

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should also carefully consider the section entitled "Risk Factors" in Part 3 of this document before taking any action.**

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

This document comprises an AIM admission document drawn up in accordance with the AIM Rules. This document does not constitute an offer to the public in accordance with the provisions of section 85 of the FSMA and is not a prospectus for the purposes of the Prospectus Rules has not been prepared in accordance with the requirements of the Prospectus Rules and has not been, and will not be, approved or filed with the UK Listing Authority or any other authority which could be a competent authority in any jurisdiction for the purposes of the Prospectus Directive.

The Directors and the Proposed Director, whose names and functions appear on page 4 of this document, and the Company accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Application has been made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 5 September 2007. It is expected that dealings in the Existing Ordinary Shares, which were suspended on 25 June 2007, will resume on 8 August 2007.**

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority. The Existing Ordinary Shares, which were admitted to trading on AIM on 8 May 2006 and were suspended from trading on AIM on 25 June 2007, are not otherwise dealt in on any other recognised investment exchange. Neither the London Stock Exchange plc nor the Financial Services Authority have examined or approved the contents of this document.

## **Interactive World plc**

*(Incorporated under the Companies Act 1985 with registered number 3769328)*

### **Acquisition of Sport Newspapers Limited**

**Placing of 58,266,667 Placing Shares at 75 pence per share**

**Vendor Placing of 19,273,148 Existing Ordinary Shares at 75 pence per share**

**Application for admission of the Enlarged Share Capital to AIM**

**Proposed change of name to Sport Media Group plc**

**Notice of Extraordinary General Meeting**

**Nominated Adviser and Broker:**

**Daniel Stewart & Company plc**



Daniel Stewart & Company plc, which is authorised and regulated by the FSA, is acting as nominated adviser and broker to the Company and no one else in connection with the Admission and will not be responsible to any person other than the Company for providing the regulatory and legal protections afforded to customers (as defined by the FSA Rules) of Daniel Stewart nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of Daniel Stewart & Company plc, as nominated adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or Proposed Director of the Company or to any other person in respect of their decision to acquire Ordinary Shares or Placing Shares in reliance of any part of this document.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares or Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares and Placing Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and may not be offered or sold in the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful.

**Notice of an Extraordinary General Meeting of Interactive World plc, to be held at the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London, EC2R 8DD at 10.00 a.m. on 3 September 2007, is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting. To be valid the Form of Proxy should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by not later than 10.00 a.m. on 1 September 2007. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting should they so wish.**

Copies of this document which is dated 8 August will be available from the date of this document free of charge to the public on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London EC2R 8DD until at least one month from Admission.

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## ACQUISITION, PLACING AND VENDOR PLACING STATISTICS

Placing Price	75 pence
Number of Placing Shares to be issued	58,266,667
Number of Vendor Placing Shares to be sold pursuant to the Vendor Placing	19,273,148
Percentage of Enlarged Share Capital being issued by the Company under the Placing	60.16%
Gross proceeds of the Placing receivable by the Company	£43,700,000
Estimated net proceeds from the Placing to be received by the Company	£40,000,000
Number of Ordinary Shares in issue immediately following Admission	38,584,884
Number of A Ordinary Shares in issue immediately following Admission	58,266,667
Market capitalisation of the Company on Admission at the Placing Price (including the Ordinary Shares and the A Ordinary Shares)	£72,638,663

## EXPECTED TIMETABLE

Publication date of this document	8 August 2007
Re-listing of the Existing Ordinary Shares	8 August 2007
Latest time and date for receipt of completed Forms of Proxy	10.00 a.m. on 1 September 2007
Extraordinary General Meeting	10.00 a.m. on 3 September 2007
Completion of the Acquisition	5 September 2007
Admission and dealings expected to commence on AIM in the Enlarged Share Capital	5 September 2007
Expected date for CREST accounts to be credited in respect of the Placing Shares and the Vendor Placing Shares in uncertificated form	5 September 2007
Expected date for despatch of definitive share certificates for the Placing Shares and the Vendor Placing Shares to be held in certificated form	12 September 2007

## DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

<b>Directors:</b>	Simon Patrick Hume Kendall	<i>Non Executive Chairman</i>
	Andrew Peter Fletcher ACA	<i>Chief Financial Officer</i>
	Nigel Edwin Blythe-Tinker	<i>Non Executive Director</i>
<b>Company Secretary:</b>	Andrew Peter Fletcher ACA	
<b>Proposed Director:</b>	Andrew Fickling	<i>Executive Director and Managing Director of Sport Newspapers</i>
<b>Board of Directors on Admission:</b>	Simon Patrick Hume Kendall	<i>Non Executive Chairman</i>
	Andrew Peter Fletcher ACA	<i>Chief Financial Officer</i>
	Andrew Fickling	<i>Executive Director and Managing Director of Sport Newspapers</i>
	Nigel Edwin Blythe-Tinker	<i>Non Executive Director</i>
<b>Registered Office:</b>	Ramillies House 2 Ramillies Street London W1F 7LN	
<b>Nominated Adviser and Broker:</b>	<b>Daniel Stewart &amp; Company plc</b> Becket House 36 Old Jewry London EC2R 8DD	
<b>Auditors and Reporting Accountants:</b>	<b>Mazars LLP</b> 3 Sheldon Square London W2 6PS	
<b>Solicitors to the Company:</b>	<b>Finers Stephens Innocent LLP</b> 179 Great Portland Street London W1W 5LS	
<b>Solicitors to Daniel Stewart:</b>	<b>McDermott Will &amp; Emery UK LLP</b> 7 Bishopsgate London EC2N 3AR	
<b>Solicitors to Sport Newspapers and the Vendors:</b>	<b>Nexus Solicitors</b> Carlton House 16-18 Albert Square Manchester M2 5PE	
<b>Registrars:</b>	<b>Capita Registrars</b> The Registry 34 Beckenham Road Beckenham BR3 4TU	

**Financial Public Relations:**

**Gresham PR**  
21 Bloomsbury Way  
London  
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100 Cannon Street  
London  
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## DEFINITIONS AND GLOSSARY OF TERMS

The following definitions apply throughout this document and the accompanying Application Form, unless the context otherwise requires:

“3G”	third generation technology associated with mobile telephony and delivery of wireless broadband data
“ABC”	the Audit Bureau of Circulation
“A Ordinary Shares”	the 58,266,667 new A ordinary shares of 0.25 pence each to be constituted by the Company by the passing of Resolution 2, having the rights set out in paragraph 8 of Part 7 of this document
“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Sport Newspapers in accordance with the terms of the Acquisition Agreement
“Acquisition Agreement”	the conditional acquisition agreement dated 8 August 2007 between the Company and the Vendors to acquire the entire issued share capital of Sport Newspapers, a summary of which is set out in paragraph 7 of Part 7 of this document
“Act”	the Companies Act 1985 (as amended) and, to the extent effective, superceded by the Companies Act 2006
“Admission”	the admission of the Placing Shares and the re-admission of the Existing Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules applicable to companies whose securities are traded on AIM published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange governing the role of the nominated adviser to an AIM listed company, as amended from time to time
“Articles”	the Company’s articles of association
“C2DE”	the term used to describe the working class encompassing everyone from skilled working class to those on the lowest levels of subsistence
“Code”	The City Code on Takeovers and Mergers
“Combined Code”	the Combined Code on corporate governance published in June 2006 by the Financial Reporting Council, as amended from time to time
“Content Providers”	the intellectual property holders of digital media
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited (to be renamed Euroclear UK & Ireland Limited) is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3775), as amended and any applicable rules made thereunder
“Daniel Stewart”	Daniel Stewart & Company plc, nominated adviser and broker to the Company

