

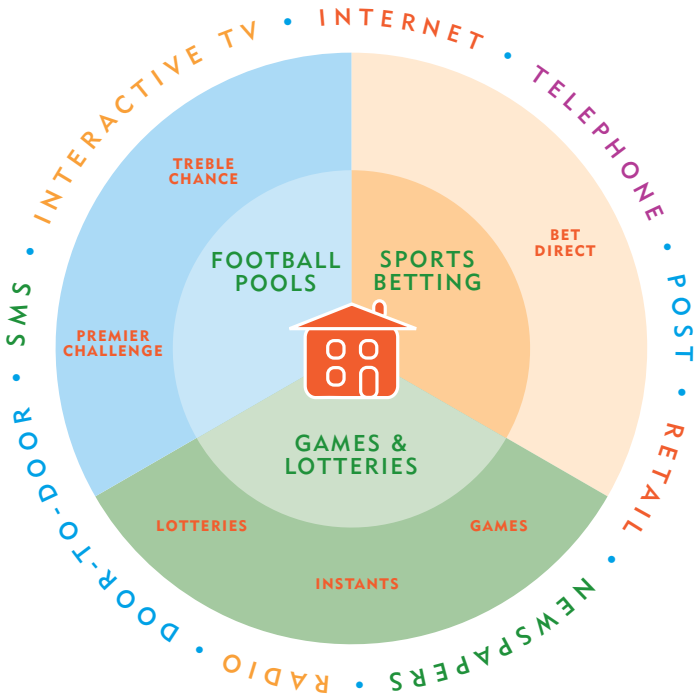
SPORTECH THE HOME GAMING COMPANY



SPORTECH IS...

THE HOME GAMING COMPANY

Sportech aims to be the pre-eminent supplier of gaming products to the home, where it already enjoys a unique distribution capability and extensive customer base. It will capitalise on the significant growth potential of the home gaming market presented by the development of new media channels, by building on the strength of the famous Littlewoods Leisure brand and its diverse and flexible product range.



HIGHLIGHTS

- Turnover up 6% to £96.7m (2001: £91.3m).
- Profit before tax, amortisation of goodwill and restructuring costs increased 44% to £5.6m (2001: £3.9m).
- Earnings per share before amortisation of goodwill 46% ahead at 0.63 pence (2001: 0.43 pence).

- Significant achievements in core business areas:

Football Pools profits 4% higher than 2001.

Acquisition of Zettlers Football Pools business increases customer base, whilst providing opportunities to cross sell products and achieve cost synergies.

Sports betting revenues 69% higher than 2001.

On-line casino, www.Littlewoodscasino.com, launched in August 2002.

- Good progress in implementation of interactive television strategy to drive future growth and shareholder value:

ITV partnership progressing well, aiming at early 2003 launch for programme-linked gaming.

Interactive betting on Attheraces channel expected to launch last quarter 2002.

Increased investment in products, technology and resource to support interactive television strategy.

CHAIRMAN'S STATEMENT



This is the first set of results that enables us to provide a true prior year comparison, and I am pleased to report that Sportech's strong financial performance over the first six months of the year shows considerable improvement over the same period last year.

Performance was enhanced by margin improvements, particularly within football pools and we have also experienced substantial growth in sports betting revenues.

Sportech's programme of investment has continued during the first half of the year, with increased investment in new products, technology and resources to support our interactive gaming strategy.

In January we were appointed as one of three fixed odds betting providers to the Attheraces channel and this was followed by our groundbreaking strategic gaming and betting partnership with the ITV Network, which we announced in March. We look forward to the launch of our new innovative gaming products on television, which we expect will take place over the next six months. The Board is confident that the business is well positioned to deliver a step change in interactive performance in 2003.

The Board's proposal to reduce the share capital of the Company was agreed by shareholders at the Annual General Meeting in April and is being progressed through the Court of Session in Scotland. In accordance with the court procedures, we expect the reduction in capital to be confirmed shortly, accelerating our ability to pay dividends in the future.

We continue to pursue our strategy of building on the strength of the Littlewoods brand whilst developing new products and channels to market and confidently believe this is the right route to delivering shareholder value.

We look forward to continuing the progress we have made so far in the second half of the year.

A handwritten signature in green ink, appearing to read 'David Mathewson'.

DAVID MATHEWSON

CHAIRMAN

16 September 2002



FOOTBALL POOLS

Profits were up 4% at £11.7m on turnover of £50.9m, due to continual improvement in operational efficiencies and the reduction in the duty burden from April 2002. The annualised rate of decline in turnover was down to 16% for the six months ended 30 June, a two percentage point improvement on the previous year.

