principles outlined in the table below:

Element of remuneration	Policy
Base salary	Salary levels will be set based on: – the particular experience, knowledge and skill of the individual; – market rates for comparable positions in companies of a similar size and complexity; and – internal Company relativities. Where considered appropriate the Committee may wish to set the initial salary below the perceived market rate (e.g. to reflect an individual's limited experience at a PLC Board level) but with the view to make phased increases, potentially above those of the wider workforce as a percentage of salary, to achieve the desired market positioning over time. Any increases would be subject to the individual's continued development and performance in the role.
Benefits	A new appointment would be offered the same benefits package (or equivalent in line with local market practice) as that provided to current Executive Directors. Where considered necessary, the Committee may be required to pay certain relocation expenses, legal fees and other costs incurred by the individual in relation to their appointment.
Pension	A defined contribution or cash supplement (or equivalent in line with local market practice) at the level provided to current Executive Directors may be provided.
Annual bonus	The Committee would envisage the annual bonus for any new appointment operating as set out in the Policy table for current Executive Directors. The annual bonus maximum would be limited to that of the current Chief Executive. However, the Committee may consider it necessary (depending on timing and the nature of the appointment) to set different tailored performance measures for the initial bonus year.
Long-term incentives	Ongoing LTIP awards will be made on the same terms as current Executives, albeit possibly with different performance periods depending on the timing of the appointment. The maximum ongoing award will be no higher than that of the current Chief Executive. An award may be made shortly after an appointment. For internal promotions, existing awards will continue over their original vesting period and remain subject to their terms as at the date of grant. A new appointment would be eligible to participate in the Sharesave Plan under the same terms as all other employees.
Buy-out awards	To facilitate an external recruitment, it may be necessary to buy out remuneration which would be forfeited on the appointee leaving their previous employer. When determining the quantum and structure of any buy-out awards the Committee will, where possible, use a consistent basis, taking into account the form of remuneration (cash or shares), timing horizons and the application of any performance criteria. Buy-out awards, if used, will be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

Shareholder engagement
The Committee considers an open and constructive dialogue with investors to be vitally important to establishing a successful remuneration policy which is considered fair by both Executives and shareholders. Therefore, the Committee will consult with major investors whenever material changes to the policy are proposed. The Committee also welcomes investor feedback and will consider views raised at the AGM and regular meetings throughout the year when establishing the overall policy.

Annual report on remuneration

The Committee's Terms of Reference are available from the Company Secretary and can be found on the Company's website at www.sportechplc.com/investors/corporate-governance.

The Committee met five times during the year and the following key activities were undertaken:

- review of best practice;
- approval and grant of annual awards under the PSP in the year under review;
- review of the PSP performance conditions and approval to retain both challenging financial growth conditions and TSR conditions;
- approval of bonus awards, in March 2015, paid out in line with the 2014 bonus policy and approval of bonus policy for 2015;
- review of base salaries for the Executive team;
- approval of vesting of 2012 PSP awards; and
- review and approval of new terms of employment for Mickey Kalifa.

The Committee's recommendations in 2015 and early 2016 were all accepted and implemented by the Board.

Compliance with best practice
During 2015, the Committee has, with the assistance of its independent remuneration consultants, New Bridge Street ("NBS") (a trading name of Aon Plc), reviewed its practices and policies to ensure they are in line with what it perceives to be best practice and the Company's strategic objectives. The Committee continues to be committed to the principles of good governance as set out in the Code.

Composition of the Remuneration Committee
During the year the Committee consisted of Peter Williams (Chairman) and David McKeith. Peter and David are both Independent Non-executive Directors. No Committee member has any personal financial interest (other than as a shareholder), conflicts of interest from cross-Directorships or day-to-day involvement in the running of the business.

The Chief Executive and Chairman are invited to attend meetings although neither is present when matters affecting his own remuneration are discussed. The Company Secretary or their nominee acts as secretary to the Committee.

The Committee receive advice from NBS on aspects of Executive remuneration. NBS is a member of the Remuneration Consultants Group and has signed up to its Code of Conduct. NBS has no connection with Sportech other than in the provision of advice on Executive remuneration. The terms of engagement with NBS are available from the Company Secretary on request. The fees of the independent remuneration consultants in relation to the services provided by them to the Company during the financial year were £56,000 (2014: £35,000).

The Committee reviews its relationships with external advisers on a regular basis and believes that no conflicts of interest exist.

Remuneration report continued
for the year ended 31 December 2015

Detailed remuneration policy for 2016

Basic annual salary

Each Executive Director's basic salary is reviewed and determined by the Committee annually, taking into account the individual's performance and experience. The Committee also makes use of independent benchmark data provided by external remuneration consultants, takes due account of market median data in separate comparator groups based on sector, size and complexity, and is aware of the level of salary increases awarded to other employees within the Group.

- Ian Penrose, Chief Executive, was awarded a salary increase of 1%, which is consistent with the general pay award for all UK-based employees. He is paid a salary of £393,000 per annum with effect from 1 January 2016.
- Cliff Baty, Chief Financial Officer, is paid a salary of £249,000 per annum with effect from 1 January 2016, an increase of 1%, which is consistent with the general pay award for all UK-based employees, until he steps down from the Board and ceases to be an employee on 3 March 2016. The Committee determined that Cliff Baty be eligible for the general pay increase in relation to 2016, notwithstanding that he served notice of his resignation in October 2015, on the basis that he continues to serve as Chief Financial Officer until 3 March 2016 when he ceases to be an employee of the Company and ensures an orderly handover process.
- Rich Roberts, President: Sportech Digital, is paid a salary of $306,000 per annum with effect from 1 January 2016, an increase of 1% from the salary set on appointment.
- Mickey Kalifa, who will be appointed to the Board as Chief Financial Officer on 3 March 2016, and commenced a handover process from Cliff Baty on 4 January 2016, will be paid £230,000 per annum.

Performance-related bonus

The maximum bonus potential for the Chief Executive for 2016 is 100% of basic salary, for the new Chief Financial Officer, 75% of basic salary and for the President: Sportech Digital is 50% of basic salary. Cliff Baty will not be eligible for a bonus in relation to the period of service rendered in 2016.

For each Executive Director, their performance-related bonus is based on the EBITDA performance of the Group (and operating divisions as appropriate), delivering on the Group strategic objectives and meeting personal targets. The EBITDA-based proportion of the bonus, which represents 70% of each Director's bonus entitlement, is operated with a range set around a budgeted EBITDA figure (taking into account consensus forecasts). Strategic and personal objectives include continuing to develop our multiple business interests in Connecticut and California, rolling out our Racing and Digital footprint, implementing plans for growth in The Football Pools and developing the Sportech team to take advantage of new and innovative business opportunities. Further detail about such strategic and personal objectives is considered commercially sensitive and will therefore not be disclosed prospectively. The Committee will consider whether retrospective disclosure is appropriate. This bonus is wholly payable in cash.

Recovery provisions may be applied in the event of material misconduct and/or an error in the calculation of the bonus payable.

Pension arrangements

The Company will contribute into a defined contribution scheme for the Executive Directors at a rate of 8%. Only basic annual salary is pensionable. In addition, the Company matches the contribution into a 401(k) pension scheme for Rich Roberts being $6,750 per annum.

Other benefits

Executive Directors are entitled to the following other main benefits:

- Chief Executive – 29 working days' holiday per annum in addition to normal bank and public holidays. Other UK Executive Directors – 25 working days' holiday per annum in addition to normal bank and public holidays. US-based Directors are entitled to 20 working days' holiday per annum in addition to normal US public holidays;
- a car allowance of £16,000 for the Chief Executive;
- private health insurance for themselves, their spouse and children; and
- life insurance of four times salary (UK Directors only).

Long-Term Incentive Plan ("LTIP")

The Committee believes that share ownership and the granting of share-based incentives strengthens the link between Executives' personal interests and those of the shareholders. The Company has two long-term share plans in place: a share option scheme and a PSP. The Company's policy has been to only grant awards under the PSP since its adoption in 2007.

It is the Committee's intention to grant awards in 2016 at 100% of salary to the Chief Executive and 75% of salary to the other Directors. The targets to apply to the 2016 awards are to be restructured with a greater focus on incentivising growth in TSR. As a result, the primary performance metric will be the Company's relative TSR performance measured against the constituents of the FTSE Small Cap Index (excluding investment trusts) over a three-year performance period (the comparator group set as at the date of grant).

No portion of the awards will vest unless Sportech's TSR performance at least matches the median of the TSR performance within the comparator group; thereafter the following vesting schedule will apply:

The Company's TSR rank against the TSR of the comparator companies	Extent of vesting
Median	25%
Between median and upper quartile	Pro rata between 25% and 100%
Upper quartile (or better)	100%

Moving to TSR as the primary performance metric (from TSR and EPS) is considered appropriate for the 2016 awards to reflect Company strategy. However, to ensure that financial performance will be taken into account when determining the vesting of such awards, a general financial underpin will apply. This will require the Committee to consider the Company's financial performance over the performance period when determining the final vesting result.

The Committee is aware that the PSP does not currently operate recovery or withholding provisions. The Committee believes there are strong internal controls, a relatively simple reporting process and a robust level of oversight which means the risk of a material misstatement to the accounts or individual misconduct is considered to be extremely unlikely. However, the Committee will keep this issue under review for future awards.

Policy on Executive share ownership

The Board has adopted a formal policy in respect of Executive share ownership, pursuant to which all Executives are expected to invest in the Company to a level of at least 100% of annual salary over time, save that under such policy Executives may build to this level using 50% of net awards under the Company's long-term incentive plans. Current share ownerships are set out on page 49.

Non-executive Directors' fees and incentives

The fees of the Non-executive Directors are set by the Board following a review against fee levels operated in companies of a comparable size and after taking into account the anticipated time commitment of each role. The Non-executive Directors do not participate in any incentive, pension or benefit schemes of the Company.

The fees set for 1 January 2016 are unchanged from the prior year, being £120,000 for the Chairman and a set fee of £47,500 (with a further £5,000 for each Committee they sit on) for the Non-executive Directors. The fees are set competitively against comparable companies, reflecting the onerous international regulatory environment for Sportech and the fact that Board meetings will be held in both the US and the UK, necessitating additional travel and time commitments.

Details of each Director's remuneration for the year ended 31 December 2015 are given in the table overleaf.

Directors' remuneration for the year ended 31 December 2015

Basic annual salary

- Ian Penrose, Chief Executive, £389,000 per annum, with effect from 1 January 2015.
- Cliff Baty, Chief Financial Officer, £247,000 per annum with effect from 1 January 2015.
- Rich Roberts, President: Sportech Digital, $303,000 per annum with effect from 1 January 2015.

Remuneration report continued

for the year ended 31 December 2015

Directors' remuneration for 2015 (audited)

	Year of appointment	Fees/salary £000	Taxable benefits[1] £000	Pension £000	Bonuses £000	Long-term incentives £000	2015 Total £000
Executive Directors							
Ian Penrose	**2005**	**389**	**17**	**31**	**80**	**—**	**517**
Cliff Baty	**2013**	**247**	**1**	**20**	**32**	**—**	**300**
Rich Roberts	**2014**	**198**	**14**	**4**	**22**	**—**	**238**
Non-executive Directors							
Roger Withers	**2011**	**120**	**—**	**—**	**—**	**—**	**120**
Peter Williams	**2011**	**58**	**—**	**—**	**—**	**—**	**58**
David McKeith	**2011**	**58**	**—**	**—**	**—**	**—**	**58**
Aggregate emoluments		**1,070**	**32**	**55**	**134**	**—**	**1,291**

1 Taxable benefits comprise various insurance policies and car allowances.

Directors' remuneration for 2014 (audited)

	Year of appointment	Fees/salary £000	Taxable benefits[1] £000	Pension £000	Bonuses £000	Long-term incentives[2] £000	2014 Total £000
Executive Directors							
Ian Penrose	2005	385	17	31	82	158	673
Cliff Baty	2013	245	1	20	25	—	291
Ian Hogg (resigned 25 September 2014)	2010	256	14	20	14	32	336
Rich Roberts (appointed 14 July 2014)	2014	78	5	1	5	—	89
Non-executive Directors							
Roger Withers	2011	120	—	—	—	—	120
Peter Williams	2011	58	—	—	—	—	58
David McKeith	2011	58	—	—	—	—	58
Lorne Weil (resigned 28 April 2014)	2010	20	—	—	—	—	20
Rich Roberts (resigned 14 July 2014)	2013	37	—	—	—	—	37
Aggregate emoluments		1,257	37	72	126	190	1,682

1 Taxable benefits comprise various insurance policies and car allowances.

2 The value of long-term incentives included for 2014 originally reflected an estimate of the number of awards expected to vest in relation to performance ended or substantially ended at 31 December 2014. As the awards had not been transferred to the participants before the publication of the 2014 report, the value originally recorded was based on the three-month average share price to 31 December 2014 of 54.8p. These awards have not yet been transferred to participants, due to an extended close period and therefore the numbers have not been amended to reflect the actual value transferred.

Performance-related bonus

The maximum bonus potential for the Chief Executive in the year under review was 100% of basic salary, and for the Chief Financial Officer was 75% of basic salary. For the President: Sportech Digital, the maximum bonus potential was 50% of basic salary.

For each Executive Director their performance related bonus was based on (i) the EBITDA performance of the Group and (ii) strategic objectives aligned with the Group strategic goals.

The Committee determined that despite serving notice, Cliff Baty would be eligible to receive a bonus in relation to 2015 on the basis that he served in an executive capacity for the whole performance year and was facilitating an effective handover process.

EBITDA performance

The Committee considered the Group's EBITDA performance for these purposes and in this respect, achievement was determined to be 0% out of a maximum target of 70% of potential bonus. The targets set were to achieve EBITDA of between £23.5m and £26.5m, and actual EBITDA performance was £23.1m.

Strategic objectives

With regards to the Chief Executive, his targets related to delivering against a number of growth-focused initiatives primarily in relation to the Group's activities in the UK and US (including progress and growth in respect of the Venues division, the launch of the Resorts online casino via SNG Interactive (the joint venture with NYX), delivery of the first phase of software and technology integration into Betfred's Totepool system and developing the product offering and increasing customer acquisition in the Football Pools division). His strategic targets also included securing long-term funding for the Group. Achievements against these targets were assessed, resulting in an award of 20.5% out of a maximum target of 30% of potential bonus. The strategic targets relating to the Chief Financial Officer were in relation to securing strategic long-term funding for the Group alongside the Chief Executive, supporting the achievement of wider Group strategic objectives and implementing new system and process developments. Achievements against these targets were assessed, resulting in an award of 17.5% out of a maximum target of 30% of potential bonus. The strategic targets of the President: Sportech Digital related to the Connecticut online business, the NYX joint venture plans in New Jersey and progressing fantasy sports initiatives. Achievements against these targets were assessed, resulting in an award of 22.5% out of a maximum target of 30% of potential bonus.

The table below summarises the overall bonus result.

Individual	Total bonus: % Maximum (% salary payable)
Chief Executive	20.5% out of the maximum entitlement (20.5% of salary payable)
Chief Financial Officer	17.5% out of the maximum entitlement (13.1% of salary payable)
President: Sportech Digital	22.5% out of the maximum entitlement (11.3% of salary payable)

The Committee is comfortable that the level of bonuses paid to Executive Directors reflect both the Company and individual performance during the year.

Pension arrangements

The Company contributed into a defined contribution scheme for the UK-based Executive Directors at a rate of 8%. Only basic annual salary was pensionable. Two Directors (2014: three Directors) were members of UK defined contribution schemes during the year. Contributions paid by the Company in respect of these Directors are as shown in the table on page 44. The Company pays a maximum of $6,750 per annum into a defined contribution scheme for Rich Roberts, a US-based director.

Remuneration report continued
for the year ended 31 December 2015

Long-Term Incentive Plans

Awards vested in relation to performance ending 2015

Awards granted in March 2013 reached the end of their performance periods or were substantially complete in the year under review. This includes 50% of awards subject to relative TSR (performance period to end 20 March 2016) and 50% of awards subject to EPS (performance period ended 31 December 2015). Summary details of the full conditions applying to the 2013 awards are included as a footnote to the PSP table on page 48.

In terms of the 2013 award, the assessment of the TSR measures was made independently by NBS who advised that the relative TSR performance measured to 31 January 2016 was (29)% which resulted in the Company being ranked below the median ranking position on a relative basis. As a result no vesting of this part of the awards is expected.

The EPS decline over the three-year period to 31 December 2015 was (6.1)% p.a. thereby triggering 0% vesting of this element of the award.

In summary the total number of awards for each Executive is shown in the table below.

Performance Share Plan – 2015 Vesting

Measure	Condition	Threshold	Maximum	Actual	Vesting
Relative TSR (2013)	TSR measured against the constituents of the FTSE Small Cap Index (excluding investment trusts) over the three years from date of grant	Median rank (65.5)	Upper quartile rank (33.0)	TSR (29)% rank (108)	0%
EPS (2013)	Annualised adjusted EPS growth measured against RPI over three financial years	RPI +4% p.a.	RPI +10% p.a.	(6.1)%	0%

Executive	Award	Number of awards granted	Vesting	Number of shares vesting	Value of awards
Ian Penrose	2013 (Part A)	188,700	0%	—	—
	2013 (Part B)	188,700	0%	—	—

Cliff Baty's outstanding PSP awards have been treated as lapsed in 2015.

LTIP awards granted during 2015

Share option scheme

A share option scheme is in place, the details of which are described in note 26. The last award under such a scheme was made in 2005.

Performance Share Plan

The PSP was introduced in 2007. Under the rules of the PSP, awards may normally be granted up to 100% of salary, other than in exceptional circumstances, when they may be granted up to 200% of salary.

The Committee had previously approved the introduction of an annual award policy from 2012 at up to 100% of salary to Executive Directors.

Performance Share Plan – 2015 Award

Executive	Type of award	Number of awards granted	Basis of award	Share price on grant Pence	Face value*	Percentage which vests at threshold
Ian Penrose	Performance share	584,657	100% of salary	66.5	£388,797	25%
Cliff Baty	Performance share	278,851	75% of salary	66.5	£185,436	25%
Rich Roberts	Performance share	226,310	75% of salary	66.5	£150,496	25%

* This is based on the closing share price on the day before the date of grant. The date of grant was 9 March 2015.

2015 awards – targets

In connection with the awards to the Executive Directors, two distinct performance conditions apply, each in relation to one-half of each award.

For ease of reference, such halves are referred to below as Part A and Part B respectively.

The vesting of Part A of each such award will be dependent on Sportech's TSR over a fixed three-year period relative to the TSR of the constituents of the FTSE Small Cap Index (excluding investment trusts) over the same period (the comparator group set as at the date of grant).