“Daniel Stewart Option”	the option agreement dated 2 May 2006 made between the Company and Daniel Stewart, further details of which are set out in paragraph 6 of Part 7 of this document
“Directors” or “Board”	the directors of the Company as at the date of this document, whose names and titles appear on page 13 of this document
“DTR”	the Disclosure and Transparency Rules published by the FSA from time to time
“EMI”	enterprise management incentives, in terms of ITEPA
“EMI Scheme”	the Company’s EMI Share Option Scheme, details of which are set out in paragraph 9 of Part 7 of this document
“Employee Trust”	the Interactive World plc Employee Share Ownership Trust to be adopted by the Company following the EGM, details of which are set out in, paragraph 9 of Part 7 of this document
“Enlarged Group”	the Group as enlarged by the Acquisition
“Enlarged Share Capital”	the entire issued share capital of the Company following Admission as enlarged by the issue of the Placing Shares
“EU”	the European Union
“Executive Directors”	the Directors who are executive directors of the Company
“Executive Incentive Plan”	the Interactive World plc Executive Incentive Plan to be adopted by the Company at the EGM, details of which are set out in paragraph 9 of Part 7 of this document
“Executive Share Bonus Plan”	the Interactive World plc Executive Share Bonus Plan Structure to be adopted by the Company at the EGM, details of which are set out in paragraph 9 of Part 7 of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London, EC2R 8DD at 10.00 a.m. on 3 September 2007, notice of which is set out at the end of this document
“Existing Ordinary Shares”	the 38,584,884 Ordinary Shares in issue at the date of this document
“First Admission”	the admission of 38,450,438 Ordinary Shares to trading on AIM, which occurred on 8 May 2006
“Form of Proxy”	the form of proxy for use in connection with the Extraordinary General Meeting
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“FTSE”	Financial Times Stock Exchange
“Go Content”	Go Content Limited, a subsidiary of the Company (registered with company number 3970579)
“Group”	the Company and the Subsidiaries
“ICSTIS”	Independent Committee for the Supervision of Standards of the Telephone Information Services
“Independent Directors”	the Board, save for Simon Hume Kendall
“Interactive World” or “the Company”	Interactive World plc (to be renamed Sport Media Group plc)
“ITEPA”	the Income Tax (Earnings and Pensions) Act 2003

“Loan Note”	the document containing the terms and conditions of the £5,000,000 variable rate secured loan stock 2008 to be constituted by the Company immediately following the EGM, a summary of which is set out in paragraph 7 of Part 7 of this document
“Loan Stock”	loan stock to be issued to the Vendors pursuant to the Loan Note
“London Stock Exchange”	London Stock Exchange plc
“L&A”	London & Athens Limited, a company registered in England and Wales with company number 03681478
“L&A Agreement”	the agreement dated 15 June 2007 entered into between the Company and L&A, further details of which are set out in paragraph 6.2 of Part 7 of this document
“MNOs”	mobile network operators
“Netcollex”	Netcollex Limited, a subsidiary of the Company (registered with company number 3795005)
“New Schemes”	the Executive Incentive Plan, the Executive Share Bonus Plan, the Employee Trust, the Non Executive Incentive Plan, the Non Executive Share Bonus Plan and the Non Executive Trust
“Non Executive Directors”	the Directors who are non executive directors of the Company
“Non Executive Incentive Plan”	the Interactive World plc Non Executive Incentive Plan to be adopted by the Company at the EGM, details of which are set out in paragraph 9 of Part 7 of this document
“Non Executive Share Bonus Plan”	the Interactive World plc Non Executive Share Bonus Plan to be adopted by the Company at the EGM, details of which are set out in paragraph 9 of Part 7 of this document
“Non Executive Trust”	the Interactive World plc Non Executive Share Ownership Trust to be adopted by the Company at the EGM, details of which are set out in paragraph 9 of Part 7 of this document
“Notice of EGM”	the notice of the EGM which is set out at the end of this document
“Official List”	the official list of the UK Listing Authority
“Off-Portal”	any mobile website that is not on a MNO’s portal
“On-Portal”	the home mobile web presence/site of MNOs
“Ordinary Shares”	ordinary shares of 0.25 pence each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Placees”	conditional subscribers of Placing Shares
“Placing”	the conditional placing by Daniel Stewart, as agent for the Company, of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 8 August 2007 between the Company (1) the Directors and the Proposed Director (2) and Daniel Stewart (3) relating to the Placing, further details of which are set out in paragraph 6 of Part 7 of this document
“Placing Price”	75 pence per Placing Share