The Board has previously reported its confidence that operating profitability could be maintained, despite the continuing decline in turnover, and this remains its view as the trend of improving attrition rates and lower costs is expected to continue.

On 14 August 2002, the Company announced the acquisition of the Zetters Football Pools business for £1.35m, which has taken effect from 29 August 2002. Net cash payable for the business is expected to be £0.55m, due to the level of advance football pools stakes. The acquisition is being funded from existing bank facilities. In the year to April 2002, Zetters Football Pools generated operating profit of £0.6m on turnover of £6.1m.

The acquisition of the Zetters Football Pools business further consolidates Sportech's position as the dominant football pools company in the UK with more than 85 per cent of the market. Sportech is retaining the Zetters brand offering, providing a greater choice of complementary products to customers and the opportunity to cross-sell Sportech's portfolio of gaming products to an additional 60,000 customers. With the opportunity to rationalise the operational and overhead base of the business, we would expect to improve net margins on the Zetters business towards the levels currently achieved by our existing Pools business.



SPORTS BETTING

Our strategy is to provide customers with a wide range of betting opportunities across the television, telephone and internet channels. The Littlewoods Betdirect telephone and internet channels are now well established, and we were delighted to be selected as one of three fixed odds betting providers to the Attheraces interactive television channel earlier this year. Attheraces has experienced delays in launching these fixed odds betting services, however our offering is now expected to launch towards the end of this year.

Despite this delay turnover was up 69% to £39.9m across the telephone and internet betting channels. Customer numbers have increased through organic growth, with the total registered base now 260,000 (230,000 at 31 December 2001). The first half of the year saw an increase in average stakes, with average stakes per telephone call up 23% to £33, and the average internet bet up 25% to £15.

Gross win margin remained a satisfactory 11% across both telephone and internet, however after allowing for the impact of the gross profits tax and levies, net margins were reduced from 10.1% in 2001 to 8.3%.

The combination of significant volume improvements and satisfactory margin performance helped to halve the operating losses to £1m. We expect the sports betting business to continue to reduce its operating losses during the second half of 2002.

We believe that the convenience of telephone betting will continue to be attractive to customers and is an important part of our interactive betting offering. We are therefore expecting telephone revenue growth to continue and are implementing automated telephone voice response in order to reduce costs and improve our ability to handle calls during exceptionally busy periods.

Our overall interactive betting proposition is achieving increased exposure as a result of the sponsorship of Arena Leisure's All Weather racecourses, which commenced in early 2002, profiling the Littlewoods Betdirect brand at over 20% of the UK's televised racing fixtures over a three year period.



GAMES AND LOTTERIES

Profits from Sportech's portfolio of games, competitions and lotteries was £0.1m, in line with last year, despite a 16% fall in revenues. This decline is expected to reverse in the second half of the year, reflecting the good progress that has been made in extending the distribution and range of these 'soft gaming' products.

Littlewoodscasino.com, our on-line casino, which was granted one of the first interactive gaming licences issued by the Isle of Man authorities, received full regulatory certification and launched in August 2002. This both extends our comprehensive range of entertaining gaming products and demonstrates our commitment to operating within highly reputable regulatory environments.

We are finalising agreements with prominent UK retailers, to sell and promote their own branded scratchcards in conjunction with Littlewoods and national charities of their choice. Our regulatory experience and reputation positions us as the first choice lottery partner for both large corporates and charities.

INTERACTIVE DEVELOPMENTS

In line with our strategy to provide home based gaming opportunities to the widest audiences available, we announced our groundbreaking strategic gaming partnership with ITV in March 2002. Programme linked gaming across the ITV network will attract digital and analogue viewers alike, utilising the interactive return path and established methods of play, including telephone, internet and our UK-wide collector network. We expect to launch in early 2003.

Joint working teams are established and we have made good progress in the development of gaming concepts and the supporting technology, to ensure provision of an engaging consumer proposition that will complement the wide range of ITV programmes.

To support these specific ventures and our broad interactive strategy, we have also continued to build our interactive design and production team, and technical infrastructure. Overall capital and revenue investments on interactive developments totalled £3.3m during the period.