No portion of Part A will vest unless Sportech's TSR performance at least matches the median of the TSR performance within the comparator group. Thereafter the following vesting schedule will apply:

The Company's TSR rank against the TSR of the comparator companies	Extent of vesting of Part A
Median	25%
Between median and upper quartile	Pro rata between 25% and 100%
Upper quartile (or better)	100%

The vesting of Part B of each such award will be dependent on Sportech's EPS performance over a fixed three-year period. No portion of Part B will vest unless Sportech's EPS growth is at least equal to the Retail Prices Index ("RPI") plus 4% per annum; thereafter the following vesting schedule will apply:

The Company's EPS growth	Extent of vesting of Part B
At least RPI + 4% p.a.	25%
Between a minimum of RPI + 4% p.a. and 10% p.a.	Pro rata between 25% and 100%
At least RPI + 10% p.a.	100%

EPS performance will be tested from a base year ended 31 December 2014 with EPS being calculated on such adjusted basis as the Remuneration Committee determines appropriate. Adjusted EPS for such purposes will be disclosed in due course at the time of vesting in the Remuneration report.

Remuneration report continued

for the year ended 31 December 2015

Directors' share-based incentives

Aggregate emoluments disclosed on page 44 do not include any amounts for the value of share-based incentives to acquire ordinary shares in the Company granted to or held by the Directors. The share-based incentives held by the Directors are as follows:

Sportech share option scheme

No Director holds outstanding share option awards under this scheme subsequent to the expiry of the 2005 award during the year.

PSP

The following table shows awards outstanding at the start of the year, awarded, vested and lapsed during the year and remaining outstanding at the end of the year.

	Date of grant	As at 1 January 2015 Number	Awarded during the year Number	Vested during the year Number	Lapsed during the year Number	**As at 31 December 2015 Number**	Vested but not exercised Number	Market price on date of grant Pence	Date from which exercisable	Award expiry date
Ian Penrose	02.12.11[1]	—	—	—	—	**—**	193,610	39.75	02.12.14	02.12.15[3]
	08.03.12[1]	751,269	—	(173,618)	(577,651)	**—**	173,618	51.52	08.03.15	08.03.16
	21.03.13[2]	377,400	—	—	—	**377,400**	—	100.00	21.03.16	21.03.17
	07.03.14[2]	432,525	—	—	—	**432,525**	—	89.00	07.03.17	07.03.18
	09.03.15[2]	—	584,657	—	—	**584,657**	—	66.50	09.03.18	09.03.19
Total		1,561,194	584,657	(173,618)	(577,651)	**1,394,582**	367,228			
Cliff Baty	24.05.13[2]	276,000	—	—	(276,000)	**—**	—	90.00	21.03.16	21.03.17
	07.03.14[2]	206,292	—	—	(206,292)	**—**	—	89.00	07.03.17	07.03.18
	09.03.15[2]	—	278,851	—	(278,851)	**—**	—	66.50	09.03.18	09.03.19
Total		482,292	278,851	—	(761,143)	**—**	—			
Rich Roberts	04.09.14[2]	349,650	—	—	—	**349,650**	—	78.00	04.09.17	04.09.18
	09.03.15[2]	—	226,310	—	—	**226,310**	—	66.50	09.03.18	09.03.19
Total		349,650	226,310	—	—	**575,960**	—			
Total PSP awards		2,393,136	1,089,818	(173,618)	(1,338,794)	**1,970,542**	367,228			

1 2011 and 2012 awards were subject to relative TSR, absolute TSR and EPS growth performance targets each applying to one-third of the awards. The specific details of the performance targets for the 2011 and 2012 awards was disclosed in full in last year's report. The outstanding awards remain unexercised due to an extended close period during 2015.

2 2013, 2014 and 2015 awards were subject to relative TSR and EPS growth performance targets each applying to one-half of the awards the structure for which is outlined on pages 46 and 47.

3 Ian Penrose was unable to exercise the 2011 award prior to the award expiry date due to an extended close period preventing the same throughout the exercise window. Further to this, the Committee resolved, in accordance with the rules of the PSP, to extend the award expiry date in respect of such award to the date that is 30 days after the date upon which the regulatory restrictions no longer apply.

The market price of the ordinary shares at 31 December 2015 was 60.0p and the range during the year was 54.5p to 70.5p.

The number of ordinary shares that may be issued under the PSP and any other share plan may not exceed 10% in any ten-year period. As at 31 December 2015 the Company's potential dilution was 6.52%.

Recruitment terms

On 18 December 2015, the Company announced that Mickey Kalifa would be appointed as Chief Financial Officer on 3 March 2016, following an orderly handover process which would begin on 4 January 2016. His package consists of an initial salary of £230,000 per annum, effective from 4 January 2016, with benefit and pension provisions in line with other Executive Directors. He is eligible to a full year bonus for 2016 and will be granted a PSP award of 75% of salary, both subject to the same terms and performance conditions as other Executive Directors.

Payments to departing Directors
Cliff Baty will step down from the Board following the Company's results announcement on 3 March 2016 at which time entitlements to salary, benefits and pension provision will cease. As noted previously, Cliff was eligible to receive a bonus payment in relation to 2015 on the basis that he served in an executive function for the full performance period and facilitated an orderly handover to Mickey Kalifa. He will not be eligible for a bonus in relation to any service rendered during 2016.

Cliff Baty's outstanding PSP awards have been treated as lapsed from the date of his resignation in 2015.

Payments for loss of office
There were no payments for loss of office during the period under review.

Payments to past directors
Ian Hogg tendered his notice of resignation as Chief Operating Officer, Consumer Facing Business, to the Company on 4 March 2014 and resigned from the Sportech PLC Board on 25 September 2014. He was subject to a twelve-month contractual notice period, however, by agreement with the Company, his employment terminated on 31 December 2014 and he forgave any payment in lieu of the remainder of his notice period. From 25 September 2014 to 31 December 2014, Ian Hogg continued to receive his normal salary and contractual benefits. He was eligible for a bonus in respect of the 2014 financial year at 7.5% of his maximum entitlement of 75% of base salary being a total bonus payment of £14,000. This is in line with treatment of "good leavers" and is partly compensatory for waiving his remaining contractual notice. The bonus was paid on the normal bonus payment date in 2015. Long-term incentive awards granted in 2011, where the relevant performance periods were completed, vested at the normal vesting date, subject to the rules of the PSP, with a value of £35,000.

Steve Cunliffe and Brooks Pierce were treated as good leavers under the rules of the PSP following restructurings of the Board, which resulted in their roles effectively being made redundant. Further to this, in early 2015, Brooks Pierce received a total payment under the 2011 award of £6,000 and Steve Cunliffe received a total payment under the 2011 award of £17,000.

Directors' interests and shareholding guidelines
The following table shows Directors' interests in the Company:

Director	Total shareholding at 31 December 2014	**Total shareholding at 31 December 2015**	PSP award held unvested	PSP award vested but not exercised	Share ownership guideline expected to be achieved by third anniversary of employment	% of guideline met by 31 December 2015
Ian Penrose	850,000	**850,000**	1,394,582	367,228	100%	100%
Cliff Baty	33,000	**33,000**	—	—	100%	12%
Rich Roberts	—	**—**	575,960	—	100%	0%
Roger Withers	112,079	**112,079**	—	—	N/A	N/A
Peter Williams	100,000	**100,000**	—	—	N/A	N/A
David McKeith	30,000	**30,000**	—	—	N/A	N/A

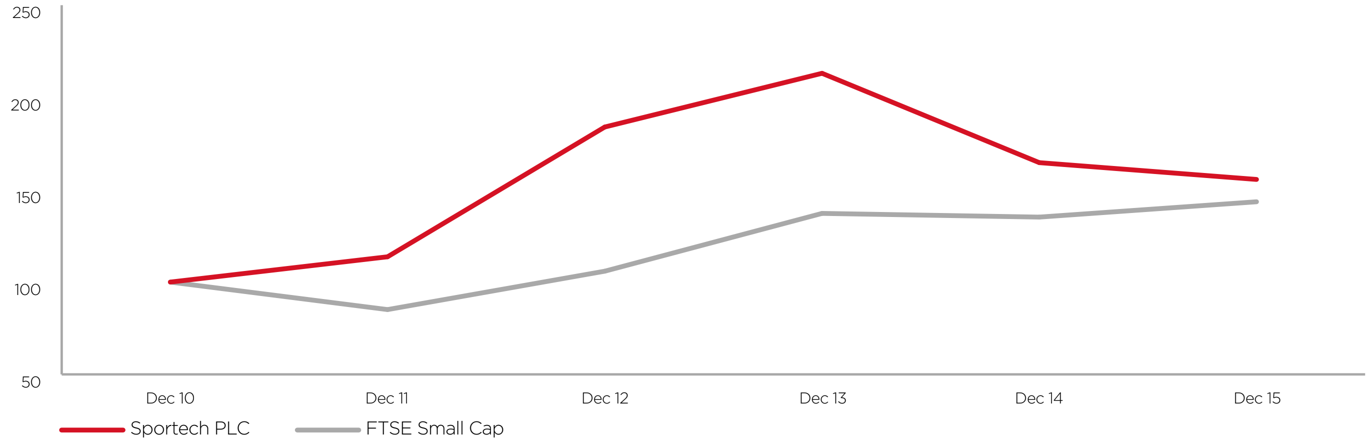
All Executive Directors are expected to hold an investment of at least 100% of base salary in Company shares. This requirement can be achieved over a period of time using 50% of net awards which vest under the Company's LTIPs. The table above shows shareholdings as at 31 December 2015 and the percentage of the guideline currently met.

Total shareholding which counts towards the measurement of the guideline is calculated on the basis of legally-owned shares plus vested PSP awards. The percentage of guideline met is based on the annual base salary and the higher of the acquisition cost of the total shareholding or the current market value of the total shareholding. Once an Executive Director meets the required holding, the Executive Director is only required to purchase additional shares equivalent to the value of any increase in base salary.

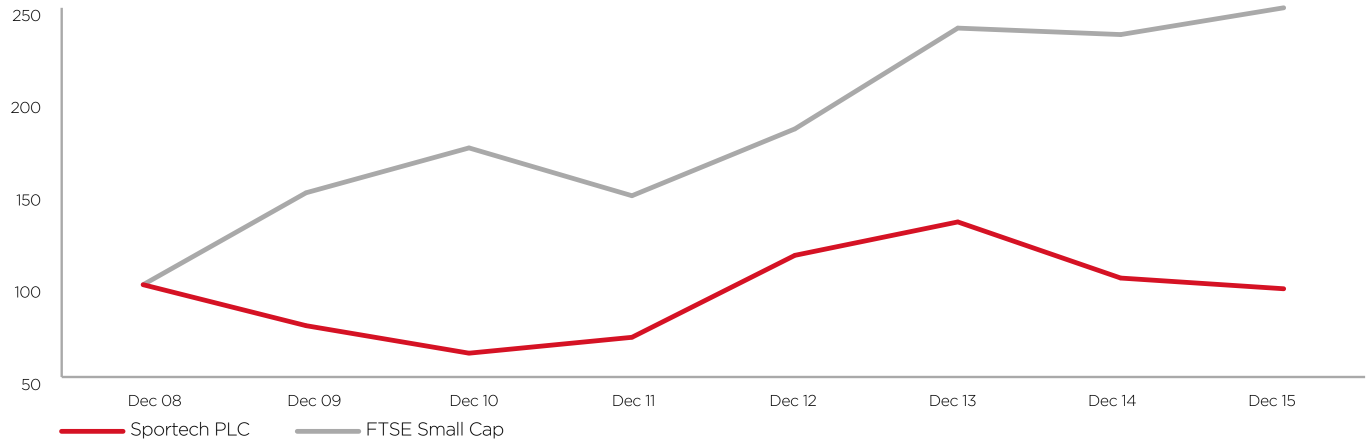
Remuneration report continued
for the year ended 31 December 2015

Performance graphs and Chief Executive's remuneration table

The following graph demonstrates the value by 31 December 2015, of £100 invested in Sportech PLC on 31 December 2010 compared with the same investment in the FTSE Small Cap Index. The other points plotted are the values at intervening financial year ends. This time period reflects performance from the point in time that the Company was transformed from a highly-geared and declining UK Football Pools business into the business it is today, following the acquisition of its international business and associated refinancing in 2010:



The graph below shows the value, by 31 December 2015, of £100 invested in Sportech PLC on 31 December 2008 compared with the value of £100 invested in the FTSE Small Cap Index. The other points plotted are the values at intervening financial year ends:



The FTSE Small Cap Index has been chosen as it is the index most closely aligned to Sportech PLC.

The following table sets out the Chief Executive's total remuneration for the current financial year and the preceding seven years:

	2009	2010	2011	2012	2013	2014	**2015**
Remuneration before LTIPs (£000)	416	542	502	542	575	515	**517**
LTIPs (£000)	—	—	—	233	836	158	**—**
Total remuneration (£000)	416	542	502	775	1,411	673	**517**
Annual bonus (%)	33%	74%	50%	25%	40%	21.25%	**20.5%**
LTIP vesting (%)	—	—	—	62.0%	82.7%	29.7%	**—**

Percentage increase in the remuneration of the Chief Executive (unaudited)

	2015	2014	% change
Chief Executive (£000)			
– Salary	**389**	385	1.0%
– Bonus and benefits	**97**	99	(2.0)%
Average of Group full-time employee (£000)			
– Salary	**51**	49	2.8%
– Bonus and benefits	**2**	2	—

The table above shows the actual percentage movement in the salary, benefits and annual bonus for the Chief Executive between the current and previous financial year compared to that for the average full-time salaried employee.

Relative importance of spend on pay (unaudited)

	2015	2014	% change
Staff costs (£m)	**30.5**	31.0	(1.6)%
Distributions to shareholders	**Nil**	Nil	—

Approval
This report was approved by the Remuneration Committee and signed on its behalf by:

Peter Williams
Senior Independent Non-executive Director
and Chairman of the Remuneration Committee
3 March 2016

Directors' report

for the year ended 31 December 2015

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2015. General information of the Company can be found in the Accounting Policies on page 69.

The Strategic report and Corporate governance report are set out on pages 1 to 31. Under section 414C(11) of the Companies Act 2006, information on trading in the year and the Group's principal risks are included in the Strategic report on pages 1 to 16. Therefore this information is omitted from this Directors' report.

Directors and their interests in the shares of the Company

The Directors who held office during the year, and up to the date of signing these financial statements (unless otherwise stated), had beneficial interests in the share capital of the Company as shown below.

Details of share options and PSP awards granted during the year ended 31 December 2015 are set out in the Remuneration report on pages 33 to 51.

	At 3 March 2016 and 31 December 2015 Number	31 December 2014 Number
Roger Withers	**112,079**	112,079
Ian Penrose	**850,000**	850,000
Cliff Baty	**33,000**	33,000
Peter Williams	**100,000**	100,000
David McKeith	**30,000**	30,000
Rich Roberts	**—**	—

Directors' third-party indemnity provisions

During the year, qualifying indemnity insurance was provided to the Directors. Such insurance remained in force throughout the year up to the date of signing the financial statements. No claim was made under these provisions.

Employees

Details of the Company's policy on equal opportunities for disabled employees and on employee involvement are set out in the 'Employees' section of the Corporate social responsibility report on page 19.

Substantial shareholdings

	3 March 2016		31 December 2015	
Holder	**Ordinary shares of 50p**	**% of issued share capital**	Ordinary shares of 50p	% of issued share capital
Henderson Global Investments Limited	**58,067,362**	**28.2**	58,067,362	28.2
Newby Manor Limited	**35,113,010**	**17.0**	35,113,010	17.0
Schroder Investment Management Limited	**18,345,331**	**8.9**	18,345,331	8.9
Richard Griffiths and Controlled Undertakings	**16,982,614**	**8.2**	16,982,614	8.2
Artemis Investment Management LLP	**13,444,756**	**6.5**	13,444,756	6.5
Aviva PLC	**11,443,960**	**5.6**	11,443,960	5.6
AXA S.A	**11,150,306**	**5.4**	11,150,306	5.4
Total of substantial shareholdings	**164,547,339**	**79.8**	164,547,339	79.8

Dividend

No dividend is proposed (2014: £nil) and no dividend has been paid during the year (2014: £nil).

Environmental matters

The Corporate social responsibility report provides information with respect to the Group's impact on the environment. Greenhouse gas emissions are monitored closely by management, and disclosure of those emissions can be found in the Strategic report on page 18.

Corporate governance

The Group's statement on corporate governance is set out on pages 24 to 31 and forms part of this Directors' report.

Significant agreements

There are a number of agreements that take effect, alter or potentially terminate upon a change of control of the Company following a takeover bid, such as commercial contracts and employees' share plans. None of these are deemed to be individually significant in terms of their potential impact on the day-to-day running of the business of the Group as a whole, other than as noted below:

- the main banking facilities with the three principal lenders, Bank of Scotland plc, Barclays Bank PLC and Royal Bank of Scotland plc, have mandatory prepayment provisions in respect of a change of control or trade sale, with the facilities cancelled and all outstanding debt becoming immediately due and payable if a lender so requires; and
- the Group operates under a number of licences in various territories awarded to it by regulatory bodies. In the event of a change of control, certain regulatory bodies retain the right to pre-approve the acquirer in order for a change of control to be permitted.

There are no clauses in any of the Directors' contracts that are triggered by a change of control of the Company.

Share capital and authority to issue shares

The Company has one class of ordinary shares and these shares have equal voting rights. The nature of the holdings of the Company's individual Directors and individually significant shareholders are disclosed on page 52. There are no restrictions on the transfer of shares.

As part of the resolutions approved at the 2015 AGM, shareholders' authority was given to the Directors for: (i) the allotment of up to 68,746,016 ordinary shares of 50p each (representing 33.3% of the issued share capital of the Company as at the date of the 2015 AGM); and (ii) the allotment of up to 137,492,032 ordinary shares of 50p each (representing 66.7% of the issued share capital as at the date of the 2015 AGM) in connection with a rights issue (including within such limit, any shares pursuant to the authority set out at (i)). As at 31 December 2015, no shares have been allotted pursuant to such authority.

Certain of the Company's share incentive schemes contain provisions that permit awards or options to vest or become exercisable on a change of control in accordance with the rules of the schemes.

Going concern

The Group's forecasts and projections, which have been prepared as described on page 17 were reviewed and approved by the Board.

On the basis of this review, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to June 2017. Accordingly, it is deemed appropriate to prepare the financial statements on a going concern basis for the financial year ended 31 December 2015.

Financial risk management

The Group's activities expose it to a variety of financial risks: fair value and cash flow interest rate risk; liquidity risk; credit risk; and foreign exchange risk. Where appropriate, the Group uses derivative financial instruments to hedge certain risk exposures. The policy for each of the above risks is described in more detail in note 25.