“Placing Shares”	58,266,667 new A Ordinary Shares to be issued pursuant to the Placing
“Proposals”	the Acquisition, the Placing, the Vendor Placing, the L&A Agreement and Admission
“Proposed Director”	Andrew Fickling
“Prospectus Directive”	European directive 2003/71/EC, as amended
“QCA Guidelines”	the guidelines published on 13 July 2005 by the Quoted Companies Alliance regarding corporate governance for AIM companies
“Resolutions”	the resolutions to be proposed at the EGM
“Shareholders”	holders of Ordinary Shares
“Share Option Plan”	the Company’s Unapproved Share Option Scheme, details of which are set out in paragraph 9 of Part 7 of this document
“SMS”	short message service
“Sport Newspapers”	Sport Newspapers Limited, a company incorporated in England and Wales with company number 1994074
“Sport Newspapers Group”	Sport Newspapers and the Sport Newspapers Subsidiaries
“Sport Newspapers Subsidiaries”	the subsidiaries of Sport Newspapers, further details of which are set out in paragraph 2 of Part 7 of this document
“Sport Titles”	the Daily Sport and the Sunday Sport
“Stockholders”	the holders of Loan Stock, being the Vendors
“Strictly Broadband”	Strictly Broadband Limited, a subsidiary of the Company (registered with company number 5289443)
“Strictly Broadband Agreement”	the share purchase agreement dated 1 December 2006 between the Company, Jeremy Barnett and others and Strictly Broadband, further details of which are set out in paragraph 6 of Part 7 of this document
“Subsidiaries”	the Company’s subsidiaries, details of which are set out in paragraph 2 of Part 7 of this document
“UMTS”	Universal Mobile Telecommunication Systems
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	a division of the FSA acting as a competent authority for purposes of Part IV of the FSMA
“United States” or “US”	the United States of America
“VCT”	venture capital trust
“Vendor Placing”	the conditional placing by Daniel Stewart of the Vendor Placing Shares pursuant to the Vendor Placing Agreement
“Vendor Placing Agreement”	the conditional vendor placing agreement dated 8 August 2007 between David Sullivan (1) David Sullivan and AWD Trustees Limited (as the trustees of The Sullivan Trust) (2) and Daniel Stewart (3) relating to the Vendor Placing
“Vendor Placing Shares”	the 19,273,148 Existing Ordinary Shares, which have been conditionally placed by Daniel Stewart acting as agent for David Sullivan (1) and David Sullivan and AWD Trustees Limited (as the trustees of The Sullivan Trust) (2) pursuant to the Vendor Placing Agreement

“Vendors”

David Sullivan, David Gold and Ralph Gold

“WAP”

wireless application protocol

### **Forward-looking statements**

**This document contains forward looking statements, including, without limitation, statements containing the words “believe”, “anticipated”, “expect” and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in “Risk Factors” set out in Part 3 of this document. In light of these issues, uncertainties and assumptions the events described in the forward looking statements in this document may not occur. Subject to legal or regulatory requirement, the Company disclaims any obligation to update any such forward looking statements in this document to reflect future events or developments.**

## PART 1

### LETTER FROM THE CHIEF FINANCIAL OFFICER OF INTERACTIVE WORLD

(Registered and incorporated in England and Wales under the Companies Act 1985, number 3769328)

*Directors:*

Simon Hume Kendall – Non Executive Chairman  
Andrew Fletcher – Chief Financial Officer  
Nigel Blythe-Tinker – Non Executive Director

*Registered Office:*

Ramillies House  
2 Ramillies Street  
London W1F 7LN

8 August 2007

Dear Shareholder,

**Acquisition of Sport Newspapers Limited**  
**Placing of 58,266,667 Placing Shares at 75 pence per share**  
**Vendor Placing of 19,273,148 Existing Ordinary Shares at 75 pence per share**  
**Application for admission of the Enlarged Share Capital to AIM**  
**Change of name to Sport Media Group plc**  
**Notice of Extraordinary General Meeting**

#### 1. Introduction

Further to the Company's announcement on 25 June 2007 regarding discussions concerning the proposed acquisition of Sport Newspapers, I am pleased to announce that the Company has today entered into a conditional agreement for the acquisition of the entire issued share capital of Sport Newspapers. In addition, the Company announces today that it is raising gross funds of £43,700,000 by way of a conditional placing of 58,266,667 Placing Shares at 75 pence per share. From this gross amount, approximately £40,000,000 is to provide funds for the payment of the consideration for the Acquisition.

Sport Newspapers is an established UK national tabloid newspaper house with titles including the Daily Sport and Sunday Sport. The Independent Directors believe that the acquisition presents an opportunity to acquire a company that has the potential to grow the business and increase Shareholder value.

