



Overview

The Sportech strategy is clearly focused on the core profit generating Divisions of Football Pools and Betting and is well positioned to capitalise on future growth opportunities in the online Betting market and around the exclusive interactive deal with ITV.

Highlights

- Turnover of £254.3m in line with last year (2004: £254.5m) with 3% revenue growth in the Betting business offset by the 15% Football Pools revenue decline.
- Operating profit, pre-restructuring costs, 3% lower at £9.1m (2004: £9.4m). Operating profit of £6.6m (2004: £9.1m).
- Profit before tax and restructuring costs of £5.2m (2004: £6.0m). Profit before tax £2.7m (2004: £5.7m).
- Executive team significantly strengthened with appointment of Ian Penrose as Chief Executive.
- Business strategy focused on two core profit generating Divisions: Betting and Football Pools.
- Cost base significantly reduced across Divisions, delivering annualised employment cost savings of £2.7m.
- Good progress in development and integration of Betting products:
 - Launch of betdirectcasino.com and betdirectpoker.com
 - Introduction of mobile sports book
 - Further strengthening of content on ITV
 - Littlewoodspoker.com successfully linked to first mainstream television poker programme (ITV Celebrity Poker)
- Commercial negotiations with ITV are underway, aimed at improving the ITVi service and establishing a mutually beneficial financial framework.
- Earnings per share of 0.34p (2004: 0.67p).

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The Company is now clearly focused on its core profit generating Divisions of Football Pools and Betting.



Business update

During the first six months of 2005, Sportech completed a thorough review of its business. The Company is now clearly focused on its core profit generating Divisions of Football Pools and Betting, and is well positioned to capitalise on future growth opportunities in the online Betting market and around the exclusive interactive deal with ITV.

We are very pleased to announce the appointment of Ian Penrose as Chief Executive. He will commence full time duties with effect from 1 October 2005. Ian joins from Arena Leisure PLC where he led the Company since May 2001, initially as Group Managing Director and then as Chief Executive. Ian, a chartered accountant, has extensive commercial experience of the leisure and media industry which will be invaluable to Sportech as it drives its growth strategy forward.

The Senior Management team has been further strengthened with the appointment of Chris Brown as New Media Gaming Director in August 2005. Chris is focused on developing and integrating Sportech's Betting Division, whilst increasing customer activity levels across our Betting channels and continuing to revise and improve content.

Basis of reporting

These are the first financial results that the Group has published subsequent to the adoption of International Financial Reporting Standards ("IFRS"). The major impact for the Group is that goodwill is no longer being amortised. The impact of all other IFRS adjustments is small and the adoption of IFRS has no impact upon the Group's cash flows. Details of the restatement of prior year information was published on the London Stock Exchange on 26 September 2005 and is available from the Group's website.

The Football Pools Division comprises the core Littlewoods and Zettlers Pools competitions along with "shoulder games" such as Spot the Ball and Lotto.

The Betting Division comprises Telephone Betting and Interactive Betting. The development of our ITV interactive gaming service is reported within Interactive Betting. We remain firmly committed to offering our wide range of Betting products across the direct new media channels of internet, television, mobile and telephone.

Financial overview

Revenue for the Group was broadly unchanged at £254.3m (2004: £254.5m) with 3% revenue growth in the Betting business offset by the 15% revenue decline in Football Pools business.

Profit before tax was £2.7m (2004: £5.7m) with the reduction partly due to higher underlying interest rates, which increased the charge to £3.9m (2004: £3.4m), and a restructuring charge of £2.5m (2004: £0.3m). The £2.5m restructuring charge in H1 2005 reflects the final cost of terminating the outsourced call handling contract and the redundancies arising from the closure of the scratchcard business and the strategic review. Annualised employment cost savings are estimated at £2.7m.

The summarised results by Division for the half year were:

	30 June 2005 £m	30 June 2004 £m	Change %
Turnover			
Football Pools	37.5	43.9	(15)
Telephone Betting	46.3	38.6	20
Interactive Betting	170.5	172.0	(1)
Total	254.3	254.5	—
PBIT			
Football Pools	12.6	13.2	(5)
Telephone Betting	(0.9)	(1.3)	31
Interactive Betting	(2.6)	(2.5)	(4)
PBIT (pre-restructuring)	9.1	9.4	(3)
Interest	(3.9)	(3.4)	(15)
PBT (pre-restructuring)	5.2	6.0	(13)
Restructuring	(2.5)	(0.3)	
PBT	2.7	5.7	(53)

The net cash outflow of £1.5m (2004: £0.6m outflow) reflected the impact of the restructuring payments. Net debt at the end of the period was £113.1m (2004: £114.8m) which was marginally higher than the 2004 year end position of £112.8m. Bank loans were reduced by a further £3m in the period to £109m.