Directors' report continued
for the year ended 31 December 2015

Disclosure of information to the Auditors

So far as each Director is aware, at the date of the approval of the financial statements there is no relevant audit information of which the Company's Auditors are unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the AGM.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company (the "Company") financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors whose names and functions are listed in the Board of Directors section on page 22 confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report and other reports contained in the Annual Report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Annual General Meeting

The Notice convening the AGM of the Company on 17 May 2016 is being sent to shareholders with this report. In accordance with the Articles of Association of the Company, Roger Withers and Peter Williams retire by rotation and offer themselves for reappointment at the AGM. The profiles of those Directors appear on page 22. In addition, Mickey Kalifa, who has been appointed to the Board today, will retire and offer himself for reappointment as he was appointed to the Board since the last AGM. Resolutions will also be proposed at the AGM to receive the Accounts and the Directors' and Independent Auditors' reports, to approve the Remuneration report set out on pages 33 to 51, to reappoint the Auditors and to authorise the Directors to fix their remuneration.

On behalf of the Board

Cliff Baty
Director
3 March 2016

Independent Auditors' report

to the members of Sportech PLC

Report on the financial statements

Our opinion

In our opinion:

- Sportech PLC's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

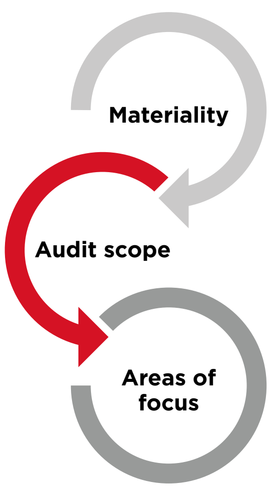
- the balance sheets as at 31 December 2015;
- the consolidated income statement and consolidated statement of comprehensive income/(expense) for the year then ended;
- the statements of cash flows for the year then ended;
- the statements of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview



- Overall Group materiality: £575,000 which represents 2.5% of adjusted EBITDA (being earnings before interest, tax, depreciation and amortisation, as adjusted also for exceptional items, impairment of assets and share option charges).

- The Group consists of 39 statutory entities (excluding dormant entities).
- Our audit focused on the most significant of these entities in terms of materiality to the Group financial statements being; Sportech PLC (the Parent Company), The Football Pools Limited, Sportech Racing, LLC and Sportech Venues, Inc.
- The components where we performed audit procedures accounted for 79% of Group revenue and 74% of Group adjusted EBITDA.

- Goodwill and intangible asset impairment.
- Impairment of investments in joint ventures.
- Recoverability of contingent consideration receivable.
- Going concern – financial covenants on banking facilities of the Group.

Independent Auditors' report continued

to the members of Sportech PLC

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Goodwill and intangible asset impairment *Refer to page 27 (Audit Committee report), page 69 (Accounting policies) and pages 86 to 89 (notes).* The Group has goodwill and intangible fixed assets with carrying value of £163.4m as at 31 December 2015. Our work focused on the following specific balances, being those assets which we assessed to have a higher level of judgement involved because of key assumptions made by the Directors in assessing their carrying values.	We evaluated and challenged the Directors' future cash flow forecasts, and the process by which they were drawn up, and tested the underlying value-in-use calculations. We noted no material inconsistencies between the forecasts and our understanding of the Board's approved future plans for the business gained from other areas of our audit. We performed the following to address the specific risks in each of the areas:
Football Pools goodwill Goodwill in relation to the Football Pools has a carrying value of £119.5m. In arriving at the remaining carrying value the Directors have assumed that the business will arrest its prolonged declining profitability, and that EBITDA will stabilise, and remain broadly at the level achieved in the current financial year, £15.2m, growing 1% over the course of the next five years, before remaining at that level into perpetuity. The Directors believe this will be achieved primarily as a result of the expected stabilisation in the number of customers, together with the continued improvement in spend per player. We have focused on the Directors' assumptions regarding these EBITDA forecasts, given the historic downward trend in profitability in recent years.	*Football Pools goodwill* In respect of the Football Pools goodwill we assessed the reasonableness of the Directors' estimate for future EBITDA levels through comparison of forecast levels of spend per player and customer numbers, against the run rate of these assumptions within the current and previous years, taking into account expectations for the coming year. Further we performed a detailed assessment on the historical accuracy of the Directors' forecasts against actual outturn. Based on this work we found that the assumptions used within the forecasts appear within a range which we consider to be reasonable.
eBet goodwill Goodwill arising on the acquisition of eBet has a carrying value of £1.8m, following the recognition in the year of an impairment of £3.7m (note 11). In assessing the carrying value of this asset, the Directors have assumed that there will be an average annual 17% growth in profitability levels over the course of the next five years, in spite of the fact that in the current year underlying profitability fell. This growth is expected to be largely driven by a new contract which was signed in 2015. We have therefore focused on the Directors' assumptions regarding the profitability of this new contract.	*eBet goodwill* In respect of the eBet goodwill we evaluated the assumptions surrounding the forecast rise in profitability over the coming five years, in particular the profitability of the newly signed contract over that period. This has been achieved through understanding and assessing the causes of the current year performance, and critically assessing the likely profitability of the newly signed contract in the future. We found that the assumptions used are supportable based on our audit work.

Area of focus	How our audit addressed the area of focus
Venues intangible assets Intangible assets associated with the gaming licence held within Sportech Venues Inc. ("Venues") have a carrying value of £16.9m. In assessing the carrying value of the Venues licence, which applies to both land-based and online venues, the Directors have assumed that the level of net handle (the total amount of bets taken) generated by the land-based venues will increase in 2016, following the reopening of a key sporting venue, before falling 2% per year on average between 2017 to 2020, and then stabilising into perpetuity at 2020 levels. Further, they have assumed the level of net handle in respect of internet gambling in Connecticut will grow on average 35% between 2016 and 2020. We have therefore focused on the Directors' assumptions around the level of net handle generated by the land-based venues in these future years, given the context of a fall in net land-based handle in the current year on that achieved in the prior year, and also the forecast growth in net handle surrounding online gambling given this business is in its infancy.	*Venues intangible assets* In respect of the Venues gaming licence we evaluated the key assumptions surrounding the improvement in net handle generated by the land-based venues in 2016 when compared with the current year, and the forecasts for net handle beyond 2016, by reference to the trend in total handle in recent years after removing the impact of one-off events in 2015. Further, we have critically evaluated the net handle growth assumptions adopted by management in respect of online handle via reference to market information and historic growth rates. The Directors' assumptions are supported by information currently available.
The Directors' projections in relation to impairment of goodwill and intangibles balances are also dependent on a range of other judgemental assumptions. In addition to those specifically referred to above, we focused on the discount rate assumption in each of the value in use calculations, given the significant amount of judgement involved in establishing an appropriate rate, and given the material sensitivity of the carrying values to small changes in this assumption.	In addition we have evaluated the discount rates used within the above impairment reviews to assess whether they are appropriate. This was done primarily by comparison of the weighted average cost of capital of each of the aforementioned businesses with other comparable companies within the same industry or with a similar business model. The discount rates were found to be supportable. While inherent uncertainty exists around many of the key assumptions used by the Directors in the above impairment reviews, our procedures indicated that the key assumptions were supportable and reasonable within the context of the evidence we obtained and we did not identify any material inconsistencies in the Directors' estimation technique and forecasting in these areas. Furthermore, we performed sensitivity analysis around all of the above assumptions to assess the extent of change in those assumptions that either individually or collectively would be required for the goodwill and intangibles to be impaired. We determined that, while the Directors' assumptions are not inappropriate, reasonably possible changes in the key assumptions would be likely to lead to a material impairment, and hence have determined that the Directors' disclosures (see notes 11 and 12) appropriately reflected this fact and are consistent with the requirements of accounting standards

Independent Auditors' report continued
to the members of Sportech PLC

Area of focus	How our audit addressed the area of focus
Impairment of investments in joint ventures *Refer to page 27 (Audit Committee report), page 69 (Accounting policies) and page 93 (notes).* The Group has investments in joint ventures with a carrying value of £1.7m as at 31 December 2015. Our work focused on the following specific balances, being those assets which we assessed to have a higher level of judgement involved because of key assumptions made by the Directors in assessing their carrying values:	We evaluated the Directors' carrying value assessments, including cash flow forecasts, and the process by which they were drawn up. We noted no material inconsistencies between the forecasts and our understanding of the Board's approved future plans for the business gained from other areas of our audit. We performed the following to address the specific risks in each of the areas:
S&S Venues The Group's investment in S&S Venues California, LLC has a carrying value of £1.2m. Given this venture was still under construction for much of the year, and had only commenced trading in December 2015, in arriving at the year end carrying value the Directors have made certain assumptions about the likely profitability of the operation subsequent to trade commencing. We have therefore focused on the likely profitability of the venture in the coming years, as well as whether the underlying net assets of the venture support the Group's investment.	*S&S Venues* In respect of the S&S Venues California, LLC investment,we assessed the reasonableness of the Directors' estimate for profitability through comparison of the forecast profitability of the venue to other similar venues in the region. In addition we assessed the valuation of those assets within S&S Venues California, LLC which underpin the investment, being primarily property, plant and equipment purchased in the year prior to the commencement of trading. Based on this work we consider the carrying value of the investment to be reasonable.
Sportshub Private Limited The Group's investment in Sportshub Private Limited has a carrying value of £0.5m. During the year the joint venture agreed to supply technology and related services to an Indian company which has been engaged by EGT Entertainment Pvt. Ltd., a Sikkim licence holder, to support the operation of pool games. Trading therefore commenced in February 2016. Given the lack of historical information as to the profitability of this venture, in arriving at the year end carrying value the Directors have made certain assumptions about the profitability of the venture in the coming years, as well as the likelihood of the joint venture being able to obtain further customers in India in the future. We have therefore focused on the likely profitability of the venture in the coming years, which is largely dependent on the ability to obtain additional customers across India, as well as whether the underlying net assets of the venture support the Group's investment.	*Sportshub Private Limited* We have assessed the Directors' estimates for the future profitability of Sportshub Private Limited through testing of the Board-approved business plan, and consideration of the likelihood of the joint venture obtaining further customers across India in future years. In addition we assessed the valuation of those assets within Sportshub Private Limited which underpin the Group's investment, being primarily trade and other receivables. Based on this work we consider the carrying value of the investment to be reasonable. While inherent uncertainty exists around many of the key assumptions used by the Directors in the above assessments, particularly given both ventures are in their initial set up phase, our procedures indicated that the carrying value of the investments were supportable and reasonable within the context of the evidence we obtained.

Area of focus	How our audit addressed the area of focus
Recoverability of contingent consideration receivable *Refer to page 27 (Audit Committee report), page 70 (Accounting policies) and page 92 (notes).* During the year the Group disposed of its 50% investment in Sportech – NYX Gaming LLC to NYX Gaming Group Limited ("NYX") for £10.9m. This sale generated a gain on disposal of £8.1m (note 16). Included within the consideration receivable by the Group for the sale is £1.1m which is contingent on NYX acquiring three new customers in the five years subsequent to the disposal. The Directors have assumed that the conditions for receipt of these amounts will be met within the requisite period, and hence that the consideration will be received. As such this amount has been included within trade and other receivables as at 31 December 2015. Given the judgement surrounding the likelihood of these amounts being received, we have focused on the Directors' assumptions in respect of this consideration.	We have evaluated the Directors' conclusions surrounding the likelihood of this contingent amount being received, focusing in on the likelihood of NYX obtaining the additional three new customers within the required five years for the consideration to be payable. During our assessment we have considered a number of factors which are relevant to the likelihood of NYX acquiring new customers in those five years. These factors included: the passage of gambling deregulation through certain states within the USA in the year; the number of credible competitors to NYX in those states; and the pre-existing relationships NYX has with a number of potential customers which increase the likelihood of a new customer being acquired. We verified these factors through external research over the regulatory and competitive environment in the USA in this industry. While there is an inherent amount of uncertainty within the Directors' assumptions in respect of this item, we have concluded that, at this time, the Directors' judgement is reasonable.
Going concern – financial covenants on banking facilities of the Group *Refer to page 27 (Audit Committee report) and page 69 (Accounting policies).* The Directors have concluded that it is appropriate for them to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that Directors intend it to do so, for at least one year from the date the financial statements were signed. In adopting this basis, the Directors have assumed that the Group will continue to comply with a variety of financial and non-financial covenants over its £75m revolving credit banking facilities. As at 31 December 2015, a total of £62.1m was drawn down from these facilities, which expire in August 2018. The financial covenants attached to the borrowings are leverage (being the ratio of EBITDA to net bank debt) and interest cover (being the ratio of EBITDA to senior finance charges).	We evaluated the Directors' conclusion around going concern and critically assessed the Group's short-term future cash flow forecasts, to assess the likely availability of funds to meet liabilities as they fall due, and its profit forecasts to assess the likelihood of a breach of covenants. The Directors' judgement in this respect appear reasonable. We obtained and read the Group's finance agreements to understand the financial and non-financial covenants contained therein and assess whether they had been considered in the Directors' forecasts. We tested the mathematical accuracy of the forecasts and the process by which they were drawn up, and agreed the covenant ratio calculations to the definitions in the finance agreements

Independent Auditors' report continued

to the members of Sportech PLC

Area of focus	How our audit addressed the area of focus
Going concern – financial covenants on banking facilities of the Group (*continued*) The Directors monitor their cash flow and profit forecasts against these covenants regularly to assess the likelihood of a breach, and establish mitigating actions should a potential breach be identified. While the Group's forecasts and projections, which have been prepared for the period to 30 June 2017 for going concern assessment purposes, show that it will be able to operate within the level of its current facilities and comply with its banking covenants, the level of headroom against those covenants, when reasonable downside sensitivities are applied, remains relatively low. As such, we identified a heightened risk in this area and focused our work on the Directors' cash flow and profit forecasts, in particular on the assumptions around projected EBITDA.	Where the Directors' cash flow assumptions were not consistent with current performance, we challenged whether these differences were appropriate by comparing to growth rates seen in the current year, and by assessing the historic accuracy of the Directors' forecasts against actual outturn. We found that inconsistencies were supported by current growth trends and borne out by the Directors' history of forecasting. We challenged the Directors on sensitivities applied to their forecasts to test the level of headroom against covenants by considering other sensitivities and discussing the impact of alternative assumptions. We found the Directors' approach to be reasonable. We also assessed the mitigating actions proposed by the Directors should it appear that the Group may breach its covenants, and found them to be reasonable. Finally we compared the relevant disclosures within the financial statements to our testing in this area and found that they appropriately reflected the future plans of the Parent Company and Group and any uncertainties arising. Our conclusions in relation to going concern are set out in the Going concern section below.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is managed divisionally, with the three operating divisions being Football Pools, Racing and Digital, and Venues, with the head office function incurring certain central costs on behalf of the Group. The Group's accounting process is structured around a local finance function in each of these divisions. These functions maintain their own localised accounting records and controls, distinct from those at the head office level.

While the Directors operate the Group divisionally we have scoped our audit at a statutory entity level. The Group comprises 39 statutory entities (excluding dormant entities). We performed full scope audits over four statutory entities, being Sportech plc (the Parent Company), The Football Pools Limited, Sportech Racing LLC and Sportech Venues Inc, which we regarded as being financially significant components of the Group given their contribution to the Group's adjusted EBITDA.

The entities that were subject to audit work accounted for 79% of Group revenue and 74% of Group adjusted EBITDA.

Additionally we performed work in another eight statutory entities on specific balances that we regarded to be significant to the financial statements.

We have performed sufficient testing over divisional and head office finance functions to obtain evidence over the components in scope for our Group audit. Furthermore, we have performed procedures over the Group's consolidation of these entities and significant consolidation entries.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£575,000 (2014: £592,000).
How we determined it	2.5% of adjusted EBITDA (being earnings before interest, tax, depreciation and amortisation, as adjusted also for exceptional items, impairment of assets and share option charges).
Rationale for benchmark applied	We believe that adjusted EBITDA provides us with a consistent year-on-year basis for determining materiality based on the underlying trading performance of the Group but eliminating one-off, non-recurring and non-cash items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,000 (2014: £30,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 53, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add, or to draw attention to, in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

– information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and parent company acquired in the course of performing our audit; or • otherwise misleading.	We have no exceptions to report.
– the statement given by the Directors on page 54, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit.	We have no exceptions to report.
– the section of the Annual Report on page 27, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

Independent Auditors' report continued
to the members of Sportech PLC

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

– the Directors' confirmation on page 17 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;	We have nothing material to add or to draw attention to.
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;	We have nothing material to add or to draw attention to.
– the Directors' explanation on page 17 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility

Directors' remuneration
Directors' remuneration report – Companies Act 2006 opinion
In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of the Directors' responsibilities set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 March 2016

Consolidated income statement
for the year ended 31 December 2015

	Note	Group 2015 £m	Group 2014 £m
Revenue		**100.2**	104.1
Cost of sales		**(58.2)**	(58.1)
Gross profit		**42.0**	46.0
Distribution costs		**(0.6)**	(0.9)
Administrative expenses		**(36.3)**	(62.4)
Other operating income		**8.1**	—
EBITDA before exceptional items, share option expense and impairment of assets		**23.1**	24.0
Share option expense		**(0.5)**	(0.6)
Depreciation and amortisation (excluding amortisation of acquired intangibles)		**(7.6)**	(6.2)
Amortisation of acquired intangibles		**(1.2)**	(4.1)
Impairment of assets		**(6.1)**	(28.1)
Exceptional income	2	**8.1**	—
Exceptional costs	2	**(2.6)**	(2.3)
Operating profit/(loss)		**13.2**	(17.3)
Finance costs	4	**(3.2)**	(2.8)
Other finance income	4	**0.6**	0.3
Net finance costs	4	**(2.6)**	(2.5)
Share of loss after tax and impairments of joint ventures and associates	17	**(0.9)**	(0.2)
Profit/(loss) before taxation	5	**9.7**	(20.0)
Adjusted profit before taxation*		**11.8**	14.4
Taxation	8	**(3.0)**	(1.3)
Profit/(loss) for the year		**6.7**	(21.3)
Attributable to:			
Owners of the Company		**6.7**	(21.3)
Non-controlling interests		**—**	—
		6.7	(21.3)
Earnings/(loss) per share attributable to owners of the Company			
Basic	10	**3.3p**	(10.4)p
Diluted	10	**3.1p**	(9.9)p
Adjusted earnings per share attributable to owners of the Company			
Basic	10	**4.4p**	5.5p
Diluted	10	**4.2p**	5.2p

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

Consolidated statement of comprehensive income/(expense)

for the year ended 31 December 2015

	Note	Group 2015 £m	2014 £m
Profit/(loss) for the year		**6.7**	(21.3)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit and loss			
Actuarial gain/(loss) on retirement benefit liability	32	**0.2**	(0.4)
Deferred tax on movement on retirement benefit liability	20	**(0.1)**	0.1
		0.1	(0.3)
Items that may be subsequently reclassified to profit and loss			
Revaluation of available for sale financial assets	25	**(1.6)**	–
Currency translation differences		**0.6**	1.4
Total other comprehensive (expense)/income for the year, net of tax		**(0.9)**	1.1
Total comprehensive income/(expense) for the year		**5.8**	(20.2)
Attributable to:			
Owners of the Company		**5.8**	(20.2)
Non-controlling interest		**–**	–
		5.8	(20.2)

Statements of changes in equity
for the year ended 31 December 2015

Group	Ordinary shares £m	Other reserves – Share option reserve £m	Other reserves – Pension reserve £m	Other reserves – Currency translation reserve £m	Other reserves – Available for sale reserve £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 January 2014	102.4	2.2	(0.3)	(1.5)	—	36.9	—	139.7
Comprehensive income								
Loss for the year	—	—	—	—	—	(21.3)	—	(21.3)
Other comprehensive (expense)/income								
Actuarial loss on retirement benefit liability* (note 32)	—	—	(0.3)	—	—	—	—	(0.3)
Currency translation differences	—	—	—	1.4	—	—	—	1.4
Total other comprehensive (expense)/income	—	—	(0.3)	1.4	—	—	—	1.1
Total comprehensive (expense)/income	—	—	(0.3)	1.4	—	(21.3)	—	(20.2)
Transactions with owners								
Share option credit (note 6)	—	0.6	—	—	—	—	—	0.6
Employment taxes paid on vestings in the year	—	(0.3)	—	—	—	—	—	(0.3)
Shares issued in relation to PSP	0.2	(0.2)	—	—	—	—	—	—
At 31 December 2014	102.6	2.3	(0.6)	(0.1)	—	15.6	—	119.8
Comprehensive income								
Profit for the year	—	—	—	—	—	6.7	—	6.7
Other comprehensive income/(expense)								
Actuarial gain on retirement benefit liability* (note 32)	—	—	0.1	—	—	—	—	0.1
Revaluation of available for sale financial assets (note 25)	—	—	—	—	(1.6)	—	—	(1.6)
Currency translation differences	—	—	—	0.6	—	—	—	0.6
Total other comprehensive income/(expense)	—	—	0.1	0.6	(1.6)	—	—	(0.9)
Total comprehensive income/(expense)	—	—	0.1	0.6	(1.6)	6.7	—	5.8
Transactions with owners								
Share option credit (note 6)	—	0.5	—	—	—	—	—	0.5
Shares issued in relation to PSP	0.5	(0.5)	—	—	—	—	—	—
Changes in ownership interests								
Acquisition of interest in S&S Venues California, LLC (note 17)	—	—	—	—	—	—	0.1	0.1
Total transactions with owners of the company	0.5	—	—	—	—	—	0.1	0.6
Total changes in equity	0.5	—	**0.1**	0.6	(1.6)	6.7	0.1	6.4
At 31 December 2015	**103.1**	**2.3**	**(0.5)**	**0.5**	**(1.6)**	**22.3**	**0.1**	**126.2**

* Net of deferred tax (note 20).