- Turnover is up 6% to £96.7m, reflecting strong growth in sports betting revenues.
- Operating profits have benefited from changes in both pool betting duty in April 2002 and general betting duty from October 2001. Pool betting duty has effectively reduced by 6% points whilst the abolition of general betting duty in favour of a tax on gross profits has helped to stimulate sports betting revenues.
- Operating profit before amortisation of goodwill and restructuring costs is up 13% at £9.7m.
- Restructuring costs of £0.9m reflect redundancies arising from the introduction of scanning technology, which will deliver operating cost savings from the second half of the year. It is expected that profits arising from the disposal of surplus property in the second half of the year will offset restructuring costs.
- Profit before tax and amortisation of goodwill increased by 21% to £4.7m (up 44% excluding restructuring costs).
- Earnings per share before amortisation of goodwill is 46% ahead at 0.63 pence.
- Net cash inflow from operating activities was stronger at £6m (2001: £5.1m) after development expenditure of £2.8m relating to the interactive gaming strategy.
- Capital investment in the six months at £1.7m was £0.9m higher than 2001, again mainly due to investment in technology infrastructure to support the interactive strategy.
- Gross debt was further reduced by £6m to £127.8m.

The capital reduction agreed by the passing of a special resolution at the Annual General Meeting is being progressed by the Court of Session in Scotland. In accordance with the court procedures, the Company expects the reduction to be confirmed shortly. This will enable the Company's share premium account to be cancelled in order to reduce the historic accumulated deficit on the Company's profit and loss account by £47m. This will accelerate our ability to pay dividends in the future.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Restated – unaudited) £m	Year to 31 Dec 2001 (Restated – audited) £m
GROUP TURNOVER	3	96.7	91.3	183.3
Cost of sales		(68.5)	(64.1)	(129.3)
Gross profit		28.2	27.2	54.0
Net operating expenses	4	(23.7)	(22.9)	(45.4)
Operating profit before restructuring costs and amortisation of goodwill		9.7	8.6	17.5
Restructuring costs	4	(0.9)	–	–
Amortisation of goodwill		(4.3)	(4.3)	(8.9)
OPERATING PROFIT		4.5	4.3	8.6
Net interest payable	5	(4.1)	(4.7)	(9.2)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		0.4	(0.4)	(0.6)
Tax on profit on ordinary activities	6	(1.0)	(1.3)	(2.1)
Loss for the financial period		(0.6)	(1.7)	(2.7)
EARNINGS PER SHARE	7			
Basic and diluted		(0.10p)	(0.29p)	(0.45p)
Pre amortisation of goodwill		0.63p	0.43p	1.05p

All results are from continuing businesses

The restatement of the prior year figures relates to the adoption of FRS 19, Accounting for Deferred Tax.

RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDERS' FUNDS

	Notes	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Restated – unaudited) £m	Year to 31 Dec 2001 (Restated – audited) £m
Shareholders' funds at start of period as previously reported		27.3	29.6	29.6
Prior period adjustment	1	1.3	1.7	1.7
Beginning of the period as restated		28.6	31.3	31.3
(Loss) for the financial period		(0.6)	(1.7)	(2.7)
Shareholders' funds at end of period		28.0	29.6	28.6

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Restated – unaudited) £m	Year to 31 Dec 2001 (Restated – audited) £m
Total recognised gains and losses relating to the period		(0.6)	(1.7)	(2.7)
Prior period adjustment	1	1.3	1.7	1.7
Total recognised gains and losses since the last annual report		0.7	–	(1.0)

CONSOLIDATED BALANCE SHEET

as at 30 June 2002

	Notes	30 June 2002 (Unaudited) £m	30 June 2001 (Restated – unaudited) £m	31 Dec 2001 (Restated – audited) £m
FIXED ASSETS				
Intangible assets – goodwill		157.5	164.6	161.8
Tangible assets		7.7	7.8	7.2
		165.2	172.4	169.0
CURRENT ASSETS				
Stocks		0.2	0.2	0.2
Debtors		9.7	9.4	7.3
Cash at bank and in hand	8	7.4	6.9	12.9
		17.3	16.5	20.4
CREDITORS				
Amounts falling due within one year		(46.6)	(31.3)	(42.9)
NET CURRENT LIABILITIES		(29.3)	(14.8)	(22.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		135.9	157.6	146.5
CREDITORS				
Amounts falling due after more than one year		(107.9)	(127.8)	(117.9)
PROVISIONS FOR LIABILITIES AND CHARGES		–	(0.2)	–
NET ASSETS		28.0	29.6	28.6
CAPITAL AND RESERVES				
Called up share capital		30.5	30.5	30.5
Share premium account		47.1	47.1	47.1
Profit and loss account		(49.6)	(48.0)	(49.0)
TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)		28.0	29.6	28.6