Football Pools

Total Football Pools revenues from the Littlewoods and Zettlers brands were £34.3m, 15% lower than reported last year (2004: £40.2m). Excluding overseas revenues, where we experienced a steep decline following a re-positioning of the game, the year on year attrition was 13.4%. Pools Direct revenues now account for 44% of UK revenues and in this channel, attrition was 7%. Further improvements in gross margin and operating cost savings limited the impact of the revenue decline on profits to 6%, with profits from Football Pools totalling £12.0m (2004: £12.8m).

Football Pools remains a very popular competition played by circa 700,000 customers per week. We continue to seek extended distribution for Football Pools and develop game variants which are suited to new media channels.

Other games sold into the Football Pools customer base contributed revenues of £3.2m (2004: £3.7m) and profits of £0.6m (2004: £0.4m). This included operating losses, pre-restructuring, from scratchcards of £0.1m (2004: £0.3m loss). The plan to exit the scratchcard business has now been completed and no further costs will be incurred.

Total profits from Football Pools and related games pre-restructuring costs were £12.6m (2004: £13.2m).

Betting

Total Betting revenues increased by 3%, however gross win was 8% lower at £8.7m (2004: £9.5m) reflecting the impact of poor sports results. Betting Division losses, pre-restructuring costs, reduced by £0.3m to £3.5m, with this improved performance principally due to a significant reduction in the cost base for both telephone betting and the ITVi Service.

We remain on track to deliver the key developments identified at the beginning of the year. The Bet Direct offer was extended in Q2 2005 by adding branded casino, poker and mobile sports book. We have also continued to expand the sports betting markets offered on telephone and interactive channels.



With Ian Penrose's appointment as Chief Executive, we look forward to the future with confidence.



Betting (continued)

Telephone Betting

We have continued to invest in improving customer service within our Telephone Betting business whilst reducing operating costs. Revenues were 20% higher at £46.3m (2004: £38.6m) due to a combination of an increased number of calls (4% increase) and higher average stake (18% increase).

The adverse sporting results impacted most significantly on telephone gross win which reduced to £2.8m (2004: £4.2m). Telephone margins reduced to 6% compared to the very strong margins (11%) experienced in H1 2004.

With direct costs and overheads reduced significantly, particularly call handling, the operating loss from Telephone Betting was 31% lower than last year at £0.9m (2004: £1.3m loss).

Interactive Betting

There was good growth in active customers (i.e. those placing a bet in the six month period) with sports book active customers up 8% and casino/poker up 30%. Interactive gross win increased by 11%, with gross win across our Casino and Poker products up 7% to £4.7m (2004: £4.4m), driven by Poker. Other interactive products saw gross win increase 33% to £1.2m (2004: £0.9m).

Our red button based, 24/7, content within the ITVi service has been strengthened further during the period, including a new Keno game and a suite of full screen games such as multi-line slots. Interactive Gaming revenues from the ITVi service are building slowly with total revenues in H1 2005 of £0.6m (2004: £0.1m). The cost of delivering the gaming service with ITV reduced significantly following the planned restructuring of the development team. ITV development costs were 21% lower at £2.2m (2004: £2.8m).

Commercial negotiations with ITV are underway, aimed at improving the performance of the service and establishing a mutually beneficial financial framework.

Betting (continued)

Interactive Betting (continued)

The pipeline of ITVi initiatives in Q4 2005, includes interactive gaming behind Coronation Street, Emmerdale and X Factor, which commenced in late August, and following the resolution of rights issues, a full betting service behind Champions League coverage. Following the first mainstream poker television programme (ITV Celebrity Poker) in July 2005, ITV will be expanding its programming in this area and the next ITV Poker Show "Home Nations" is scheduled for early 2006. We look forward to further promotion of the ITVi service by the recently established ITV Consumer Division.

Current trading and outlook

Based on the trading performance since the beginning of July, we expect the decline in Football Pools revenue to continue at levels similar to the first half. The Company also expects a return to gross win growth in the Betting Division but not at a level to regain the profit shortfall in the first half.

As a result, the Board expects profits before tax and restructuring in H2 2005 to be similar to that of the first half.