Company	Ordinary shares £m	Other reserve – share option reserve £m	Retained earnings £m	Total £m
At 1 January 2014	102.4	2.2	19.4	124.0
Comprehensive expense				
Loss for the year (note 9)	—	—	(6.5)	(6.5)
Total comprehensive expense	—	—	(6.5)	(6.5)
Transactions with owners				
Share option credit (note 6)	—	0.6	—	0.6
Employment taxes paid on vestings in the year	—	(0.3)	—	(0.3)
Shares issued in relation to PSP and reserve transfer	0.2	(0.2)	0.2	0.2
At 31 December 2014	102.6	2.3	13.1	118.0
Comprehensive expense				
Loss for the year (note 9)	—	—	(5.7)	(5.7)
Total comprehensive expense	—	—	(5.7)	(5.7)
Transactions with owners				
Share option credit (note 6)	—	0.5	—	0.5
Shares issued in relation to PSP and reserve transfer	0.5	(0.5)	0.5	0.5
At 31 December 2015	**103.1**	**2.3**	**7.9**	**113.3**

* Net of deferred tax (note 20).

Balance sheets
at 31 December 2015

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
ASSETS					
Non-current assets					
Goodwill	11	**121.3**	125.0	**–**	–
Intangible fixed assets	12	**42.1**	42.1	**12.0**	11.8
Property, plant and equipment	13	**24.0**	24.9	**0.1**	0.1
Investments in subsidiaries	14	**–**	–	**203.7**	203.7
Net investment in joint ventures and associates	17	**2.1**	2.2	**–**	–
Trade and other receivables	18	**2.0**	1.2	**–**	–
Deferred tax assets	20	**1.4**	1.4	**0.1**	0.2
		192.9	196.8	**215.9**	215.8
Current assets					
Trade and other receivables	18	**10.9**	10.4	**21.9**	20.6
Available for sale financial assets	25	**2.9**	–	**–**	–
Inventories	19	**2.1**	1.5	**–**	–
Cash and cash equivalents	21	**4.4**	6.3	**–**	0.1
		20.3	18.2	**21.9**	20.7
TOTAL ASSETS		**213.2**	215.0	**237.8**	236.5
LIABILITIES					
Current liabilities					
Derivative financial instruments	25	**–**	(0.5)	**–**	(0.5)
Trade and other payables	22	**(20.6)**	(20.5)	**(62.4)**	(47.9)
Provisions	23	**(0.1)**	(0.2)	**–**	–
Current tax liabilities		**(1.3)**	(0.8)	**–**	–
		(22.0)	(22.0)	**(62.4)**	(48.4)
Net current liabilities		**(1.7)**	(3.8)	**(40.5)**	(27.7)
Non-current liabilities					
Financial liabilities	24	**(62.3)**	(70.6)	**(62.1)**	(70.1)
Retirement benefit liability	32	**(1.4)**	(1.6)	**–**	–
Provisions	23	**(0.4)**	(0.4)	**–**	–
Deferred tax liabilities	20	**(0.9)**	(0.6)	**–**	–
		(65.0)	(73.2)	**(62.1)**	(70.1)
TOTAL LIABILITIES		**(87.0)**	(95.2)	**(124.5)**	(118.5)
NET ASSETS		**126.2**	119.8	**113.3**	118.0
EQUITY					
Ordinary shares	26	**103.1**	102.6	**103.1**	102.6
Other reserves		**0.7**	1.6	**2.3**	2.3
Retained earnings		**22.3**	15.6	**7.9**	13.1
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**126.1**	119.8	**113.3**	118.0
Non-controlling interests		**0.1**	–	**–**	–
TOTAL EQUITY		**126.2**	119.8	**113.3**	118.0

The financial statements on pages 64 to 113 were approved and authorised for issue by the Board of Directors on 3 March 2016 and were signed on its behalf by:

Ian Penrose
Chief Executive

Cliff Baty
Chief Financial Officer

Company Registration Number: SC069140

Statements of cash flows

for the year ended 31 December 2015

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Cash flows from operating activities					
Cash generated from operations, before exceptional items	27	**20.2**	20.4	**13.2**	1.1
Interest paid		**(3.2)**	(3.0)	**(3.2)**	(3.0)
Tax paid		**(2.3)**	(1.3)	**(0.7)**	–
Net cash generated from/(used in) operating activities before cash exceptional items		**14.7**	16.1	**9.3**	(1.9)
Cash exceptional costs		**(2.3)**	(2.3)	**(0.9)**	(0.8)
Net cash generated from/(used in) operating activities		**12.4**	13.8	**8.4**	(2.7)
Cash flows from investing activities					
Investment in joint ventures	17	**(2.5)**	(1.9)	**–**	–
Acquisition of Bump Worldwide, Inc. inclusive of overdraft acquired	15	**–**	(0.2)	**–**	–
Payment of deferred consideration for eBet Online, Inc.		**–**	(0.7)	**–**	–
Proceeds received on disposal of Sportech-NYX Gaming, LLC	16	**5.1**	–	**–**	–
Purchase of intangible fixed assets		**(4.9)**	(5.1)	**(1.2)**	(0.1)
Purchase of property, plant and equipment		**(3.4)**	(4.9)	**–**	–
Net cash used in investing activities		**(5.7)**	(12.8)	**(1.2)**	(0.1)
Cash flows from financing activities					
Refinancing fee paid – exceptional cost	4	**(0.3)**	(1.4)	**(0.3)**	(1.4)
Net cash (outflow)/inflow from (repayment)/drawdown of borrowings	24	**(8.0)**	4.1	**(8.0)**	4.1
Net cash (used in)/generated from financing activities		**(8.3)**	2.7	**(8.3)**	2.7
Net (decrease)/increase in cash and cash equivalents		**(1.6)**	3.7	**(1.1)**	(0.1)
Effect of foreign exchange on cash and cash equivalents		**(0.3)**	–	**–**	–
Cash and cash equivalents at the beginning of the year		**6.3**	2.6	**0.1**	0.2
Cash and cash equivalents at the end of the year	21	**4.4**	6.3	**(1.0)**	0.1
Reconciliation of net bank debt					
(Decrease)/increase in cash in the year		**(1.9)**	3.7		
Net cash outflow/(inflow) from repayment/(drawdown) of borrowings		**8.0**	(4.1)		
Movement in net bank debt for the year		**6.1**	(0.4)		
At 1 January		**(63.8)**	(63.4)		
At 31 December		**(57.7)**	(63.8)		
Net bank debt comprises:					
Cash and cash equivalents	21	**4.4**	6.3		
Loans repayable after one year	24	**(62.1)**	(70.1)		
At 31 December		**(57.7)**	(63.8)		

Accounting policies
for the year ended 31 December 2015

General information

Sportech PLC (the "Company") is a company domiciled and incorporated in the UK and listed on the London Stock Exchange. The Company's registered office is Collins House, Rutland Square, Edinburgh, Midlothian, Scotland EH1 2AA. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 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.

Going concern

As discussed in the Directors' report on page 53, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the period to 30 June 2017. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations as adopted by the European Union ("IFRSs as adopted by the European Union") 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 "Financial Instruments: Recognition and measurement".

The Group's accounting policies have been set by management, approved by the Audit Committee and consistently applied. The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Amounts presented in the financial statements have been rounded to the nearest £100,000.

Critical judgements

Critical judgements have been made in the following areas:

Carrying value of goodwill and intangible fixed assets

To determine whether an impairment of goodwill from the Littlewoods, Vernons and eBet Online, Inc. acquisitions, or of the intangible assets held in the Sportech Venues division has occurred, the key assumptions the Group uses in estimating future cash flows for value-in-use measures are:

- spend per player;
- rates of player retention and acquisition;
- new product uptake;
- the benefit of our continued investment in technologies;
- industry handle rates;
- levels of capital expenditure representing industry norms;
- rates of industry and market growth/decline;
- discount rates, which appropriately reflect the risks associated with those specific cash-generating units ("CGUs").

These assumptions, and the judgements of management that are based on them, are subject to change as new information becomes available. Economic conditions and government policy changes can also impact on the discount rates applied, which are reviewed annually. Further details are disclosed within notes 11 and 12.

Carrying value of joint venture investments

The Group prepares long-term cash flow forecasts for each of its joint ventures which are reviewed by management on a regular basis. At the reporting date, the active joint venture investments held by the Group are those for the venue in San Diego, and the Indian pools betting venture, Sportshub Private Limited ("Sportshub"). As with all start up ventures, the accuracy of those projections is based on estimates of local demand where the ventures operate, growth in those local markets together with potential new markets, combined with the success of the venue and product in attracting a strong customer base.

Management believe the ventures represent growth areas capable of generating future cash flows in excess of the net assets held by each of the respective joint ventures at the reporting date. Accordingly, it is management's judgement that neither of the Group's net investment in joint ventures are impaired. Further details are disclosed within note 17.

Accounting policies continued
for the year ended 31 December 2015

Carrying value of contingent consideration receivable
An element of the consideration received on the disposal of Sportech-NYX Gaming, LLC, as discussed in note 16, is contingent upon NYX Gaming Group Limited ("NYX") customers going live on their Real Money Wagering Platform. Judgement is therefore applied by management as to the likelihood that customers will go-live on this platform, and the number of customers who do so.

The judgements which have been applied by management are discussed further in note 16. Changes to market conditions, including regulatory change and competition from other online gaming suppliers are the key assumptions used in making these judgements. Management are confident that the assumptions applied represent the best estimate of the amount receivable by the Group for future customer acquisitions made by NYX.

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries, together with a share of the results, assets and liabilities of its equity accounted investees, all of which have consistent reporting dates with the Company. 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 to 3 January 2016 (2014: 4 January 2015). For ease of reference in these financial statements, all references to the results for the year are for the year ended 31 December 2015 (2014: 31 December 2014) and the financial position at 31 December 2015 (2014: 31 December 2014).

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

(a) Subsidiaries
Subsidiaries are all entities over which the Group has control. Control of an entity is deemed to exist when the Group is exposed to, or has rights to, variable returns through its power over that entity The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent consideration is recognised at fair value at the acquisition date and remeasured at each balance sheet date until settlement. The revaluation amount is debited/credited to the income statement in the period in which the estimated fair value is increased/decreased. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Transactions between subsidiaries are performed on an arm's-length basis. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Equity accounted investees
The Group equity accounts for any investees which are considered to be either a joint venture or an associate.

A joint venture is an entity which is jointly controlled by the Group and one or more venturers under a contractual agreement. An associate is an entity in which the Group has no control nor joint control, but bears significant influence over that entity. In both cases, the Group holds its interest in the entity on a long-term basis.

The Group's share of post-acquisition profits and losses made by the investee is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an equity-accounted investee equals or exceeds its interest in that entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in that entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the investee have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Revenue
Revenue from external customers, net of VAT, excise duties, returns, rebates and discounts and after eliminating sales within the Group, represents:

- the value of entry fees, net of winnings paid, receivable in respect of Football Pools recognised on the date of the event;
- the value of stakes, net of winnings paid, received in relation to fixed-odds betting activities recognised on the date of the event;
- the value of goods and services sold to external customers, including management fees to registered charities for the management of charity lotteries, is recognised when the goods and services are consumed;
- the sale of terminals and systems, recognised when significant risks and rewards of ownership have been transferred, which is when title passes to the customer, generally being at the point of customer acceptance. Sales which involve significant customisation are recognised on a percentage of completion basis in accordance with IAS 11; and
- the value of services delivered under service contracts generally based on either a percentage of amounts wagered or on a predetermined fixed amount depending on contract terms.

Although the value of entry fees net of winnings paid and the value of bets net of winnings paid is reported as revenue, both meet the definition of a gain under IAS 39 "Financial Instruments: Recognition and Measurement".

Under multiple element arrangements, revenue is allocated to the various elements based on fair value determined by the price charged when the same element is sold separately, and revenue is recognised on the separate components of the contract in accordance with the appropriate revenue recognition policy for that item or service.

(d) Accruals and deferred income
Accruals and deferred income includes the value of stakes placed prior to the end of the financial period in respect of competitions and sporting events held subsequent to the end of the financial period and income received in advance of a service or product being delivered.

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

The Group has identified its business segments as follows:

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

Accounting policies continued

for the year ended 31 December 2015

(f) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same or different taxable entities, where there is an intention to settle the balances on a net basis.

(g) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Sterling (£), which is the Company's functional currency and the Group's presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except where deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement within operating profit.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets or liabilities of the foreign entity and translated at the closing rate.

(h) Property, plant and equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation and any impairment. Cost includes the original purchase price of the asset and the costs attributable in bringing the asset to its working condition for its intended use and any associated borrowing costs. Assets in the course of construction are not depreciated until the asset is completed. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

Assets in the course of construction are capitalised when first brought into use and depreciated from this date.

(i) Depreciation
Depreciation is provided on a straight-line basis to write off the cost of property, plant and equipment down to residual value over their anticipated useful lives at the following annual rates:

Long leasehold and owned land
Not depreciated

Long leasehold and owned buildings
4.0% to 5.0%

Short leasehold land and buildings
Over the period of the lease

Plant, equipment and other fixtures and fittings
10.0% to 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(j) Goodwill
Goodwill arising on consolidation represents the excess of the fair value of consideration given over the fair value of the separately identifiable net assets acquired. Goodwill arising on acquisitions before the date of transition to IFRSs (4 January 2005) has been frozen at the previous UK GAAP net book value at the date of transition, subject to being tested for impairment annually at the year end date.

Goodwill is allocated to specific CGUs for the purpose of impairment testing. The allocation is made to the CGU that is expected to benefit from the business combination in which the goodwill arose.

Goodwill is carried at cost less accumulated impairment losses.

(k) Intangible fixed assets
Intangible fixed assets are held at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life of the intangible fixed asset.

Customer contracts and relationships
Intangible customer contracts and relationship assets relate to the acquisition of eBet Online, Inc., Datatote (England) Limited, and Bump Worldwide, Inc. Customer contracts and relationships are capitalised in accordance with IFRS 3 "Business Combinations" (revised) and on the basis of a value-in-use calculation using an income-based approach. Amortisation is calculated using the straight-line method over their estimated useful lives as outlined in note 12.

Software

Externally acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives or contractual period if shorter (six to ten years).

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Accounting policies continued
for the year ended 31 December 2015

(k) Intangible fixed assets (continued)
Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate proportion of relevant overhead. Other development expenditure that does not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software development costs are amortised over their estimated useful lives, which do not exceed 15 years.

Other intangibles
Included within other intangibles are separately acquired licences recognised at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate cost of licences over their estimated useful lives of 15 to 20 years. Licences with an infinite life (licences granted in perpetuity) are held at cost or fair value at acquisition date and tested annually for impairment.

During 2012, the Group acquired eBet Online, Inc., giving rise to the recognition of licences and a non-compete agreement. The non-compete agreement fair value was derived from a comparative income differential method and is amortised over the life of the agreement being three years.

(l) Investments in subsidiaries
Investments in subsidiaries are carried at historic cost less any impairment. Annual impairment reviews are performed.

(m) Impairment reviews
Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and intangible assets with indefinite lives are subject to an annual review for impairment in accordance with IAS 36 "Impairment of Assets". The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairments, assets are grouped at the lowest levels at which there are separately identifiable cash flows. Any impairment losses are recognised in the income statement in the year in which they occur. Any impairment loss recognised on goodwill is not reversed.

All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist at each reporting date.

(n) Pension obligation
The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or Trustee administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(o) Financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate and exchange rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. Financial assets and liabilities are recognised on the Group's balance sheet initially at fair value when the Group becomes party to the contractual provisions of the instrument. Subsequent measurement depends on the designation of the instrument in accordance with IAS 39.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the variability of cash flows (cash flow hedge). The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss, e.g. when the forecast transaction that is hedged takes place. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Available for sale financial assets

Financial assets which do not meet the criteria of being loans and receivables, fair value through profit and loss, or held to maturity financial assets are classified as available for sale financial assets in accordance with IAS 39. Those assets are remeasured to their fair value at the reporting date, with any gains/losses recognised within other comprehensive income. An available for sale financial asset reserve holds all unrealised gains/losses within equity on the balance sheet.

Gains/losses on available for sale financial assets are realised at the point that the asset is disposed of by the Group.