The consideration for the Acquisition is £50,000,000 to be satisfied in cash and by issue of the Loan Stock, *pro rata* the shareholdings of the Vendors in Sport Newspapers. In addition Daniel Stewart has conditionally placed David Sullivan's entire beneficial holding of 19,273,148 Ordinary Shares in order to raise approximately £14,454,861, before expenses, with institutional and other investors.

The Acquisition is classified as a "reverse takeover" under the AIM Rules by virtue of the size of the transaction. As such the Acquisition is subject to the approval of Shareholders, which will be sought at the Extraordinary General Meeting. In addition, on 15 June 2007 the Company entered into the L&A Agreement (further details of which are set out in paragraph 6.2 of Part 7 of this document) which is a related party transaction between the Company and Simon Hume Kendall in accordance with the AIM Rules.

Furthermore, as David Sullivan (one of the Vendors) is a Significant Shareholder (as defined in the AIM Rules), having a beneficial interest in 19,273,148 Ordinary Shares representing 49.95 per cent. of the Existing Ordinary Shares, the Acquisition is also a related party transaction under the AIM Rules. The Independent Directors have consulted with Daniel Stewart in giving their recommendation set out in paragraph 16 below. David Sullivan has given an irrevocable undertaking to vote in favour of the Resolutions, further details of which are set out in paragraph 4 of Part 7 of this document.

The Proposals are conditional, *inter alia*, on the passing of the Resolutions by Shareholders at the EGM. In aggregate, the Company has received irrevocable undertakings to vote in favour of the Resolutions to be proposed at the EGM in respect of 20,298,375 Existing Ordinary Shares, representing approximately 52.61 per cent. of the Existing Ordinary Shares.

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. Admission is expected to become effective and trading is expected to commence on AIM on 5 September 2007. The Placing Shares have no right to receive or to be paid any dividend in respect of the Company's financial year ending 31 July 2007 and accordingly have been constituted as a separate class of ordinary shares and a separate class of AIM securities. The Placing Shares and the Ordinary Shares have different ISIN and SEDOL numbers. The Placing Shares will automatically convert into Ordinary Shares no later than 31 January 2008. Further details regarding the rights attaching to the Placing Shares are set out in paragraph 8 of Part 7 of this document and in Resolution 3.

The Independent Directors, who have been so advised by Daniel Stewart, believe that the terms of the Proposals are fair and reasonable so far as Shareholders are concerned. The full recommendation is set out at the end of this letter.

**The purpose of this document is to: (i) provide you with the background to and to set out the reasons for, and details of, the Proposals; (ii) explain why the Independent Directors consider the Proposals are in the best interests of the Company and its Shareholders as a whole; and (iii) seek Shareholder approval for the Proposals. This document also contains the Independent Directors' recommendation that you vote in favour of the Resolutions to be proposed at the EGM, notice of which is set out at the end of this document.**

## **2. Background to and reasons for the Acquisition**

The Company sells digital media content through mobile telephones via the internet to mobile customers of major UK MNOs and users of leading UK internet key search engines. It was incorporated in 1999 and the Ordinary Shares were admitted to trading on AIM on 8 May 2006. The Group has been profitable and has declared dividends since incorporation.

Interactive World does not create its own content but sources a significant amount through a five year rolling agreement with Sport Newspapers, a summary of which is set out in paragraph 6 of Part 7 of this document.

The Directors and the Proposed Director are confident about the future prospects of integrating the two businesses following the Acquisition and believe that the Acquisition has the following key strengths which makes it an excellent acquisition opportunity for the Company:

- an established branded media offering;
- cross selling potential;
- potential upside from a wider distribution of the Sport Newspapers' titles; and
- a highly experienced management team.

Further details of Sport Newspapers are set out in Part 2 of this document.

## **3. Principal terms of the Acquisition, the Loan Stock and the proposed change of name**

On 8 August 2007 the Company entered into the Acquisition Agreement with the Vendors to acquire the entire issued share capital of Sport Newspapers. Under the terms of the Acquisition Agreement, the Company has agreed to pay consideration of £50,000,000 to be satisfied by the payment of £39,700,000 on Admission, the payment of £5,000,000 on 31 December 2007, the issue to the Vendors of £5,000,000 Loan Stock on Admission and the payment of the sum of £300,000 which will be paid into a joint retention account pending the determination of the net current assets of Sport Newspapers Group on Admission.