A lot of work has been done in the first half and the Group is now well positioned to realise the potential of our product and multi channel capabilities around internet, television, telephone and mobile. With Ian Penrose's appointment as Chief Executive, we look forward to the future with confidence.



David Mathewson
Chairman
27 September 2005

Consolidated Profit and Loss Account

For the six months ended 30 June 2005

	Note	6 months to 30 June 2005 (Unaudited) £m	6 months to 30 June 2004 (Unaudited, restated) £m	Year to 31 December 2004 (Unaudited, restated) £m
Continuing operations				
Revenue	3	254.3	254.5	497.0
Cost of sales		(227.5)	(225.5)	(439.9)
Gross profit		26.8	29.0	57.1
Distribution costs		—	(0.1)	(0.1)
Administrative expenses		(20.2)	(19.8)	(41.5)
Operating profit before restructuring costs		9.1	9.4	16.7
Restructuring costs	4	(2.5)	(0.3)	(1.2)
Operating profit	3	6.6	9.1	15.5
Interest payable and similar items	5	(3.9)	(3.4)	(7.4)
Interest receivable		—	—	0.1
Profit before taxation		2.7	5.7	8.2
Taxation	6	(0.8)	(1.7)	(2.6)
Profit for the year from continuing operations		1.9	4.0	5.6
Profit for the financial year		1.9	4.0	5.6
Profit attributable to equity shareholders		1.9	4.0	5.6
Earnings per share:	7			
Basic and diluted		0.34p	0.67p	0.96p
Earnings per share from continuing operations:				
Basic and diluted		0.34p	0.67p	0.96p

Statement of Recognised Income and Expense

For the six months ended 30 June 2005

	6 months to 30 June 2005 (Unaudited) £m	6 months to 30 June 2004 (Unaudited, restated) £m	Year to 31 December 2004 (Unaudited, restated) £m
Profit for the financial year	1.9	4.0	5.6
Total recognised income/(expense) for the year	1.9	4.0	5.6

Consolidated Balance Sheet

As at 30 June 2005

Notes	30 June 2005 (Unaudited) £m	30 June 2004 (Unaudited, restated) £m	31 December 2004 (Unaudited, restated) £m
ASSETS			
Non-current assets			
Goodwill	145.2	145.2	145.2
Other intangible assets	2.8	3.5	2.8
Property, plant and equipment	6.8	6.9	7.5
Prepayments	9.6	—	5.9
Retirement benefit assets	0.2	0.2	0.2
Deferred tax assets	0.5	0.6	0.3
	165.1	156.4	161.9
Current assets			
Trade and other receivables	3.8	10.8	4.4
Financial assets – derivative financial instruments	—	0.4	0.2
Cash and cash equivalents	8 1.9	2.9	2.4
	5.7	14.1	7.0
LIABILITIES			
Current liabilities			
Financial liabilities – Borrowings	(17.4)	(8.5)	(11.5)
Trade and other payables	(18.3)	(17.4)	(17.4)
Current tax liabilities	(0.7)	(1.8)	(1.3)
	(36.4)	(27.7)	(30.2)
Net current liabilities	(30.7)	(13.6)	(23.2)
Non-current liabilities			
Financial liabilities – Borrowings	(95.5)	(107.2)	(101.6)
NET ASSETS	38.9	35.6	37.1
SHAREHOLDERS' EQUITY			
Ordinary shares	29.6	29.6	29.6
Retained earnings	9.3	6.0	7.5
TOTAL SHAREHOLDERS' FUNDS	38.9	35.6	37.1

The financial statements on pages 6 to 12 were approved by the Board of Directors on 26 September 2005 and were signed on its behalf by



Gary Speakman
Director
26 September 2005

Consolidated Cash Flow Statement

for the six months ended 30 June 2005

	Notes	6 months to 30 June 2005 (Unaudited) £m	6 months to 30 June 2004 (Unaudited, restated) £m	Year to 31 December 2004 (Unaudited, restated) £m
Cash flows from operating activities	9			
Cash generated from operations		4.4	6.3	14.3
Interest received		0.2	0.2	0.5
Interest paid		(3.3)	(3.4)	(7.3)
Tax paid		(1.3)	(1.6)	(2.7)
Net cash from operating activities		—	1.5	4.8
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		0.3	—	0.3
Purchase of intangible fixed assets		—	(0.3)	(0.3)
Purchase of property, plant and equipment		(0.8)	(1.0)	(1.9)
Net cash used in investing activities		(0.5)	(1.3)	(1.9)
Cash flows from financing activities				
Net proceeds from issue of new bank loan		—	3.0	3.0
Finance lease principal payments		(0.1)	—	—
Repayment of borrowings		(3.0)	(1.0)	(1.0)
Net cash used in financing activities		(3.1)	2.0	2.0
Net (decrease)/increase in cash and cash equivalents		(3.6)	2.2	4.9
Cash and cash equivalents at start of period		2.1	(2.8)	(2.8)
Cash and cash equivalents at end of period		(1.5)	(0.6)	2.1
Cash and cash equivalents consists of:				
Cash and cash equivalents		1.9	2.9	2.4
Overdrafts		(3.4)	(3.5)	(0.3)
		(1.5)	(0.6)	2.1