Accounting policies continued
for the year ended 31 December 2015

(p) Share-based payments
The fair value of employee options awarded under the Sportech Share Option Scheme is calculated using the Black-Scholes model. The fair value of employee PSP awards is valued using a stochastic (Monte Carlo) valuation model. In accordance with IFRS 2 "Share-based Payment", the resulting cost is charged to the income statement over the vesting period of the options/awards. The total amount to be expensed is determined by reference to the fair value of the options/awards granted including any market performance conditions, which are those that are based on Sportech PLC's share price, and excluding the impact of any service and non-market performance vesting conditions, being profitability and the individual remaining an employee over a specified time period. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The charge in relation to employees who provide services to subsidiary companies is recharged to those subsidiaries. Where the charge is not required to be settled in cash, the Company's investment in that subsidiary is increased by the value of the charge and a corresponding increase in equity is recognised in the subsidiary.

(q) Cash and cash equivalents
Cash and cash equivalents shown on the balance sheet represent cash in hand, cash in vaults and cash held in current accounts. Bank overdrafts are shown within current liabilities. Cash held on behalf of customers is netted against the corresponding liability within trade and other payables and does not form part of the Group's cash and cash equivalents balance.

(r) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(s) Exceptional items
The Group defines exceptional items as those items which, by their nature or size, would distort the comparability of the Group's results from year to year.

(t) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, being the difference between the assets' carrying amounts and the present value of the estimated future cash flows, discounted at the original effective interest rate. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific customer will default or delinquency in payment will arise. Any subsequent recovery of amounts written off is credited to the income statement.

(u) Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(v) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business.

(w) Provisions
Provisions for onerous contracts, onerous leases, restructuring costs, legal claims and dilapidations are recognised when the Group has: a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses where the Group has no contractual obligation to deliver the service or product.

(x) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(y) Share capital
Ordinary shares are classed as equity. Incremental costs directly attributable to the value of new shares or options are shown in equity as a deduction from the proceeds in the share premium account where the shares were issued at a premium or, where issued at par or where the issue costs exceed the premium on the issue, to retained earnings.

(z) New standards, amendments and interpretations adopted by the Group

There are no new standards or amendments to standards or interpretations that are mandatory for the first time for the financial year beginning 1 January 2015 that materially impacted the Group financial statements. Accordingly, the accounting policies applied in these financial statements are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those financial statements.

(aa) New standards, amendments and interpretations not yet effective and not adopted by the Group

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group.

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 16	Leasing	1 January 2019
Amendments to IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
Annual improvements 2014	Various	1 January 2016

Notes to the financial statements
for the year ended 31 December 2015

1. Segmental reporting

The Executive Committee assesses the performance of the operating segments based on a measure of adjusted EBITDA which excludes the effects of non-recurring expenditure such as exceptional items and asset impairment charges. The share option expense is also excluded. Interest is not allocated to segments as the Group's cash position is controlled by the central finance team. Sales between segments are at arm's length.

	2015					
	Football Pools £m	Sportech Racing and Digital £m	Sportech Venues £m	Corporate costs £m	Inter-segment elimination £m	Group £m
Revenue from sale of goods	33.8	4.7	–	–	–	38.5
Revenue from rendering of services	–	29.9	32.7	–	(0.9)	61.7
Total revenue	33.8	34.6	32.7	–	(0.9)	100.2
EBITDA before exceptional items, share option expense and impairment of assets	15.2	8.6	2.8	(3.5)	–	23.1
Share option expense	–	–	–	(0.5)	–	(0.5)
Depreciation and amortisation (excluding amortisation of acquired intangibles)	(1.8)	(3.8)	(1.3)	(0.7)	–	(7.6)
Segment result before amortisation of acquired intangibles and impairment of assets	13.4	4.8	1.5	(4.7)	–	15.0
Amortisation of acquired intangibles	–	(1.2)	–	–	–	(1.2)
Impairment of assets	–	(6.1)	–	–	–	(6.1)
Exceptional income	–	8.1	–	–	–	8.1
Exceptional costs	(0.2)	(1.5)	(0.2)	(0.7)	–	(2.6)
Operating profit/(loss)	13.2	4.1	1.3	(5.4)	–	13.2
Net finance costs						(2.6)
Share of loss after tax and impairment of joint ventures and associates						(0.9)
Profit before taxation						9.7
Taxation						(3.0)
Profit for the year						6.7
Segment assets	193.0	90.1	39.4	39.2	(148.5)	213.2
Segment liabilities	(18.7)	(78.0)	(8.7)	(130.1)	148.5	(87.0)
Other segment items						
Capital expenditure (notes 12 and 13)	2.5	4.5	1.1	0.3	–	8.4
Depreciation (note 13)	0.2	1.8	1.2	0.1	–	3.3
Amortisation of intangible assets (including acquired intangibles) (note 12)	1.6	3.2	0.1	0.6	–	5.5

	2014					
	Football Pools £m	Sportech Racing and Digital £m	Sportech Venues £m	Corporate costs £m	Inter-segment elimination £m	Group £m
Revenue from sale of goods	38.0	4.2	—	—	—	42.2
Revenue from rendering of services	—	30.3	32.5	—	(0.9)	61.9
Total revenue	38.0	34.5	32.5	—	(0.9)	104.1
EBITDA before exceptional items, share option expense and impairment of assets	16.6	8.1	3.2	(3.9)	—	24.0
Share option expense	—	—	—	(0.6)	—	(0.6)
Depreciation and amortisation (excluding amortisation of acquired intangibles)	(1.5)	(3.5)	(1.2)	—	—	(6.2)
Segment result before amortisation of acquired intangibles and impairment of assets	15.1	4.6	2.0	(4.5)	—	17.2
Amortisation of acquired intangibles	(2.6)	(1.5)	—	—	—	(4.1)
Impairment of assets	(28.1)	—	—	—	—	(28.1)
Exceptional costs	(1.4)	—	(0.1)	(0.8)	—	(2.3)
Operating (loss)/profit	(17.0)	3.1	1.9	(5.3)	—	(17.3)
Net finance costs						(2.5)
Share of loss after tax of joint ventures						(0.2)
Loss before taxation						(20.0)
Taxation						(1.3)
Loss for the year						(21.3)
Segment assets	179.6	78.2	35.2	34.2	(112.2)	215.0
Segment liabilities	(16.1)	(64.0)	(7.3)	(120.0)	112.2	(95.2)
Other segment items						
Capital expenditure (notes 12 and 13)	3.0	5.7	1.3	—	—	10.0
Depreciation (note 13)	0.3	1.7	1.0	—	—	3.0
Amortisation of intangible assets (including acquired intangibles) (note 12)	3.8	3.3	0.2	—	—	7.3

Notes to the financial statements continued
for the year ended 31 December 2015

1. Segmental reporting continued
Information by geographical area

	Revenues from external customers		Non-current assets	
	2015 £m	2014 £m	**2015 £m**	2014 £m
United Kingdom	**38.7**	41.1	**141.9**	142.2
North and South America	**51.3**	50.7	**48.6**	51.5
Europe	**9.3**	11.3	**2.4**	3.1
Other	**0.9**	1.0	**—**	—
Total	**100.2**	104.1	**192.9**	196.8

Revenue is allocated to the country in which the customer is located and the service is performed or product is delivered.

2. Exceptional (income)/costs
Net exceptional (income)/costs by type are as follows:

	2015 £m	2014 £m
Included in administrative expenses:		
Redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	**1.0**	1.1
Costs incurred in relation to California contract exit	**0.6**	—
Costs and fees in relation to Spot the Ball VAT claim	**—**	0.2
Transaction costs in relation to Contagious Gaming, Inc. proposal	**0.2**	—
Transaction costs in respect of the acquisition of subsidiaries and associates	**0.1**	0.1
Licensing costs in New Jersey in respect of the acquisition of Sportech Racing	**0.3**	0.1
Costs in relation to the set up of joint ventures	**0.2**	0.6
IFRS 3 employment costs in relation to Datatote (England) Limited and Bump Worldwide, Inc.	**0.2**	0.4
Release of contingent consideration accrued for Datatote (England) Limited	**(0.2)**	—
Release of contingent consideration accrued for eBet Online, Inc.	**—**	(0.5)
Realised fair value loss on receipt of shares in NYX Gaming Group Limited (note 16)	**0.2**	—
Other exceptional items	**—**	0.3
	2.6	2.3
Included in other operating income:		
Net gain on disposal of Sportech-NYX Gaming, LLC (note 16)	**(8.1)**	—
	(8.1)	—
Included in net finance costs:		
Refinancing fee	**0.3**	1.4
Movement on derivative financial instruments post designation as ineffective	**(0.5)**	(0.8)
	(0.2)	0.6
Net exceptional (income)/costs	**(5.7)**	2.9

3. Expenses by nature

	Note	2015 £m	2014 £m
Selling commissions		**1.6**	2.6
Betting and gaming duties		**5.8**	6.4
Track and tote fees		**15.4**	14.4
Marketing, printing and postage costs		**5.2**	6.0
Employment costs	6	**30.0**	30.4
Share option expense	6	**0.5**	0.6
Depreciation and amortisation	12, 13	**8.8**	10.3
Impairment of goodwill	11	**3.7**	28.1
Impairment of property, plant and equipment and intangible assets in respect of the California contract exit	12, 13	**2.4**	—
Distribution costs		**0.6**	0.9
IT and telecommunications costs		**2.4**	2.5
Cost of inventories recognised as an expense	19	**3.8**	3.5
Exceptional costs excluding redundancy and restructuring costs in respect of the rationalisation and modernisation of the business	2	**1.6**	1.2
Property related costs		**5.4**	5.4
Other costs		**7.9**	9.1
Total expenses		**95.1**	121.4

Included in the above table are exceptional costs of £2.6m (2014: £2.3m).

4. Net finance costs

	2015 £m	2014 £m
Interest payable on bank loans, derivative financial instruments and overdrafts	**3.2**	2.8
Foreign exchange gain on financial assets and liabilities denominated in foreign currency	**(0.4)**	(0.9)
Movement on derivative financial instruments post designation as ineffective	**(0.5)**	(0.8)
Refinancing fee	**0.3**	1.4
Net finance costs	**2.6**	2.5

The foreign exchange gain on financial assets and liabilities denominated in foreign currency, fair value movements on derivative financial instruments and the refinancing fee are all together shown as other finance income in the income statement. Included in the above table is exceptional income of £0.2m (2014: exceptional costs of £0.6m) (see note 2).

Notes to the financial statements continued

for the year ended 31 December 2015

5. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging:

	Note	2015 £m	2014 £m
Employment costs	6	**30.5**	31.0
Depreciation of property, plant and equipment	13	**3.3**	3.0
Impairment of goodwill	11	**3.7**	28.1
Impairment of property, plant and equipment and intangible assets in respect of the California contract exit	12, 13	**2.4**	—
Amortisation of acquired intangibles	12	**1.2**	4.1
Amortisation of other intangibles	12	**4.3**	3.2
Impairment of net investment in joint venture	17	**0.2**	—

The fees of the Auditors in relation to their audit of the Company and consolidated accounts are £52,000 (2014: £38,000).

Fees paid to Auditors during the period comprise:

	2015 £m	2014 £m
Audit of the Group's subsidiaries	**0.2**	0.2
Taxation compliance	**0.1**	0.1
Taxation advisory services	**0.1**	0.2
Other assurance services	**0.1**	0.1
Total fees	**0.5**	0.6

6. Employment costs

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

	2015 Number	2014 Number
Sales and marketing	**96**	103
Operations and distribution	**516**	583
Administration	**137**	110
Total employees	**749**	796

Their aggregate remuneration comprised:

	2015 £m	2014 £m
Wages and salaries	**25.1**	25.6
Social security costs	**4.1**	3.9
Pension costs – defined contribution scheme (note 32)	**0.7**	0.7
Pension costs – defined benefit scheme (note 32)	**0.1**	0.2
Share option expense	**0.5**	0.6
Total remuneration	**30.5**	31.0

7. Directors and key management remuneration

Directors

	2015 £000	2014 £000
Short-term employee benefits	**1,236**	1,420
Share-based payments	**266**	304
Post-employment benefits	**55**	72
Total remuneration	**1,557**	1,796

Details of individual Directors' remuneration and share-based incentives granted are given in the Remuneration report on pages 33 to 51. This information forms part of the financial statements. Retirement benefits are accruing under defined benefit pension schemes for nil Directors (2014: nil). Nil Directors exercised share options in the year (2014: three).

Key management compensation

	2015 £000	2014 £000
Short-term employee benefits	**1,559**	1,803
Share-based payments	**335**	386
Post-employment benefits	**58**	83
Total remuneration	**1,952**	2,272

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

8. Taxation

	2015 £m	2014 £m
Current tax:		
Current tax on profit/(loss) for the year	**2.8**	1.5
Adjustments in respect of prior years	**0.4**	(0.2)
Total current tax	**3.2**	1.3
Deferred tax:		
Origination and reversal of temporary differences	**0.7**	0.1
Effect of changes in tax rates	**(0.1)**	(0.1)
Adjustments in respect of prior years	**(0.8)**	—
Total deferred tax	**(0.2)**	—
Total taxation charge	**3.0**	1.3

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for the year ended 31 December 2015

8. Taxation continued

The taxation on the Group's profit/(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:

	2015 £m	2014 £m
Profit/(loss) before taxation	**9.7**	(20.0)
Add share of loss after tax and impairment of joint ventures and associates	**0.9**	0.2
Profit/(loss) before taxation and share of loss after tax of joint ventures	**10.6**	(19.8)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	**1.8**	(4.6)
Tax effects of:		
– permanent differences	**1.7**	6.2
– effect of changes in tax rates	**(0.1)**	(0.1)
– adjustments in respect of prior years	**(0.4)**	(0.2)
Total taxation charge	**3.0**	1.3

The weighted average applicable tax rate was 17.0% (2014: 23.0%). The decrease is as a result of a change in mix of profits/(losses) in jurisdictions with varying tax rates.

Included within permanent differences in 2015 is the tax effect at 34% of the £3.7m impairment of goodwill attributable to eBet Online, Inc., for which no tax relief is received. Similarly no tax relief was received in 2014 for the £28.1m impairment of goodwill in the Football Pools segment, and the tax effect at 21.5% of this is reflected within permanent differences in that year.

As the Group's year end is after the substantive enactment date (26 October 2015) of the Finance Act 2015, these financial statements account for the change in the UK Corporation Tax rate from 20% to 19% with effect from 1 April 2017, with a further change to 18% for financial years beginning 1 April 2020. Therefore the rate at which deferred tax is calculated has changed. Deferred tax in the UK is provided at a blended rate, depending on when the deferred tax is expected to unwind.

9. Result of Parent Company

Included in the Group's result for the year is a loss of £5.7m (2014: £6.5m) in respect of its Parent Company, Sportech PLC. The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement and statement of comprehensive income for the Company alone.

The individual income statement of Sportech PLC was approved by the Board on 3 March 2016.

10. 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.

	2015 £m	2014 £m
Profit/(loss) attributable to the owners of the Company	**6.7**	(21.3)
Weighted average number of ordinary shares in issue ('000)	**206,051**	204,986
Basic earnings/(loss) per share	**3.3p**	(10.4)p

(b) Basic adjusted

Adjusted EPS is calculated by dividing the adjusted profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. Adjusted profit after tax is calculated by applying an estimated adjusted tax charge of 23.7% (2014: 22.3%) to adjusted profit before tax as defined on the income statement. This adjusted tax charge excludes the tax impact of income statement items not included in adjusted profit before tax.

	2015			2014		
	Profit £m	**Weighted average number of shares '000**	**Per share amount Pence**	Profit £m	Weighted average number of shares '000	Per share amount Pence
Adjusted profit before taxation	**11.8**	**206,051**	**5.7**	14.4	204,986	7.0
Tax at 23.7% (2014: 22.3%)	**(2.8)**	**206,051**	**(1.3)**	(3.2)	204,986	(1.5)
Adjusted basic EPS	**9.0**	**206,051**	**4.4**	11.2	204,986	5.5

(c) 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. Certain employee options (202,020 in number; 2014: 707,070) have been excluded from the calculated diluted EPS as their exercise price is greater than the weighted average share price during the year and therefore would not be dilutive. The weighted average number of shares that have a dilutive effect on adjusted EPS is 8,191,000 (2014: 9,005,000). Diluted basic earnings per share is 3.1p (2014: loss per share 9.9p) and diluted adjusted EPS is 4.2p (2014: 5.2p).

Notes to the financial statements continued

for the year ended 31 December 2015

11. Goodwill

Group	2015 £m	2014 £m
Cost		
At 1 January and at 31 December	**171.0**	171.0
Accumulated impairment charges		
At 1 January	**(46.0)**	(17.9)
Impairment charge	**(3.7)**	(28.1)
At 31 December	**(49.7)**	(46.0)
Opening net book amount	**125.0**	153.1
Closing net book amount	**121.3**	125.0

Goodwill arose on three historic acquisitions made by the Group: the acquisition of Littlewoods Leisure, including the Littlewoods Football Pools business, in September 2000 amounting to £145.2m; the acquisition of Vernons Football Pools in December 2007 amounting to £20.3m; and the acquisition of eBet Online, Inc. in December 2012 of £5.5m. The accumulated impairment charges brought forward relate to the goodwill in the Football Pools segment.

(a) Football Pools

The goodwill from the Littlewoods Leisure and Vernons acquisitions is attributed to the Football Pools segment.

During the year the Group carried out its annual impairment review of the carrying value of its goodwill. In testing for impairment, other assets used solely to generate cash flows in the Football Pools CGU are also included, totalling £9.2m (2014: £7.9m). For the purpose of the annual impairment review, the recoverable amounts are measured based on value-in-use, calculated using discounted future cash flows. The key assumptions in the value-in-use calculations were:

- the cash flow forecasts used are based upon the budget approved by the Board for 2016 and on cash flow projections for 2017 to 2020 also approved by the Board, with a terminal value at 2020 calculated in accordance with IAS 36 "Impairment of Assets". Forecasts assume stabilisation of cash flows in 2016 from 2015 together with an overall 1% growth in EBITDA by 2020;
- trading forecasts for the core Football Pools business reflect the continued improvement in spend per player from core customer numbers; the discontinuance of legacy and loss making products/channels; the continuation and improvement of new player acquisition activities; the improvement in technology and overall customer offering following the continued investment in 2015; and the benefits from operating the whole business from a new single customer facing, fully integrated technology platform from the end of H1 2016. The Board believes that the impact of all of those factors will lead to a stabilisation of EBITDA within the core Football Pools business in 2016;
- the terminal value is based on a nil growth rate given the expected stabilisation of profit streams;
- cash flows have been discounted at 8.4% (2014: 8.3%), reflecting a market-based weighted average cost of capital appropriate for the Football Pools CGU; and
- there are no material adverse changes in legislation.

The recoverable amount of the Football Pools goodwill was estimated to be £129.3m, and therefore no impairment is recognised in the income statement (2014: impairment of £28.1m).