Following Admission, there will be a determination of the value of the net current assets of Sport Newspapers and its subsidiaries on Admission according to the terms of the Acquisition Agreement. If the net current assets of Sport Newspapers and its subsidiaries exceed the sum of £4,850,000 the joint retention account will be released to the Vendors and in addition there will be paid to the Vendors, by way of additional consideration, a sum equal to the amount of any excess above £5,150,000. If the current net assets of Sport Newspapers on Admission are less than £4,850,000, payment of a sum equal to such shortfall will be made

by the Vendors to the Company by way of deduction from the joint retention account. If the net current assets of Sport Newspapers on Admission are less than £4,550,000 then in addition to the sum of £300,000 to be paid to the Company from the joint retention account, the Vendors will pay to the Company, a sum equal to the amount by which the net current assets on Admission are less than £4,550,000.

The Acquisition Agreement is conditional, *inter alia*, on the passing of the Resolutions and Admission. Under the terms of the Acquisition Agreement the Vendors have given normal commercial warranties and an indemnity in respect of the taxation liabilities of Sport Newspapers and its subsidiaries prior to Admission, such warranties and indemnity being limited as to time and amount.

Further details regarding the terms of the Acquisition Agreement are set out in paragraph 7 of Part 7 of this document.

Under to the terms of the Loan Note the Company is proposing to issue £5,000,000 of the Loan Stock to the Vendors on Admission. The Loan Note will be constituted by the Company immediately following the EGM and the Loan Stock will be issued to Vendors immediately following Admission.

The Loan Note is for £5,000,000 redeemable on 31 August 2008 if not previously purchased or redeemed. The Loan Note carries interest, payable quarterly in arrears, at 2 per cent. over the base rate of The Bank of England from time to time. The Loan Note is redeemable at any time by the Company. The Directors have not applied, and do not intend to apply, to the London Stock Exchange or any other recognised investment exchange for the Loan Stock to be admitted to trading. The Loan Stock is transferable in amounts or integral multiples of £50,000. Further details regarding the Loan Stock are set out in paragraph 7 of Part 7 of this document. The issue of the Loan Stock is conditional on Admission.

In order to reflect the new business of the Company, it is proposed to change the name of the Company to Sport Media Group plc subject to approval of the Shareholders at the EGM.

The entering into of the L&A Agreement is a related party transaction within the meaning of the AIM Rules. Simon Hume Kendall is a director of L&A, which acts in accordance with his directions or instructions. Therefore Simon Hume Kendall has not taken any part in the consideration by the Board of the Proposals.

#### **4. Current Trading and Prospects**

Current trading for the Group is in line with market expectations and the Directors are confident with the prospects for the forthcoming year. The performance of Interactive World since the First Admission has been one of continuing growth and development and the Directors are optimistic that such performance can be maintained.

#### **5. Existing Directors and the Proposed Director**

Brief biographical details of the Existing Directors and the Proposed Director are set out below.

##### ***Existing Directors***

##### ***Simon Hume Kendall Non Executive Chairman (aged 53)***

Simon has extensive public company board experience having served as a director on a number of FTSE listed companies and is currently Chairman of Clydesdale Bank plc, Kent and is also Chairman of RISC Holdings plc and Kent Attractions LLP. He spent 25 years in the shipping industry and was co-founder of Burren Energy plc. Simon has international experience with directorships and interests in Europe.

##### ***Andrew Fletcher ACA Chief Financial Officer (aged 42)***

Andrew qualified as a chartered accountant in 1989 with Price Waterhouse and then worked at a number of companies including EMI Music Worldwide, The Rank Organisation plc and Viacom. He was involved in the flotation of Sportsworld Media Group plc, before leaving to become Chief Executive Officer of Digital Rum Limited, a venture capital backed mobile technology company. He has board level experience in FTSE

250, AIM and venture capital backed companies and has been involved in many successful fund raisings. Andrew also holds a MBA from London Business School.

***Nigel Blythe-Tinker LLB FCIS Non Executive Director (aged 56)***

Nigel has extensive experience over thirty years in publicly listed companies in different business sectors within the UK and overseas. He has held senior executive management and legal positions in FTSE 100 companies including The Rank Organisation plc and William Hill plc. His experience covers mergers and acquisitions work, corporate finance, restructuring, flotations and corporate governance in public companies. He is currently a non executive director of Gaming VC Holdings S.A. which is AIM listed and also legal adviser to Carter & Carter Group plc.