The interim accounts on pages 8 to 12 were approved by the board of directors on 16 September 2002 and were signed on its behalf by

GARY SPEAKMAN
Director

CONSOLIDATED CASH FLOW STATEMENT

	Notes	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Unaudited) £m	Year to 31 Dec 2001 (Audited) £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	9	6.0	5.1	15.7
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:				
Interest received		0.2	0.3	0.4
Interest paid		(4.2)	(5.0)	(10.2)
Purchase of interest rate cap		–	(0.9)	(0.9)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(4.0)	(5.6)	(10.7)
TAXATION		(0.2)	(3.0)	(4.3)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of tangible fixed assets		(1.7)	(0.8)	(2.0)
Sale of tangible fixed assets		–	–	0.2
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1.7)	(0.8)	(1.8)
CASH INFLOW/(OUTFLOW) BEFORE MANAGING OF LIQUID RESOURCES AND FINANCE		0.1	(4.3)	(1.1)
FINANCING:				
Net loans repaid		(6.0)	(6.0)	(6.0)
NET CASH OUTFLOW FROM FINANCING		(6.0)	(6.0)	(6.0)
(DECREASE) IN NET CASH	10	(5.9)	(10.3)	(7.1)

NOTES TO THE INTERIM ACCOUNTS

1. ACCOUNTING POLICIES

The results for the half year ended 30 June 2002 have been prepared on the basis of the accounting policies set out in the Report and accounts for the year ended 31 December 2001, with the exception that FRS 19, Accounting for Deferred Tax, has now been implemented. Accordingly full provision has been made for deferred tax. Corresponding figures for 2001 have been restated to reflect this accounting policy change. The effect of this change has been to increase losses for the financial year to 31 December 2001 by £0.4m; the impact on the half year to 30 June 2001 has been to increase losses by £0.2m. A summary of the impact of this on the reported results is as follows;

	6 months to 30 June 2001 (Unaudited) Restated £m	6 months to 30 June 2001 (Unaudited) As reported £m	6 months to 30 June 2001 (Unaudited) Change £m	6 months to 30 June 2002 (Unaudited) Effect £m
Loss on ordinary activities before tax	(0.4)	(0.4)	–	–
Loss on ordinary activities after tax	(1.7)	(1.5)	(0.2)	(0.1)
Earnings per share	(0.29)p	(0.26)p	(0.03)p	–
		Year to 31 Dec 2001 (Restated – audited) £m	Year to 31 Dec 2001 (As reported – audited) £m	Year to 31 Dec 2001 Change £m
Loss on ordinary activities before tax		(0.6)	(0.6)	–
Loss on ordinary activities after tax		(2.7)	(2.3)	(0.4)
Earnings per share		(0.45)p	(0.39)p	(0.06)p

NOTES TO THE INTERIM ACCOUNTS

2. NON-STATUTORY ACCOUNTS

The results for the half-year to 30 June are neither audited nor reviewed by the auditors.

The financial information on pages 8 to 12 does not amount to full accounts within the meaning of Section 240 of the Companies Act 1985 (as amended).

The comparative figures for the year ended 31 December 2001 do not constitute statutory accounts. These figures have been extracted from the audited accounts for that period which have been delivered to the registrar of companies and on which the auditors issued an unqualified report which did not contain a statement under either Section 237 (2) or (3) of the Companies Act 1985.

3. SEGMENTAL REPORTING

	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Unaudited) £m	Year to 31 Dec 2001 (Audited) £m
Turnover			
Football Pools	50.9	60.7	119.0
Sports Betting	39.9	23.6	51.8
Games & Lotteries	5.9	7.0	12.5
On-line development	–	–	–
Total Littlewoods Leisure	96.7	91.3	183.3
Technology Patents	–	–	–
	96.7	91.3	183.3
Profit/(loss) before tax			
Football Pools	11.7	11.3	23.2
Sports Betting	(1.0)	(1.9)	(4.0)
Games & Lotteries	0.1	0.1	0.5
On-line development	(1.1)	(0.6)	(1.6)
Total Littlewoods Leisure	9.7	8.9	18.1
Technology Patents	–	(0.3)	(0.6)
Operating profit before restructuring costs and amortisation of goodwill	9.7	8.6	17.5
Restructuring costs (principally football pools)	(0.9)	–	–
Amortisation of goodwill (principally football pools)	(4.3)	(4.3)	(8.9)
	4.5	4.3	8.6
Net interest	(4.1)	(4.7)	(9.2)
	0.4	(0.4)	(0.6)

All turnover and profits arise in the United Kingdom.