Management consider that the calculated recoverable amount is most sensitive to changes in the following reasonable downside assumptions and notes that the changes to the assumptions below, all other variables held constant, would cause the indicated further impairments:

	Resulting impairment £m
EBITDA decline from 2015 of 3% per annum into perpetuity	**40.5**
WACC of 10% rather than 8.4%	**19.8**

(b) eBet Online, Inc.
The goodwill from the eBet Online, Inc. ("eBet") acquisition is attributed to the Sportech Racing and Digital segment.

In H1 2015, impairment indicators arose in respect of the goodwill attributable to eBet, being the loss of two significant customers. Accordingly, an impairment review was performed at that time indicating a reduction in the recoverable amount of this asset. An impairment charge of £3.7m has therefore been recognised in the income statement (2014: £nil).

In accordance with the Group's annual cycle in its review of all critical judgments, a further impairment review was performed to assess the value-in-use of the eBet goodwill at the reporting date. The key assumptions in this value-in-use calculation were:

- EBITDA forecasts are in line with the approved 2016 budget and strategic plans, with compound growth of 17% in earnings from 2016 to 2020 given market growth expectations;
- the terminal value is based on a growth rate of 1.5%, reflecting foreseen growth in the online gambling market in the US; and
- cash flows have been discounted at 10.0% (2014: 8.3%), reflecting a market-based weighted average cost of capital appropriate for the CGU.

On the basis of this latest review, the recoverable amount of the eBet goodwill is estimated to be £8.1m and therefore no further impairment charge has been recognised.

Management consider that the calculated recoverable amount is most sensitive to changes in the following reasonable downside assumptions and notes that the changes to the assumptions below, all other variables held constant, would cause further impairments to arise:

	Resulting impairment £m
Compound growth in EBITDA of 5% per annum from 2016 to 2020, with no terminal growth	**1.3**
WACC of 12.5% rather than 10.0%	**0.2**

12. Intangible fixed assets

Group	Customer contracts and relationships £m	Software £m	Other £m	Total £m
Cost				
At 1 January 2015	36.5	42.1	21.9	100.5
Additions	—	4.8	0.1	4.9
Transfer	—	1.3	(1.3)	—
Disposals	—	(0.4)	—	(0.4)
At 31 December 2015	**36.5**	**47.8**	**20.7**	**105.0**
Accumulated amortisation				
At 1 January 2015	35.0	20.7	3.3	59.0
Charged during the year	0.9	4.0	0.6	5.5
Impairment	—	0.2	—	0.2
Disposals	—	(0.4)	—	(0.4)
At 31 December 2015	**35.9**	**24.5**	**3.9**	**64.3**
Cumulative exchange differences	—	0.4	1.0	1.4
Net book amount at 31 December 2015	**0.6**	**23.7**	**17.8**	**42.1**

Notes to the financial statements continued

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12. Intangible fixed assets continued

Company	Software £m	Other £m	Total £m
Cost			
At 1 January 2015	15.7	0.9	16.6
Additions	1.2	—	1.2
At 31 December 2015	**16.9**	**0.9**	**17.8**
Accumulated amortisation			
At 1 January 2015	4.4	0.4	4.8
Charged during the year	0.9	0.1	1.0
At 31 December 2015	**5.3**	**0.5**	**5.8**
Net book amount at 31 December 2015	**11.6**	**0.4**	**12.0**

Customer contracts and relationships

Customer contracts and relationships of the Group are in relation to eBet Online, Inc., which have a useful life of four years from 19 December 2012, Datatote (England) Limited, which have a useful life of four years and eight months from 27 September 2013, and to Bump Worldwide, Inc. which have a useful life of two years from 12 June 2014.

Software

Software owned by the Group largely relates to that providing pari-mutuel services to customers in North America. This software is owned by the Company, and has a useful life of 15 years. Other software is predominantly spend on the proprietary Football Pools customer database and system, which has a useful life of between six and ten years.

Other intangibles

The Group holds a licence in perpetuity to offer pari-mutuel off-track betting in the State of Connecticut in the US. Given this licence is in perpetuity, the book value of the asset amounting to £16.9m (2014: £16.3m) is not amortised and the useful economic life allocated to the asset is indefinite. The movement in net book value is as a result of movement in exchange rates given the asset value is denominated in US Dollars.

As required by IAS 36 an impairment test has been carried out as at 31 December 2015. In testing for impairment, other assets used solely to generate cash flows in the CGU are also included, totalling £10.4m (2014: £9.9m).

The recoverable amount of the asset has been determined based on a value-in-use calculation. The following assumptions were made in determining the recoverable amount:

- EBITDA forecasts are in line with the approved 2016 budget and 2017 to 2020 strategic plans which assume year on year handle decline in the land-based Venues of 2%, offset by compound growth in online handle of 35% in the same period;
- the future cash flow forecasts include capital expenditure and EBITDA for the build out and trading of a significant new venue, which is currently classified as an asset under construction;
- cash flows beyond the fifth year were extrapolated using a nil growth rate for the land-based Venues, given the expected stabilisation of cash flows over time, and a 2% growth rate in the online business, reflecting expected growth in the online betting market;
- 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 8.5% (2014: 8.3%) was used representing a market-based weighted average cost of capital appropriate for the Sportech Venues CGU.

Following the impairment review, the recoverable amount of those assets was deemed to be £31.4m and accordingly no impairment was charged to the income statement (2014: £nil).

Management consider that the calculated recoverable amount is most sensitive to changes in the following reasonable downside assumptions and notes that the changes to the assumptions below, all other variables held constant, would cause the indicated impairments:

	Resulting impairment £m
Land-based handle decline of 2% runs into perpetuity; online handle compound growth reduced to 11% to 2020; and remove the build out and trading of the venue under construction	**7.6**
WACC of 10% rather than 8.5%	**1.6**

Group	Customer contracts and relationships £m	Software £m	Other £m	Total £m
Cost				
At 1 January 2014	36.4	37.5	21.2	95.1
Business combination	0.1	0.2	—	0.3
Additions	—	4.4	0.7	5.1
At 31 December 2014	36.5	42.1	21.9	100.5
Accumulated amortisation				
At 1 January 2014	31.1	17.5	3.1	51.7
Charged during the year	3.9	3.2	0.2	7.3
At 31 December 2014	35.0	20.7	3.3	59.0
Cumulative exchange differences	—	0.2	0.4	0.6
Net book amount at 31 December 2014	1.5	21.6	19.0	42.1

Company	Software £m	Other £m	Total £m
Cost			
At 1 January 2014	15.7	0.8	16.5
Additions	—	0.1	0.1
At 31 December 2014	15.7	0.9	16.6
Accumulated amortisation			
At 1 January 2014	3.4	—	3.4
Charged during the year	1.0	0.4	1.4
At 31 December 2014	4.4	0.4	4.8
Net book amount at 31 December 2014	11.3	0.5	11.8

Amortisation has been included within administrative expenses.

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13. Property, plant and equipment

Group	Short leasehold land and buildings £m	Long leasehold and owned land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets in the course of construction £m	Total £m
Cost						
At 1 January 2015	0.2	11.4	20.3	0.8	4.2	36.9
Additions	—	—	0.8	—	2.7	3.5
Acquisition of interests in S&S Venues California, LLC (note 17)	—	—	—	—	0.6	0.6
Disposals	—	—	(5.3)	—	—	(5.3)
Transfer	—	0.1	4.3	—	(4.4)	—
At 31 December 2015	**0.2**	**11.5**	**20.1**	**0.8**	**3.1**	**35.7**
Accumulated depreciation						
At 1 January 2015	0.1	4.0	8.3	0.1	—	12.5
Charged during the year	—	0.6	2.5	0.2	—	3.3
Impairment	—	—	2.2	—	—	2.2
Disposals	—	—	(5.3)	—	—	(5.3)
At 31 December 2015	**0.1**	**4.6**	**7.7**	**0.3**	**—**	**12.7**
Cumulative exchange differences	—	0.5	0.3	—	0.2	1.0
Net book amount at 31 December 2015	**0.1**	**7.4**	**12.7**	**0.5**	**3.3**	**24.0**

Company	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January and 31 December 2015	0.1	0.2	0.3
Accumulated depreciation			
At 1 January and 31 December 2015	0.1	0.1	0.2
Net book amount at 31 December 2015	**—**	**0.1**	**0.1**

Group	Short leasehold land and buildings £m	Long leasehold and owned land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets in the course of construction £m	Total £m
Cost						
At 1 January 2014	0.1	9.5	12.7	1.0	10.0	33.3
Additions	—	—	0.9	—	4.0	4.9
Disposals	—	(0.1)	(0.8)	(0.4)	—	(1.3)
Transfer	0.1	2.0	7.5	0.2	(9.8)	—
At 31 December 2014	0.2	11.4	20.3	0.8	4.2	36.9
Accumulated depreciation						
At 1 January 2014	0.1	3.5	6.9	0.3	—	10.8
Charged during the year	—	0.6	2.2	0.2	—	3.0
Disposals	—	(0.1)	(0.8)	(0.4)	—	(1.3)
At 31 December 2014	0.1	4.0	8.3	0.1	—	12.5
Cumulative exchange differences	—	—	0.1	(0.1)	0.5	0.5
Net book amount at 31 December 2014	0.1	7.4	12.1	0.6	4.7	24.9

Company	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January and 31 December 2014	0.1	0.2	0.3
Accumulated depreciation			
At 1 January and 31 December 2014	0.1	0.1	0.2
Net book amount at 31 December 2014	—	0.1	0.1

14. Investments in subsidiaries

	Group		Company	
Investments in Group companies	**2015 £m**	2014 £m	**2015 £m**	2014 £m
At 1 January and 31 December	**—**	—	**203.7**	203.7

Investments in Group companies are stated at cost which is the fair value of the consideration paid.

A full listing of the Group's subsidiaries, and other related undertakings, is included in note 33.

Notes to the financial statements continued
for the year ended 31 December 2015

15. Business combinations

(a) Bump Worldwide, Inc.
On 12 June 2014, the Group acquired 100% of the issued share capital of Bump Worldwide Inc. ("Bump"), a provider of electronic charitable raffles conducted during professional sporting events, known as "50:50 raffles".

There were no changes during the hindsight period to the fair value assumptions applied at acquisition in relation to the net assets acquired and consideration paid for Bump.

EBITDA estimates for the business continue to indicate that contingent consideration will be due and payable in 2017. This is treated as employment costs under IFRS 3 "Business Combinations" (revised) and is accordingly accrued on a time apportioned basis to 31 December 2016 (see note 24).

(b) Datatote (England) Limited
On 27 September 2013, the Group acquired 100% of the issued share capital of Datatote (England) Limited ("Datatote"). An element of the consideration payable for this purchase was contingent based on EBITDA targets.

Management estimates that the achievement of EBITDA targets required for any contingent consideration to be paid on this acquisition is unlikely. As such, the accrual recognised in the balance sheet at 31 December 2014 has been released in full (see note 2).

16. Disposals

On 3 July 2015, the Group disposed of its investment in Sportech-NYX Gaming, LLC for cash consideration of £5.1m, 2.2m ordinary shares of NYX Gaming Group Limited ("NYX"), and an element of contingent consideration.

The shares had an aggregate value on the date of disposal of £4.7m, based on the share price at that time of CAD $4.15.

As a condition to the disposal, NYX are required to pay the Group CAD $1.0m for each customer to go-live on the NYX Real Money Wagering Platform in the US, its territories and Commonwealth, Canada, and all sovereign Indian Nations in these countries prior to 28 May 2020. The maximum consideration receivable by the Group for this condition is CAD $3.0m. Management believe that NYX will acquire at least three customers to the relevant platform within the next five years, and as such accrued for the contingent consideration in full (discounted to today's value at a rate of 8.3%), at a value of £1.1m.

The net gain on disposal of Sportech-NYX Gaming, LLC recognised in the year is calculated as follows:

	2015 £m
Consideration receivable	**10.9**
Net investment in joint venture disposed of (note 17)	**(1.9)**
Disposal costs	**(0.9)**
Net gain on disposal before taxation (note 2)	**8.1**

On the date of receipt, the shares had an aggregate value of £4.5m, based on the share price at that date (16 July 2015) of CAD $4.06 per share. The fair value loss on the consideration receivable of £0.2m from disposal date to the date of receipt has been recognised as an exceptional cost in the year (see note 2). The shares held in NYX represent an available for sale financial asset in accordance with IAS 39. Accordingly, the shares are revalued to their fair value at the reporting date, with gains/(losses) recognised in other comprehensive income until their ultimate disposal by the Group. At year end, the shares had an aggregate value of £2.9m, representing a share price of CAD $2.72 at that date.

Contingent consideration of £1.1m is included in non-current trade and other receivables at the reporting date.

17. Net investment in joint ventures/associates

During the year, the Group held the following investments in joint ventures and associates:

Company	Description	Country of incorporation	Year of investment	Joint venture/ associate	% holding
Picklive USA, LLC ("Picklive")	Distribution of Picklive's live fantasy sports game across the US	US	2013	Joint venture	51
Sportech - NYX Gaming, LLC ("SNG Interactive")	Provides online products and services in the US for social and pay-to-play gaming	US	2013	Joint venture	50
S&S Venues California, LLC ("S&S Venues")	Sports bars with wagering facilities in California	US	2013	Joint venture	50
Sportshub Private Limited ("Sportshub")	Provides a suite of prediction and fantasy games centred on cricket, football and Formula 1	India	2008	Joint venture	50
DraftDay Gaming Group, Inc. ("DraftDay")	Daily fantasy sports business operating in the US	US	2015	Associate	39

(a) Movements in the Group's net investment in joint ventures and associates
Movements in the Group's net investment in joint ventures and associates in the year are outlined below:

	2015						2014
	Picklive £m	**SNG Interactive £m**	**S&S Venues £m**	**Sportshub £m**	**DraftDay £m**	**Total £m**	Total £m
At 1 January	0.2	0.9	0.6	0.5	—	**2.2**	0.5
Additions	0.1	1.2	1.1	0.1	0.6	**3.1**	1.9
Acquisition of controlling interest in Norco (b)	—	—	(0.5)	—	—	**(0.5)**	—
Disposals (c)	—	(1.9)	—	—	—	**(1.9)**	—
Impairment (d)	(0.2)	—	—	—	—	**(0.2)**	—
Share of loss after tax	(0.1)	(0.2)	—	(0.1)	(0.3)	**(0.7)**	(0.2)
Currency translation differences	—	—	—	—	0.1	**0.1**	—
At 31 December	**—**	**—**	**1.2**	**0.5**	**0.4**	**2.1**	2.2

(b) Acquisition of controlling interest in S&S Venues California, LLC
During the year the Group renegotiated the agreement with Silky Sullivan Group, LLC in relation to the joint venture company S&S Venues California, LLC, to increase the Group's share of the venue being constructed in North Corona ("Norco"), California, from 50% to 80%. Simultaneously the Group obtained control of this venue. As such this venue is now fully consolidated into the Group's financial statements as a subsidiary, and is no longer equity accounted for as a joint venture. All other venues within S&S Venues California, LLC remain jointly controlled and therefore continue to be subject to equity accounting.

Prior to this change in control, the Group had an investment in the Norco joint venture of £0.5m. Upon acquiring control the fair value of the net assets of Norco were assessed and determined provisionally to be £0.6m, primarily related to assets under construction.

As such the Group has derecognised its previously held investment in the Norco joint venture, £0.5m and recognised 100% of the fair value of the net assets of Norco in the consolidated balance sheet of £0.6m (note 13). Non-controlling interests of £0.1m have also been recognised within equity, representing the stake held in Norco by Silky Sullivan Group, LLC. No goodwill or gain on bargain purchase has been recognised upon acquisition of control.

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for the year ended 31 December 2015

17. Net investment in joint ventures/associates (continued)

(c) Disposal of Sportech-NYX Gaming, LLC
On 3 July 2015, the Group disposed of its 50% share in Sportech-NYX Gaming, LLC to its joint venture partner. The net gain on disposal has been recognised in the income statement within exceptional income (see note 16).

(d) Dissolution of Picklive USA, LLC
The Group's involvement in Picklive came to an end in the year, and the joint venture company was dissolved. Accordingly an impairment was recognised in the year, equating to the Group's net investment in Picklive at that time of £0.2m.

(e) Shareholding acquired in DraftDay Gaming Group, Inc.
On 8 September 2015, the Group acquired a 39.2% interest in DraftDay Gaming Group, Inc. ("DDGG"), an operator in the daily fantasy sports industry. While the Group has significant influence over DDGG through its stakeholding, it does not have control nor joint control. As such DDGG is an associate of the Group.

Nil cash consideration was paid on acquisition of this stake in DraftDay. The consideration given by the Group to acquire its interest, and hence its cost of investment, was £0.6m, which shall be settled through the Group providing executive management services to DDGG over the two years post acquisition. Upon acquisition, the fair value of the net assets of DDGG were assessed and have provisionally been determined to be £1.5m. As a result no goodwill nor gain on bargain purchase have been recognised on acquisition.

(f) Summarised financial information of joint venture and associate investments held at reporting date
Summary financial statements of those joint ventures or associates in which the Group holds material investments at the reporting date are as follows:

(1) Sportshub Private Limited

	2015 £m	2014 £m
Non-current assets	**0.1**	0.1
Current assets	**0.9**	0.9
Total assets	**1.0**	1.0
Current liabilities	**—**	—
Net assets	**1.0**	1.0
Revenue	**—**	—
Expenses	**(0.2)**	(0.1)
Loss after tax	**(0.2)**	(0.1)

(2) S&S Venues California, LLC - San Diego

	2015 £m	2014 £m
Non-current assets	**2.2**	0.7
Current assets	**0.2**	0.5
Total assets	**2.4**	1.2
Current liabilities	**(0.1)**	—
Net assets	**2.3**	1.2
Revenue	**0.1**	—
Expenses	**(0.1)**	—
Profit after tax	**—**	—

(g) Capital commitments
The Group's share of capital commitments owing by the joint ventures amounted to £nil (2014: £nil).

18. Trade and other receivables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Non-current				
Trade and other receivables	**2.0**	1.2	**—**	—
Non-current trade and other receivables	**2.0**	1.2	**—**	—
Current				
Trade receivables	**6.4**	7.6	**—**	—
Less provision for impairment of receivables	**(1.2)**	(1.1)	**—**	—
Trade receivables – net	**5.2**	6.5	**—**	—
Amounts owed by Group companies	**—**	—	**21.6**	20.2
Other receivables	**1.2**	0.7	**0.1**	0.1
Accrued income	**2.4**	1.3	**—**	—
Prepayments	**2.1**	1.9	**0.2**	0.3
Current trade and other receivables	**10.9**	10.4	**21.9**	20.6
Total trade and other receivables	**12.9**	11.6	**21.9**	20.6

Non-current trade receivables relate to contingent consideration due on the disposal of Sportech-NYX Gaming, LLC of £1.1m (note 16), and accrued income due after more than twelve months of £0.9m (2014: £nil and £1.2m respectively).

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

Trade receivables that are less than three months past due are not considered impaired as management considers the amounts to be fully recoverable. As at 31 December 2015, £0.4m (2014: £0.1m) of trade receivables were past due and not impaired. Management also considers that these receivables are recoverable in full due to good credit quality.