Movement in net debt

	Notes	6 months to 30 June 2005 (Unaudited) £m	6 months to 30 June 2004 (Unaudited, restated) £m	Year to 31 December 2004 (Unaudited, restated) £m
(Decrease)/increase in cash in period		(3.6)	2.2	4.9
Movement in charity cash	8	0.2	(0.3)	(0.3)
Change in net debt resulting from cash flows		(3.4)	1.9	4.6
Cash inflow from increase in loans		—	(3.0)	(3.0)
Cash outflow from repayment of loans		3.0	1.0	1.0
Cash outflow/(inflow) from lease agreements		0.1	—	(0.7)
(Increase)/decrease in net debt for the period		(0.3)	(0.1)	1.9
At start of period		(112.8)	(114.7)	(114.7)
At end of period		(113.1)	(114.8)	(112.8)

Notes to the Financial Statements

For the six months ended 30 June 2005

1. Accounting policies

The results for the half year ended 30 June 2005 have been prepared on the basis of the accounting policies expected to be adopted in the Group's full year financial statements and which are set out in the IFRS transition document available from the corporate website, www.sportechplc.com.

a) Basis of accounting

The interim financial statements have been prepared in accordance with the accounting policies required by those International Financial Accounting Standards, incorporating International Accounting Standards (IAS) and interpretations (collectively IFRS) published by the International Accounting Standards Board, which are expected to be endorsed by the EU and applicable for use in the Group's annual financial statements for the year ended 31 December 2005, the Group's first annual reporting date at which it is required to use IAS. Comparative information for the six months ended 30 June 2004 and for the year ended 31 December 2004 has been restated on an IFRS basis. The endorsed IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ended 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for the period will only be determined finally when the annual consolidated financial statements are prepared for the year ended 31 December 2005.

On 26 September 2005 Sportech PLC published financial information in accordance with IFRS on the London Stock Exchange. This document included explanations of the impact of the transition from UK GAAP to IFRS on the financial statements of Sportech PLC and contained reconciliations in respect of the restatement of the 2004 interim and full year accounts from UK GAAP to IFRS of the Group's net assets at 1 January 2004, 30 June 2004 and 31 December 2004, and of the Group's net profit or loss for the six months ended 30 June 2004 and year ended 31 December 2004. The document is available on the Group's website.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries drawn up for the 26 week period from 8 January 2005 to 8 July 2005 (2004: 26 week period).

2. Non-statutory accounts

The results for the half year to 30 June 2005 are neither audited or reviewed by the auditors.

The financial information on pages 6 to 12 does not amount to full accounts within the meaning of the Companies Act 1985 (as amended).

The comparative figures for the year ended 31 December 2004 do not constitute statutory accounts. Apart from the changes resulting from the adoption of International Financial Accounting Standards, 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.

Notes to the Financial Statements

For the six months ended 30 June 2005

3. Segmental reporting

Six months ended 30 June 2005

	Football Pools £m	Interactive Betting £m	Telephone Betting £m	Group £m
Continuing operations				
Revenue	37.5	170.5	46.3	254.3
Operating profit/(loss) before restructuring costs	12.6	(2.6)	(0.9)	9.1
Restructuring	(0.5)	(1.2)	(0.8)	(2.5)
Operating profit/(loss)	12.1	(3.8)	(1.7)	6.6

Six months ended 30 June 2004

	Football Pools £m	Interactive Betting £m	Telephone Betting £m	Group £m
Continuing operations				
Revenue	43.9	172.0	38.6	254.5
Operating profit/(loss) before restructuring costs	13.2	(2.5)	(1.3)	9.4
Restructuring	(0.2)	(0.1)	—	(0.3)
Operating profit/(loss)	13.0	(2.6)	(1.3)	9.1