4. NET OPERATING EXPENSES

	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Unaudited) £m	Year to 31 Dec 2001 (Audited) £m
Distribution costs	0.1	0.1	0.1
Other administrative expenses	18.4	18.5	36.4
Restructuring costs	0.9	–	–
Amortisation of goodwill	4.3	4.3	8.9
Administration expenses	23.6	22.8	45.3
	23.7	22.9	45.4

Restructuring costs relate principally to the implementation of improved operational processes within the football pools business.

5. INTEREST AND SIMILAR ITEMS

	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Unaudited) £m	Year to 31 Dec 2001 (Audited) £m
Interest payable on bank loans and overdrafts	(4.3)	(5.0)	(9.6)
Interest receivable	0.2	0.3	0.4
Net interest payable	(4.1)	(4.7)	(9.2)

NOTES TO THE INTERIM ACCOUNTS

6. TAXATION

Taxation is provided on taxable profits at 21.0% being the anticipated rate of taxation for the group's current financial year.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the net loss attributable to ordinary shareholders of £0.6 million divided by the weighted average number of shares in issue during the period – 592.1 million (6 months to 30 June 2001 – 592.1 million; year to 31 December 2001 – 592.1 million). Basic and diluted EPS are identical as the market price is below that at which options are exercisable.

8. CASH

£2.8 million of the cash and bank balances are committed security against deferred payments due under a contractual obligation of a subsidiary company.

9. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Unaudited) £m	Year to 31 Dec 2001 (Audited) £m
Operating profit	4.5	4.3	8.6
(Decrease) in provisions	–	(1.6)	(1.8)
Depreciation on tangible fixed assets	1.2	1.7	2.2
Amortisation of goodwill	4.3	4.3	8.9
Amortisation of loan arrangement fee	–	–	0.1
Surplus on disposal of tangible fixed assets	–	–	(0.1)
(Increase)/decrease in trade debtors	(0.3)	(0.2)	0.6
Decrease in other debtors	–	0.1	0.9
(Increase)/decrease in prepayments	(2.2)	2.5	2.2
(Decrease)/increase in trade creditors	–	(1.0)	0.8
Increase in other creditors	–	3.3	–
(Decrease) in other taxes	(2.1)	(1.6)	(0.3)
Increase/(decrease) in accruals and deferred income	0.6	(6.7)	(6.4)
Net cash inflow from operating activities	6.0	5.1	15.7

10. ANALYSIS AND RECONCILIATION OF NET DEBT

	At 31 Dec 2001 £m	Cash flow £m	Non-cash changes £m	At 30 June 2002 £m
Cash at bank and in hand excluding charity cash balances	11.7	(5.9)	–	5.8
Bank overdrafts	(2.9)	(0.4)	–	(3.3)
	8.8	(6.3)	–	2.5
Debt due within one year	(15.9)	6.0	(10.0)	(19.9)
Debt due after one year	(117.9)	–	10.0	(107.9)
	(133.8)	6.0	–	(127.8)
	(125.0)	(0.3)	–	(125.3)

	6 months to 30 June 2002 (Unaudited) £m	6 months to 30 June 2001 (Unaudited) £m	Year to 31 Dec 2001 (Audited) £m
(Decrease) in cash in period	(5.9)	(10.3)	(7.1)
Movement in charity cash	(0.4)	0.3	0.4
Change in net debt resulting from cash flows	(6.3)	(10.0)	(6.7)
Cash outflow from reduction in loans	6.0	6.0	6.0
Amortisation of deferred loan arrangement fee	–	–	(0.1)
Movement in net debt for the period	(0.3)	(4.0)	(0.8)
At start of period	(125.0)	(124.2)	(124.2)
At end of period	(125.3)	(128.2)	(125.0)

TO PLAY:

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Visit: independent newsagents

Zetters Football Pools

Call: 0800 132 319

Click: www.zetters.co.uk

Littlewoods Premier Challenge

Call: 0800 316 2468

Littlewoods Spot the Ball

Call: 0800 917 3313

Click: www.playlittlewoods.co.uk

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Littlewoods Lotto Scratchcards

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Visit: post offices, independent newsagents
and selected small multiples

Littlewoods Prize Buster

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Click: www.prizebuster.co.uk

Littlewoods On-line Games

Click: www.playlittlewoods.co.uk

TO PLACE A BET:

Littlewoods Bet Direct

Call: 0800 211 222

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