As at 31 December 2015, trade receivables of £1.2m (2014: £1.1m) were impaired and fully provided for. The Group's provision for impairment has been increased by £0.1m in the year, owing to a £0.2m increase in the sterling value of debts denominated in foreign currencies, net of a £0.1m reduction of provisions against specific debts in the Sportech Racing and Digital segment. This has been reduced as a result of improved credit control and 2015 payment activity of specific customers.

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

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Sterling	**4.0**	2.8	**3.1**	3.1
US Dollar	**6.2**	5.8	**17.5**	16.4
Euro	**1.5**	0.7	**1.3**	1.1
Other	**1.2**	2.3	**—**	—
Total	**12.9**	11.6	**21.9**	20.6

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19. Inventories

	Group	
	2015 £m	2014 £m
Work in progress	**0.4**	0.2
Spare parts	**1.4**	1.1
Finished goods	**0.3**	0.2
Total	**2.1**	1.5

The cost of inventories recognised as an expense and included in cost of sales amounted to £3.8m (2014: £3.5m).

Provisions for obsolescence held against inventories at 31 December 2015 amounted to £0.1m (2014: £0.1m).

20. Deferred tax

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

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Net deferred tax asset at 1 January	**0.8**	0.7	**0.2**	1.0
Income statement charge	**(0.2)**	—	**(0.1)**	(0.8)
Tax (charged)/credited directly to other comprehensive income	**(0.1)**	0.1	**—**	—
Net deferred tax asset at 31 December	**0.5**	0.8	**0.1**	0.2

The tax (charged)/credited directly to other comprehensive income is the deferred tax on the retirement benefit liabilities.

Deferred tax assets have been recognised in respect of trading losses and all other temporary differences, where it is probable that these assets will be recovered. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the liabilities net. The movements in deferred tax assets and liabilities during the year are shown below:

Deferred tax assets

Group	Pension £m	Capital allowances £m	Losses and foreign tax credits £m	Other temporary differences £m	Total £m
At 1 January 2014	0.4	(2.2)	1.7	1.9	1.8
Income statement (charge)/credit	—	(2.6)	3.5	(1.4)	(0.5)
Tax credited directly to other comprehensive income	0.1	—	—	—	0.1
At 31 December 2014	0.5	(4.8)	5.2	0.5	1.4
Income statement (charge)/credit	—	(0.5)	(0.4)	1.0	0.1
Tax charged directly to other comprehensive income	(0.1)	—	—	—	(0.1)
At 31 December 2015	**0.4**	**(5.3)**	**4.8**	**1.5**	**1.4**

Deferred tax of £nil is expected to be recovered within twelve months (2014: £nil) with £1.4m expected to be recovered after more than twelve months (2014: £1.4m).

The deferred tax asset in the Company consists of temporary differences of £0.1m and capital allowances of £nil (2014: temporary differences of £0.2m and capital allowances of £nil).

The losses in the Company have been fully surrendered as Group relief. In addition to the deferred tax asset which has been recognised, the Group has not recognised further deferred tax assets of £2.9m (2014: £3.0m) arising from unutilised trading losses. The Directors do not consider there will be sufficient future profits against which these losses can be offset due to the low level of trading in these particular business units.

Expiry of these losses is as follows:

	2015		2014	
Gross losses	**Provided £m**	**Unprovided £m**	Provided £m	Unprovided £m
In more than four years	**14.3**	**12.9**	15.0	13.3

Deferred tax assets are recognised on losses carried forward when it is probable that future taxable profits will be generated against which the losses can be utilised.

Deferred tax liabilities

Group	Other temporary differences £m
At 1 January 2014	(1.1)
Income statement credit	0.5
At 31 December 2014	(0.6)
Income statement charge	(0.3)
At 31 December 2015	**(0.9)**

21. Cash and cash equivalents

The fair value of cash and cash equivalents is not considered to be different from the carrying value recorded in the financial statements for either the Group or the Company.

Cash balances of £1.4m (2014: £2.3m) are held on behalf of customers in respect of certain online and telephone betting activities and on behalf of registered charities relating to the sale of charity scratchcards and lotto products. These balances are excluded from Group cash and are netted against a corresponding payable within accruals and deferred income (see note 22).

22. Trade and other payables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade payables	**6.1**	6.6	**0.7**	0.3
Amounts owed to Group companies	**—**	—	**59.0**	46.7
Other taxes and social security costs	**1.6**	0.6	**—**	—
Accruals and deferred income	**12.9**	13.3	**1.7**	0.9
Bank overdraft	**—**	—	**1.0**	—
Total	**20.6**	20.5	**62.4**	47.9

There is no difference between book values and fair values of trade and other payables. All amounts are due within one year.

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23. Provisions

Group	Onerous contracts £m	Other provisions £m	Total £m
At 1 January 2014	0.3	0.3	0.6
Utilised during the year	—	—	—
At 31 December 2014	0.3	0.3	0.6
Released during the year	(0.1)	—	(0.1)
At 31 December 2015	**0.2**	**0.3**	**0.5**

Provisions have been recognised where the Group has contractual obligations to provide services where the estimated unavoidable costs to carry out the obligation exceed the expected future economic benefits to be received. Other provisions include provisions for obligations to reinstate property to its original condition at the start of the lease term.

Following a revision to expected performance on contracts within the Racing and Digital segment, provisions have been reduced by £0.1m in the year.

Of the provisions included in the above table, £0.1m is expected to be utilised within twelve months (2014: £0.2m) and £0.4m is expected to be utilised after twelve months (2014: £0.4m).

24. Financial liabilities

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Non-current				
Drawn revolving credit facility due after one year	**62.1**	70.1	**62.1**	70.1
Deferred and contingent consideration due after one year	**0.2**	0.5	**—**	—
Total non-current financial liabilities	**62.3**	70.6	**62.1**	70.1

Bank loans and revolving credit facility

The Group's borrowings are secured by a composite debenture incorporating fixed and floating charges over all assets (excluding monies standing to credit of trust accounts) and undertakings of Sportech PLC, all UK trading companies, UK holding companies of overseas entities, and Racing Technology Ireland Limited. In addition, share charges have been entered into in respect of shares in Sportech, Inc., Sportech Venues, Inc., Sportech Racing, LLC, Trackplay, LLC and eBet Technologies, Inc. (all are US companies).

During the year ended 31 December 2015, the Group repaid borrowings of £8.0m (2014: draw down of £4.1m).

Covenants on the Group's borrowings include a leverage covenant (being the ratio of adjusted EBITDA to adjusted net bank debt) and an interest cover covenant (being the ratio of adjusted EBITA to senior finance charges). None of the covenants were breached during the period.

Deferred and contingent consideration

Deferred and contingent consideration totalling £1.0m (2014: £1.0m) and £5.5m (2014: £5.5m) in relation to the acquisitions of Datatote and Bump respectively represent the maximum amounts payable in acquiring these entities. As outlined in note 15, management do not believe that EBITDA targets will be met for payment of contingent consideration on the Datatote acquisition, and accordingly no amounts are accrued for this at year end.

Deferred and contingent consideration due after one year of £0.2m represents management's best estimate of the consideration to be paid in acquiring Bump. The amount payable on this acquisition is split between the following two elements:

- an amount equivalent to the 2016 EBITDA earned by Bump, up to a maximum consideration payable of £4.7m; and
- if 2016 EBITDA earned by Bump exceeds £0.8m, an additional contingent consideration will be payable equivalent to that excess, up to a maximum of £0.8m.

The amount is payable subsequent to the finalisation of the 2016 financial statements.

The Directors believe that a sum of £0.4m will be payable in respect of these performance targets. This is treated as employment costs under IFRS 3 "Business Combinations" (revised) and is accordingly accrued on a time apportioned basis to 31 December 2016.

25. Financial instruments

Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks: fair value and cash flow interest rate risk; liquidity risk; credit risk; and foreign exchange risk. Where appropriate the Group uses derivative financial instruments to hedge certain risk exposures.

The policy for each of the above risks is described in more detail below:

Fair value and cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from its long-term bank borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's bank borrowings are a multi-currency, revolving credit facility with Bank of Scotland plc, Barclays Bank PLC and Royal Bank of Scotland plc until August 2018 and at variable interest rates (a debt margin payable of between 200 and 350 basis points per annum) dependent on leverage ratio. The Group's policy is to hedge interest rate risk where appropriate using interest rate swaps at contract lengths consistent with the expected levels of the long-term bank borrowings. This policy is a cash flow hedge and is approved by the Board and the Board receives updates on a regular basis in respect of the hedging position.

The Group has entered into one swap agreement with one month remaining on a total of £10.0m, at an average swap rate before any lending margin of 4.80%. The hedge comprises one £10.0m hedge with an expiry date of January 2016. The contract is not a designated effective hedge and, as a result, gains and losses are recognised in the income statement within finance costs.

At 31 December 2015, if interest rates on borrowings had been 50 basis points higher/lower with all variables held constant, post tax loss for the year would have been £0.3m (2014: £0.1m) higher/lower as a result of higher/lower interest expense on unhedged variable rate borrowings. This sensitivity is considered a reasonable assumption based on current economic conditions.

Liquidity risk

Cash flow forecasting is performed on a weekly basis in the operating entities of the Group and is aggregated by Group Finance. This weekly forecasting recognises committed short-term payables of the Group which are monitored and managed through regular discussions with suppliers. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure each operating entity has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Group Finance monitors the level of excess cash over and above that required for working capital management and ensures the excess is loaned to the UK to minimise the facility required to be drawn. Bank facilities have been agreed at appropriate levels having regard to the Group's operating cash flows and future development plans. The Group's derivative financial instruments are managed by Group Finance, and the risks of loss on those instruments are mitigated through review and regular discussions with external advisers.

Credit risk

The Group's UK operation has limited exposure to credit risk. Transactions within the Football Pools segment are predominantly either weekly cash receipts in advance or multiple weeks in advance by credit card, debit card or Direct Debit. The Group's main exposure to credit risk is in accounts receivable in the Sportech Racing and Digital segment. Credit risk in these entities is managed locally by assessing the creditworthiness of each new customer before agreeing payment and delivery terms. The Group does not hold significant amounts of deposits with banks and financial institutions. Amounts held in cash for the Sportech Venues division are held in highly secure environments.

Notes to the financial statements continued

for the year ended 31 December 2015

25. Financial instruments continued

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. Foreign exchange risk arises from transactions undertaken in foreign currencies, the translation of foreign currency monetary assets and liabilities and from the translation into Sterling of the results and net assets of overseas operations.

The Group continually monitors the foreign currency risks and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. In doing so, the Group considers whether use of foreign exchange forward contracts would be appropriate in fixing the economic impact of forecasted profitability. As at 31 December 2015, there were no outstanding commitments on foreign exchange forward contracts (2014: none).

The average rate of the US Dollar during the year was 1.53 and the Euro was 1.37, and the rates as at the reporting date were 1.48 for the US Dollar and 1.36 for the Euro. If the average and closing rates for the US Dollar were 1.65 and for the Euro were 1.40, profit after tax would have been £6.1m and net assets would have been £115.6m at 31 December 2015.

Available for sale financial assets and hedging instruments

	Group		Company	
Non-current assets - Available for sale financial assets	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Contingent consideration receivable from disposal of Sportech-NYX Gaming, LLC	**1.1**	—	**—**	—
Current assets - Available for sale financial assets				
Shares held in NYX Gaming Group Limited	**2.9**	—	**—**	—
Current liabilities - Hedging instruments				
Interest rate swaps – cash flow hedges	**—**	0.5	**—**	0.5

The Group's available for sale financial assets and hedging instruments are carried at fair value. Alternative valuation methods used in applying the relevant fair values are summarised below:

- level 1 – quoted prices (adjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The fair value of contingent consideration is included in level 3. Management observe market activity including industry growth and pace of regulatory change in determining the probability that the contingent consideration will be received. As outlined in note 16, it is management's belief that NYX will sign up at least three new customers to the relevant platform and therefore the maximum amount of contingent consideration receivable has been recognised.

The fair value of shares held in NYX are included in level 1, using the quoted share price at the reporting date in determining the amount receivable. Fair value movements on those shares are recognised in the available for sale reserve within equity until the date of their disposal, at which point the gains will be realised in the income statement (note 16). At the reporting date, the fair value of those shares is £2.9m, with £1.6m held in the available for sale reserve.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. Note that all of the resulting fair value estimates are included in level 2.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to achieve an efficient capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of its leverage ratio, which is also used for covenant testing purposes. This ratio is calculated as Adjusted EBITDA divided by net debt. Adjusted EBITDA is defined as EBITDA before exceptional items, impairment of assets and share option charges, as reflected on the income statement. Net debt is calculated as bank debt plus any deferred consideration due under the terms of an acquisition, less cash and cash equivalents. The deferred consideration excludes any contingent consideration treated as employment costs in accordance with IFRS 3 "Business Combinations". The Group's leverage ratio as at 31 December 2015 and 31 December 2014 were as follows:

	Note	**2015 £m**	2014 £m
Drawn revolving credit facility due after one year	24	**62.1**	70.1
Less cash and cash equivalents	21	**(4.4)**	(6.3)
Net debt		**57.7**	63.8
EBITDA before exceptional items, share option expense and impairment of assets		**23.1**	24.0
Leverage		**2.50x**	2.66x

During 2015, the Group's leverage ratio reduced, largely as a result of the proceeds received on the disposal of Sportech-NYX Gaming, LLC.

The Group also monitors capital on the basis of its gearing ratio, calculated as net debt divided by total capital. Total capital is calculated as equity, as shown in the Consolidated Balance Sheet, plus net debt.

The Group's strategy has been to target a reasonable level of gearing for a group of Sportech's size and industry presence. The Board considers gearing of between 20% and 40% to be appropriate. During 2015, net debt reduced by £6.1m (9.6%) (2014: £0.4m (0.6%)). Gearing has also reduced in the year given the disposal of Sportech-NYX Gaming, LLC. The total net debt and gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 £m	2014 £m
Net debt	**57.7**	63.8
Total equity	**126.2**	119.8
Total capital	**183.9**	183.6
Gearing ratio	**31%**	35%

Fair value of non-current borrowings

	Group		**Company**	
As at 31 December 2015	**Book value £m**	**Fair value £m**	**Book value £m**	**Fair value £m**
Bank borrowings due after one year	**62.1**	**55.2**	**62.1**	**55.2**

	Group		Company	
As at 31 December 2014	Book value £m	Fair value £m	Book value £m	Fair value £m
Bank borrowings due after one year	70.1	65.0	70.1	65.0

The fair values are based on cash flows discounted at a rate of 8.3% (2014: 8.3%) and are within level 2 of the fair value hierarchy. Future interest payments are £2.6m payable within one year (2014: £3.0m), £2.6m payable between one and two years (2014: £3.0m) and £1.7m payable between two and five years (2014: £5.0m).

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25. Financial instruments continued

Maturity of bank borrowings
Bank borrowings are repayable as follows:

Contractual undiscounted amount	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Between two and five years	**62.1**	70.1	**62.1**	70.1

The maturity analysis of derivative financial liabilities is as follows:

Contractual undiscounted amount	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Within one year	**—**	0.9	**—**	0.9

The maturity analysis of non-derivative financial liabilities is as follows:

Liabilities due at the reporting date	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Within one year	**17.2**	16.8	**62.4**	47.9
Between one and two years	**0.2**	0.5	**—**	—
Between two and five years	**62.1**	70.1	**62.1**	70.1
Total	**79.5**	87.4	**124.5**	118.0

Contractual undiscounted amount	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Within one year	**19.9**	19.8	**63.9**	50.9
Between one and two years	**2.8**	3.5	**2.6**	3.0
Between two and five years	**63.8**	75.0	**63.8**	75.0
Total	**86.5**	98.3	**130.3**	128.9

Borrowing facilities
The Group had the following undrawn committed borrowing facilities available as follows:

	2015 £m	2014 £m
Floating rate:		
– expiring beyond one year	**12.9**	9.9
Total	**12.9**	9.9

Financial asset and liabilities
The Group had the following categories:

	2015 £m	2014 £m
Loans and receivables	**9.7**	9.7
Available for sale financial assets	**4.0**	—
Financial liabilities at fair value through profit or loss:		
– designated post refinancing	**—**	0.5
Financial liabilities measured at amortised cost	**79.5**	87.4

26. Ordinary shares

Authorised, issued and fully paid

Ordinary shares of 50p each (2014: 50p)	2015 '000	2015 £m	2014 '000	2014 £m
At 1 January	**205,221**	**102.6**	204,851	102.4
New shares issued to satisfy PSP vesting	**1,017**	**0.5**	370	0.2
At 31 December	**206,238**	**103.1**	205,221	102.6

Potential issue of ordinary shares

Sportech share option schemes

Certain Senior Executives hold options to subscribe for shares in the Company at prices of £1.064 (2014: £0.817 to £1.064) under Sportech share option schemes approved by the shareholders. Share options at the end of the period had a weighted average exercise price of £1.064 (2014: £0.888). The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below. There were no movements in the year.

Year of grant	Exercise price	Exercise period	**Outstanding at 31 December 2015 Number**	Outstanding at 31 December 2014 Number
2005 (September)	£0.817	2008–2015	**–**	505,050
2006 (March)	£1.064	2009–2016	**202,020**	202,020
Total			**202,020**	707,070

The options are exercisable at any time during the seven-year period commencing three years from the date of the grant. The Company has no legal or constructive obligation to settle the options in cash. The weighted average remaining contractual life of outstanding share options under the Sportech Share Option Scheme at 31 December 2015 was three months (31 December 2014: eleven months).

Exercise of the 2006 options is subject to the share price reaching the following closing prices at any time during the exercise period:

Shares	Closing price
50,505	£1.732
75,757	£2.227
75,758	£2.722
202,020	

The market price of the ordinary shares at 31 December 2015 was £0.595 (2014: £0.670) and the range during the year was £0.705 to £0.545 (2014: £0.923 to £0.480).

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26. Ordinary shares continued

Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant. Options were valued using the Black-Scholes option pricing model. No performance conditions are included in the fair value calculation. The fair value per option granted and the assumptions used in the calculations are as follows:

	2006
Risk-free interest rate	4.40%
Vesting period	3 years
Option life	10 years
Expected life of options	5 years
Expected share price volatility	48.61%
Dividend growth	—
Fair value of option	£0.601

The expected volatility is based on historical volatility over the past three years. The expected life is the average expected period to exercise. The risk-free rate is based on Bank of England bonds of a term consistent with the assumed option life. Dividend growth is based on historical dividends over the past three years.

The Performance Share Plan

Certain Executive Directors and Senior Executives have been awarded grants to acquire shares in the Company under the PSP, subject to performance conditions. During the year ended 31 December 2015, 2,400,000 shares have been awarded (2014: 2,329,000), 2,231,000 awards lapsed due to failure to meet the performance conditions (2014: 1,095,000) 1,003,000 awards lapsed due to employees ceasing to be employed by the Group (2014: 732,000) and 505,000 awards expired during the year (2014: nil). 576,000 shares vested during the period of which 330,000 remain unexercised as at 31 December 2015. 5,826,000 (2014: 7,236,000) share awards remained outstanding (unvested) at 31 December 2015.