Year ended 31 December 2004

	Football Pools £m	Interactive Betting £m	Telephone Betting £m	Group £m
Continuing operations				
Revenue	87.1	323.6	86.3	497.0
Operating profit/(loss) before restructuring costs	24.3	(4.8)	(2.8)	16.7
Restructuring	(0.6)	(0.3)	(0.3)	(1.2)
Operating profit/(loss)	23.7	(5.1)	(3.1)	15.5

Notes to the Financial Statements

For the six months ended 30 June 2005

4. Exceptional restructuring costs

	6 months to 30 June 2005 (Unaudited) £m	6 months to 30 June 2004 (Unaudited, restated) £m	Year to 31 December 2004 (Unaudited, restated) £m
Football Pools	0.5	0.2	0.6
Interactive Betting	1.2	0.1	0.3
Telephone Betting	0.8	—	0.3
Restructuring costs – operating	2.5	0.3	1.2

Exceptional restructuring costs in the current year relate to further costs in respect of the establishment of an in-house call centre and further rationalisation of the interactive cost base, together with associated head office support costs within the Betting segment, as well as further rationalisation of the operating cost base within the Football Pools segment.

Exceptional restructuring costs in the prior year relate to the establishment of an in-house call centre operation within the Telephone Betting segment, further rationalisation of the Football Pools operating cost base, and rationalisation of interactive development teams consequent upon the transition from development to trading stage.

5. Interest payable and similar items

	6 months to 30 June 2005 (Unaudited) £m	6 months to 30 June 2004 (Unaudited, restated) £m	Year to 31 December 2004 (Unaudited, restated) £m
Interest payable on bank loans and overdrafts	3.9	3.4	7.4

6. Taxation note

Taxation is provided on taxable profits at 30.0% 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 profit attributable to ordinary shareholders of £1.9m (six months to 30 June 2004: £4.0m; year to 31 December 2004: £5.6m) divided by the weighted average number of shares in issue during the period – 592.1m (six months to 30 June 2004: 592.1m; year to 31 December 2004: 592.1m). Basic and diluted earnings per share are identical.

Notes to the Financial Statements

For the six months ended 30 June 2005

8. Cash

	Notes	6 months to 30 June 2005 (Unaudited) £m	6 months to 30 June 2004 (Unaudited, restated) £m	Year to 31 December 2004 (Unaudited, restated) £m
Cash balances held on behalf of registered charities	(a)	1.9	2.1	2.1
Cash balance constituting committed security	(b)	—	0.8	0.3
		1.9	2.9	2.4

(a) Cash balances held on behalf of registered charities relate to the sale of charity scratchcards in respect of charity lotteries which have not reached their final sale date and for which proceeds have not been passed to the charities concerned.

(b) The cash balance constituting committed security related to deferred payments that were required to be made under a contractual obligation of a subsidiary company. The contract was with Rehab Charity Lotteries and related to the running of charity lotteries. This contract has now terminated and the associated cash balance fully released.

9. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities

	6 months to 30 June 2005 (Unaudited) £m	6 months to 30 June 2004 (Unaudited, restated) £m	Year to 31 December 2004 (Unaudited, restated) £m
Continuing operations			
Net profit	1.7	4.0	5.6
Adjustments for:			
Taxation	0.8	1.7	2.6
Depreciation	1.4	1.2	2.4
Profit on disposal of property, plant and equipment	(0.3)	—	—
Interest income	—	—	(0.1)
Interest expense	3.9	3.4	7.4
Changes in working capital:			
Increase in trade and other receivables	(3.5)	(1.7)	(1.2)
Increase/(decrease) in payables	0.4	(2.3)	(2.4)
Cash generated from continuing operations	4.4	6.3	14.3
Cash generated from operations	4.4	6.3	14.3

Shareholder Information and to Access our Products

For any shareholder enquiries, please contact:

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Click: www.sportechplc.com

To play Littlewoods Football Pools and Football Games

Call: 0800 490 000

Click: www.footballpools.com

www.gameon.com

View: ITVi

Sky Active Winzone

Visit: Local newsagents and convenience stores

Collector: UK network of collectors visit customers at home

To play Zetters Football Pools

Call: 0800 132 319

Click: www.zetters.com

Visit: Local newsagents and convenience stores

Collector: UK network of collectors visit customers at home

To place a bet with Bet Direct

Call: 0800 211 222

mobile service

Click: www.betdirect.net

View: ITVi

Sky Active Sports Betting

Attheraces

To play Game On

Click: www.gameon.com

View: ITVi

Sky Active Winzone

To play online casino

Click: www.betdirectcasino.com

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