***Proposed Director***

***Andrew Fickling Proposed Executive Director and Managing Director, Sport Newspapers (aged 34)***

Sponsored throughout his university degree by Sport Newspapers, Andrew joined Sport Newspapers in 1991 as a Manager within the IT department, where he led the implementation of modernising the IT infrastructure and systems. Andrew became Head of IT in 2000, Technical Director in 2002 and Executive Director Designate in 2004. During his tenure in this role he oversaw the closure of the Leicester offices of the company including the advertising, circulation and accounts departments and the recreation of these departments within the existing Manchester offices. He was appointed as Managing Director of Sport Newspapers in January 2007.

***Senior Management***

***Roger Bannister FCCA Finance Director, Sport Newspapers (aged 60)***

Roger joined Sport Newspapers in March 1994. He is responsible for the accounting functions and financial affairs of Sport Newspapers and its subsidiaries. He trained with Grant Thornton, qualifying as a certified accountant in 1971 and became a fellow of the Association of Chartered Certified Accountants in 1980. He has wide ranging business experience, having worked for a variety of companies in the manufacturing and distribution sectors. He is a director of Moresport Limited and Melton Enterprises (subsidiaries of Sport Newspapers), trustee of the Sport Newspapers pension scheme and finance director of AIM quoted company Birmingham City plc.

***Board of Directors on Admission***

Simon Hume Kendall, Andrew Fletcher and Nigel Blythe-Tinker will continue as Directors of the Company. Simon Hume Kendall will continue in the position of Non Executive Chairman and Andrew Fletcher will continue as Chief Financial Officer. They will be supported by Nigel Blythe-Tinker as a Non Executive Director. On Admission Andrew Fickling will be appointed as an Executive Director of the Company and will continue as Managing Director of Sport Newspapers. The Directors and the Proposed Director also intend to appoint a new Chief Executive Officer of the Enlarged Group as soon as is practicable following Admission.

On 7 August 2007, Robert Johnson and Clive Sullivan resigned as directors of the Company. Robert Johnson will remain as managing director of Netcollex Limited, a subsidiary of the Company.

**6. Details of the Placing and the Vendor Placing**

The Company proposes to raise approximately £40,000,000 (net of expenses) by the issue of 58,266,667 Placing Shares at 75 pence per share. The net cash proceeds of the Placing will be used to fund the Acquisition and to fund costs relating to the Acquisition, the Placing and Admission.

The Placing Shares will represent 151 per cent. of the Existing Ordinary Shares and 60.16 per cent. of the Enlarged Share Capital. The Placing Shares will, when issued have no right to receive or to be paid any dividend for the Company's financial year ending 31 July 2007 and will automatically convert into Ordinary Shares by 31 January 2008. The Placing Shares will otherwise rank *pari passu* in all respects with the

Existing Ordinary Shares. Further details regarding the rights attached to the Placing Shares are set out in paragraph 8 of Part 7 of this document.

Daniel Stewart has conditionally agreed, as agent for the Company, to use its reasonable endeavours to procure cash subscribers for the Placing Shares to be issued under the Placing. The Placing Shares are not being made available to holders of Existing Ordinary Shares in proportion to their holdings of Existing Ordinary Shares. Simon Hume Kendall has agreed to subscribe 970,065 Placing Shares pursuant to the Placing and to acquire 363,268 Vendor Placing Shares pursuant to the Vendor Placing.

The conversion of the Placing Shares into Ordinary Shares is expected to be regarded as a reorganisation of share capital for capital gains tax purposes, to the effect that the holders of the Placing Shares will be deemed not to have made a disposal of their Placing Shares. Following the conversion, the new Ordinary Shares will be treated as replacing the original Placing Shares and carry the original base cost for the purpose of any future share disposals.

Application has been made to HMRC for advance assurance that certain of the Placing Shares are capable of forming a qualifying holding for a Venture Capital Trust. Accordingly certain of the Placing Shares, which the Directors believe will be capable of forming a qualifying holding for a Venture Capital Trust, will be unconditionally issued and allotted, on separate days, following the Extraordinary General Meeting but prior to Admission and will not therefore be conditional upon completion of the Proposals (including the Acquisition).