Performance conditions

The Remuneration Committee can set different performance conditions from those described below for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described below. The Committee determines the comparator group for each award.

The Remuneration Committee may also vary the performance conditions applying to existing awards if an event has occurred that causes the Committee to consider that it would be appropriate to amend the performance conditions, provided that the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

The awards are at nil cost to the employee. Awards will normally vest on the third anniversary of the date of grant subject to the participants' continued employment within the Group and the satisfaction of the performance conditions noted below.

2015, 2014 and 2013 grants

The vesting of one-half of the award ("Part A") will be dependent on the Company's TSR over a fixed three-year period beginning on the date of grant relative to that of the FTSE Small Cap Index (excluding investment trusts). For the purpose of calculating TSR, the base figure is averaged over the six weeks preceding the start of the performance period and the end figure is averaged over the last six weeks of the performance period.

No portion of Part A will vest unless the Company's TSR performance at least matches that of the index. Thereafter, a vesting schedule no less demanding than the following will apply:

The Company's TSR performance over the performance period relative to comparator index	Extent of vesting of Part A
Equal to the index	25%
Between equal to the index and upper quartile	Pro rata between 25% and 100%
Upper quartile or better	100%

The vesting of the second half of the award is dependent on an EPS performance criterion ("Part B"). The average annual percentage growth in the Company's EPS in excess of the RPI over the EPS performance period must at least equal 4%. Vesting is determined by the following schedule:

The Company's average annual growth in EPS in excess of RPI during the performance period	Extent of vesting of Part B
Less than 4% per annum	0%
4% per annum	25%
Between 4% and 10% per annum	Pro rata between 25% and 100%
10% or better	100%

All PSP grants

Awards are valued using a stochastic (Monte Carlo) valuation model. The fair value per award granted and the assumptions used in the calculations are as follows:

Grant date	**Mar 2015**	Sep 2014	Mar 2014	May 2013	March 2013
Exercise price	**£nil**	£nil	£nil	£nil	£nil
Number of employees issued awards	**25**	1	23	1	70
Share price at award date	**£0.667**	£0.780	£0.888	£0.900	£1.000
Expected term (fixed)	**3 years**	3 years	3 years	3 years	3 years
Expected volatility	**35.2%**	28.2%	28.2%	29.6%	29.6%
Dividend yield	**0%**	0%	0%	0%	0%
Fair value of award	**£0.544**	£0.704	£0.704	£0.844	£0.844

The weighted average remaining contractual life of outstanding awards under the PSP at 31 December 2015 was one year and three months (2014: one year and one month). The weighted average exercise price of awards granted during the period was £nil (2014: £nil).

PSP awards are not affected by the risk-free rate input since no payment is required by the recipient and therefore no interest could be earned elsewhere.

The expected volatility is based on movements in the historical return index (share price with dividends reinvested) for the three years prior to the award date. The dividend yield does not affect the fair value of the award as the rules of the PSP entitle a participant to receive cash equal in value to the dividends that would have been paid on the vested shares in respect of dividends paid during the vesting period and is therefore assumed to be 0%.

See notes 6 and 7 for the total expense recognised in the income statement for share options granted and PSP awards made to Directors and employees respectively.

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27. Cash generated from operations

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

		Group		Company	
	Note	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Profit/(loss) before taxation		**9.7**	(20.0)	**(7.2)**	(7.5)
Adjustments for:					
Net exceptional (income)/costs	2	**(5.7)**	2.9	**1.0**	0.8
Share of loss after tax and impairment of joint ventures and associates	17	**0.9**	0.2	**–**	–
Depreciation	13	**3.3**	3.0	**–**	–
Amortisation of acquired intangibles	12	**1.2**	4.1	**–**	–
Amortisation of other intangibles	12	**4.3**	3.2	**1.0**	1.4
Impairment of assets		**6.1**	28.1	**–**	–
Finance costs	4	**3.2**	2.8	**4.2**	3.9
Other finance income, excluding exceptional finance items	4	**(0.4)**	(0.9)	**(0.6)**	(0.3)
Share option expense	6	**0.5**	0.6	**0.5**	0.6
Movement in retirement benefit liability	32	**(0.1)**	(0.2)	**–**	–
Gift of shares to Employee Benefit Trust		**–**	–	**0.5**	0.2
Changes in working capital:					
Increase in trade and other receivables		**(0.1)**	(2.1)	**(1.2)**	(5.3)
Increase in inventories		**(0.6)**	–	**–**	–
(Decrease)/increase in trade and other payables		**(2.1)**	(1.3)	**15.0**	7.3
Cash generated from operating activities, before exceptional items		**20.2**	20.4	**13.2**	1.1

28. Contingent assets and liabilities

Contingent assets

The Board has previously announced that the Group had submitted a claim for in excess of £40.0m to HMRC for the repayment of VAT overpaid in respect of the "Spot the Ball" game from 1979 to 1996. Interest may also be added to the principal sum claimed, which, if successful, given the timeframe of the claim, could increase the sum claimed to approximately £97.0m. Following a successful outcome at the First-tier Tax Tribunal an appeal by HMRC was heard at the Upper Tribunal in April 2014 and the Group was informed in September 2014 that HMRC's appeal had been successful. The Group has appealed this verdict and the appeal will be heard at the Court of Appeal on either 7 or 8 April 2016. Accordingly, the claim has not been recognised in the Group's financial statements.

Contingent liabilities

The Group has contingent liabilities in respect of legal claims in the ordinary course of business; it is not considered that any material liabilities will arise from these.

In respect of the acquisitions of Datatote on 27 September 2013, and Bump on 12 June 2014, additional consideration is payable under certain circumstances. The maximum amounts payable are outlined in note 24.

29. Commitments

Capital commitments

The Group had no contracts placed for capital expenditure that were not provided for in the financial statements at the current or prior year end dates.

Operating lease commitments

The Group leases various off-track betting venues and other operating sites under non-cancellable operating lease arrangements. The lease terms are generally between three and five years and are renewable at the end of the lease period at market rates. The expenditure charged to the income statement was £2.2m (2014: £2.0m).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
No later than one year	**2.3**	2.0	**0.1**	0.1
Later than one year and no later than five years	**6.3**	4.6	**0.5**	0.7
Later than five years	**7.5**	6.5	**—**	—
Total	**16.1**	13.1	**0.6**	0.8

30. Other financial commitments

In December 1996, an incentive scheme to reward Football Pools collectors was established by a subsidiary company.

Under the terms of the scheme, the collectors earn points on the basis of their sales. These points can be converted into vouchers to purchase items from high street shops. On the basis of similar schemes, a redemption rate attributable to these points has been established and an appropriate charge made in these accounts. The potential liability in respect of these points not provided for in these financial statements is £0.2m (2014: £0.2m). This liability has not been provided for as it is the judgement of management that it will never crystallise.

The Group was required to enter into a performance guarantee bond in October 2010, which is reviewed annually, for 15% of the contract value, being $180,000 at 31 December 2015, in relation to a contract to provide and maintain pari-mutuel betting terminals to a customer in Turkey.

31. Related party transactions

The extent of transactions with related parties of Sportech PLC and the nature of the relationships with them are summarised below:

a. Key management compensation is disclosed in note 7.

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

	2015 £m	2014 £m
Management charges received	**1.3**	1.4
Royalty income received	**1.6**	1.5
Management charges paid	**—**	0.1
Interest received on inter-company loan balances	**0.6**	0.4
Interest paid on inter-company loan balances	**1.4**	1.6

The amount outstanding in relation to management charges at the balance sheet date was £nil (2014: £0.1m). All inter-company transactions are on an arm's-length basis.

c. The Company had no transactions during the year and therefore no amounts outstanding at year end with any of its joint ventures and associates (2014: £nil and £nil respectively).

Notes to the financial statements continued

for the year ended 31 December 2015

31. Related party transactions (continued)

The Group also invested cash into its joint ventures during the year as outlined in note 17. There were no trading transactions between the Group and any of its joint ventures or associates and no amounts outstanding at the 31 December 2015 (2014: £nil and £nil).

32. Pension schemes

The Group operates four pension schemes in the UK: for employees other than those employed by Datatote, a defined contribution scheme, a funded defined benefit scheme and an auto-enrolment scheme for qualifying employees who are not members of the first two schemes. Datatote operates a defined contribution scheme. The Group operates a further funded defined benefit scheme in the US, two defined contribution schemes in the US, a defined contribution scheme in the Netherlands and a defined contribution scheme in Ireland.

Summary of pension contributions paid

	2015 £m	2014 £m
Defined contribution scheme contributions	**0.7**	0.7
Defined benefit scheme contributions	**0.2**	0.3
Total pension contributions	**0.9**	1.0

Defined contribution schemes

In the UK, those employees who joined the Group consequent to the acquisition of Littlewoods Gaming (formerly Littlewoods Leisure) and who were aged under 50 on 4 September 2000 and all other UK employees of Sportech PLC (apart from Datatote – see below) can join either a stakeholder pension scheme established on 6 April 2001 or alternate defined contribution arrangements, or the auto-enrolment scheme. Group contributions are made at a maximum rate of 8% of pensionable salaries. Datatote contributions are made at a maximum rate of 6% of pensionable salaries.

A defined contribution scheme for non-unionised employees, including eBet, is operated in the US, into which the Group contributes 37.5% of the first 6% of participant contributions. A further defined contribution scheme is available for unionised employees; the Group does not make contributions into this scheme.

A Registered Retirement Savings Plan ("RRSP") exists for employees in Canada. The Group matches to a limit of 50% of the first 6% of participant contributions. The Group also contributes 3% of gross salary into the RRSP for full time Canadian Union employees.

The pension scheme in the Netherlands provides benefits to employees on a percentage of salary basis.

For employees in Ireland, the Group contributes between 7.5% and 12.5% of salary, dependent on length of service, into a defined contribution scheme.

In Germany, the approach adopted resembles life insurance cover rather than pension provision. Gross salary is reduced by a specified amount which is transferred to the insurance provider. This is tax-efficient for the employee.

For employees in France and Turkey, all pensions cover is provided through employer and employee social security contributions.

Defined benefit schemes

Pursuant to the sale agreement between Littlewoods PLC and Sportech PLC, a defined benefit scheme was set up for those employees who joined the Group consequent to the acquisition of Littlewoods Gaming (formerly Littlewoods Leisure) and who were aged 50 or over on 4 September 2000, the date of the acquisition. The scheme was formed on 6 April 2001 and is governed by a Definitive Trust Deed and Rules. It is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004. The scheme is contracted out of the State Second Pension Scheme. The scheme is currently not open to new members.

The US defined benefit scheme is administered by an insurance company in the US and provides retirement benefits to employees who are members of a collective bargaining unit represented by the International Brotherhood of Electrical Workers. Benefits are based on value times credited service.

The amounts recognised in the balance sheet were as follows:

	2015 £m	2014 £m
Fair value of plan assets:		
– UK	**1.9**	2.0
– US	**3.0**	2.8
Total fair value of assets	**4.9**	4.8
Present value of the schemes' liabilities	**(6.3)**	(6.4)
Deficit in the schemes	**(1.4)**	(1.6)
Included in:		
– non-current liabilities	**(1.4)**	(1.6)

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

	US 2015	**UK 2015**	US 2014	UK 2014
Discount rate	**4.00%**	**3.60%**	3.75%	3.40%
Rate of increase in salaries	**N/A**	**0%**	N/A	0%
Rate of increase in pensions in payment:				
– 5% LPI	**N/A**	**3.00%**	N/A	3.15%
– rate of inflation	**N/A**	**3.00%**	N/A	3.15%
– mortality table	**RP-2014 Total Dataset Mortality with Scale MP-2015**	**SINxA CMI 2012 projections 1.5% per annum long-term rate of improvement**	2014 IRS Static Mortality Table	S1NxA CMI 2012 projections 1.5% per annum long-term rate of improvement

For the US scheme, under the adopted mortality tables, if the future life expectancy were to be plus/minus one year the liabilities would increase/decrease by £12,000.

For the UK, under the adopted mortality tables, if the long-term rate of mortality improvement were to be 1.25%, the liabilities would decrease by £30,000.

For the UK, if the discount rate were to be increased to 3.85% the liabilities would decrease by £70,000. For the US, if the discount rate were to be increased to 4.50% the liabilities would decrease by £184,000.

Notes to the financial statements continued
for the year ended 31 December 2015

32. Pension schemes continued

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligation £m	Fair value of plan asset £m	Total £m
At 1 January 2015	6.4	(4.8)	1.6
Income statement expense/(income):			
- Current service cost	0.1	—	0.1
- Interest expense/(income)	0.2	(0.2)	—
	0.3	(0.2)	0.1
Remeasurements:			
– Currency exchange movements	0.2	(0.1)	0.1
– Gain from change in actuarial assumptions	(0.2)	—	(0.2)
	—	(0.1)	(0.1)
Contributions:			
– Employer's	—	(0.2)	(0.2)
Payments from plans:			
– Benefit payments	(0.4)	0.4	—
At 31 December 2015	**6.3**	**(4.9)**	**1.4**

	Present value of obligation £m	Fair value of plan asset £m	Total £m
At 1 January 2014	5.6	(4.3)	1.3
Income statement expense/(income):			
- Current service cost	0.2	—	0.2
- Interest expense/(income)	0.2	(0.2)	—
	0.4	(0.2)	0.2
Remeasurements:			
– Currency exchange movements	0.2	(0.2)	—
– Loss from change in actuarial assumptions	0.4	—	0.4
	0.6	(0.2)	0.4
Contributions:			
– Employer's	—	(0.3)	(0.3)
Payments from plans:			
– Benefit payments	(0.2)	0.2	—
At 31 December 2014	6.4	(4.8)	1.6

Effect of change of assumptions on liability values

Changes in the financial assumptions used would have the following approximate effect on the schemes' liabilities and hence the deficit at the end of the year:

Change	2015 Increases liability by £m	2014 Increases liability by £m
Increase inflation by 0.25% (2014: 0.25%)	**0.1**	0.1

The assets of the UK scheme are held in an independent Trustee administered fund. The Trustee of the scheme is Sportech Trustees Limited. The Directors of Sportech Trustees Limited include Carl Lynn, a Sportech employee, who also acts as Chair of the Trustee company. The assets of the US scheme are held by an insurance company.

The actuarial method for calculating the liabilities of the scheme is the projected unit method.

The expected employer annual contributions to the schemes for the financial year ending 31 December 2016 amount to £0.2m (year ended 31 December 2015: £0.2m).

Estimated future benefit payments for the next ten fiscal years for the US scheme are:

At 31 December 2015	Less than a year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Pension benefits	0.5	0.2	0.8	7.4	8.9

The weighted average duration of the US scheme obligation is approximately ten years.

Estimated future benefit payments for the next ten fiscal years for the UK scheme are:

At 31 December 2015	Less than a year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Pension benefits	0.1	0.1	0.3	0.6	1.1

The weighted average duration of the UK scheme obligation is approximately thirteen years.

Notes to the financial statements continued
for the year ended 31 December 2015

33. Related undertakings

During the year, the Group held investments in related undertakings as follows:

Subsidiaries, excluding dormant companies	Country of incorporation	Class of shares held	Shareholding
Sportech Gaming Limited	England & Wales	Ordinary	100%
The Football Pools Limited	England & Wales	Ordinary	100%
C&P Promotions Limited	England & Wales	Ordinary	100%
Football Pools 1923 Limited	England & Wales	Ordinary	100%
TFPL Financial Services Limited	England & Wales	Ordinary	100%
Football Pools Games Limited	England & Wales	Ordinary	100%
Pools Promotions Limited	England & Wales	Ordinary	100%
UK Lottery Management Limited	England & Wales	Ordinary	100%
Sportech Mauritius Limited	Mauritius	Ordinary	100%
Sportech Holdco 1 Limited	England & Wales	Ordinary	100%
Datatote (England) Limited	England & Wales	Ordinary	100%
Sportech Holdco 2 Limited	England & Wales	Ordinary	100%
Sportech, Inc.	United States	Ordinary	100%
Sportech Racing, LLC.	United States	Ordinary	100%
Trackplay, LLC.	United States	Ordinary	100%
Sportech Venues, Inc.	United States	Ordinary	100%
eBet Technologies, Inc.	United States	Ordinary	100%
Fantasy Sports Online, LLC	United States	Ordinary	100%
Sportech Venues California, LLC	United States	Ordinary	100%
Sportech Venues CA Holdco, LLC	United States	Ordinary	100%
Sportech Games Holdco, LLC	United States	Ordinary	100%
Bump Worldwide, Inc.	Canada	Ordinary	100%
Sportech Racing Canada, Inc.	Canada	Ordinary	100%
1891323 Ontario, Inc.	Canada	Ordinary	100%
Sportech Racing Panama, Inc.	Panama	Ordinary	100%
Sportech Racing Limited	British Virgin Islands	Ordinary	100%
Racing Technology Ireland Limited	Ireland	Ordinary	100%
Sportech Racing BV	Netherlands	Ordinary	100%
Sportech Racing Banen BV	Netherlands	Ordinary	100%
Autotote Europe GmbH	Germany	Ordinary	100%
Sportech Racing GmbH	Germany	Ordinary	100%
Sportech Racing Turkey	Turkey	Ordinary	100%
Sportech Racing SAS	France	Ordinary	100%

Joint ventures and associates	Country of incorporation	Class of shares held	Shareholding
Sportshub Private Limited	India	Ordinary	50%
S&S Venues California, LLC	United States	Ordinary	50%
DraftDay Gaming Group, Inc	United States	Ordinary	39%
Picklive USA, LLC*	United States	Ordinary	50%
Sportech-NYX Gaming, LLC**	United States	Ordinary	50%

*The Group's involvement in Picklive USA, LLC came to an end in the year. See note 17.

**The Group disposed of its investment in Sportech-NYX Gaming, LLC in the year. See note 16.

Other undertakings	Country of incorporation	Class of shares held	Shareholding
NYX Gaming Group Limited	United States	Ordinary	4%
E-Tote Limited	England & Wales	Ordinary	6.49%

Dormant companies	Country of incorporation	Class of shares held	Shareholding
Sportech Trustees Limited	England & Wales	Ordinary	100%
Footballpools.com Limited	England & Wales	Ordinary	100%
UKCL Limited	England & Wales	Ordinary	100%
Football Pools Competitions Company Limited	England & Wales	Ordinary	100%
Bet 247 Limited	England & Wales	Ordinary	100%
Pools Company Limited	England & Wales	Ordinary	100%
The New Football Pools Limited	England & Wales	Ordinary	100%
Football Pools Trustee Company Limited	England & Wales	Ordinary	100%
Sportech BV	Netherlands	Ordinary	100%

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

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