The Placing is conditional, *inter alia*, upon the Resolutions being passed at the Extraordinary General Meeting, the Placing Agreement becoming unconditional and not being terminated in accordance with its terms and, save for those of the Placing Shares which the Directors believe will form a qualifying holding for a VCT, Admission occurring by no later than 8.00 a.m. on 5 September 2007, or such later date (being no later than 8.00 a.m. on 5 October 2007) as Daniel Stewart and the Company may decide. Further details of the Placing Agreement are set out in paragraph 6 of Part 7 of this document.

Daniel Stewart has, pursuant to the Vendor Placing Agreement, conditionally placed 19,273,148 Existing Ordinary Shares on behalf of David Sullivan and AWD Trustees Limited in order for them to realise approximately £14,454,861 before expenses with institutional and other investors.

## **7. Use of the Proceeds**

The gross proceeds of the Placing receivable by the Company are approximately £43,700,000 and will be used as follows:

- £40,000,000 as consideration for the Acquisition; and
- £3,700,000 for commissions, costs and expenses which are payable by the Company relating to the Acquisition, the Placing and Admission.

## **8. Dividend Policy**

The Directors and the Proposed Director intend to pursue a dividend policy which is consistent with its current dividend policy, subject to the profitability and cash requirements of the Enlarged Group.

The Placing Shares will have no rights to receive or to be paid any dividend in respect of the Company's financial year ending 31 July 2007. Further details regarding the rights attaching to the Placing Shares are set out in paragraph 8 of Part 7 of this document.

## **9. Corporate Governance**

The Directors and the Proposed Director recognise the importance of sound corporate governance. The Company intends, following Admission, to continue to comply with the QCA Guidelines so far as is practicable and appropriate for a public company of its size and nature.

The Company will maintain, with effect from Admission, an audit committee and a remuneration committee. The members of the audit committee and the remuneration committee will be the non-executive directors of the Company from time to time. On Admission, the members of each of the audit committee and remuneration committee will be Nigel Blythe-Tinker and Simon Hume Kendall, with Simon Hume Kendall chairing both committees.

The Directors and the Proposed Director will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Company's Applicable Employees (as defined in the AIM Rules).

## **10. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles contain certain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form in CREST under the CREST Regulations. The Existing Ordinary Shares are, and the Placing Shares from Admission will be, enabled for settlement through CREST. Accordingly, settlement of transactions in the Ordinary Shares and the Placing Shares following Admission may take place within the CREST system if relevant Shareholders and holders of Placing Shares so wish. CREST is a voluntary system and holders of Ordinary Shares and Placing Shares who wish to receive and retain share certificates will be able to do so.

## **11. Risk Factors**

**Shareholders should consider carefully the risk factors set out in Part 3 of this document in addition to the other information presented.**

## **12. Venture Capital Trusts**

On the basis of information provided, HMRC has previously given assurance that Ordinary Shares in the Company are capable of forming a qualifying holding for a VCT. The Directors believe that a subscription for the Placing Shares (but not the Vendor Placing Shares) will be capable of forming a qualifying holding for a VCT. Application has been made to HMRC for advance assurance that the Placing Shares will be eligible for the purposes of the VCT legislation and may as a result be a qualifying investment for VCT but advance assurance has not yet been received.

Investors seeking to take advantage of any reliefs available under the VCT regime should seek individual advice in order that they fully understand how the rules apply in their individual circumstances.

Whilst the Company cannot guarantee to conduct its activities in a way to allow it to maintain its status as a qualifying VCT investment, the Directors intend, so far as possible, to do so.

The attention of investors is drawn to the information regarding taxation in relation to the Placing and Admission set out in paragraph 11 of Part 7 of this document.

## **13. Additional Information**

Your attention is drawn to the further information set out in Parts 2 to 7 of this document.

## **14. Extraordinary General Meeting**

Set out at the end of this document is a notice convening the Extraordinary General Meeting of the Company to be held at the offices of Daniel Stewart & Company plc, 36 Old Jewry, London, EC2R 8DD at 10.00 a.m. on 3 September 2007 at which the following resolutions will be proposed:

1. an ordinary resolution to approve the acquisition for the purposes of Rule 14 of the AIM Rules;
2. an ordinary resolution to redesignate 58,266,667 Ordinary Shares as 58,266,667 A Ordinary Shares having the rights set out in the Notice of EGM;

3. a special resolution to amend the Articles to set out the rights attaching to the A Ordinary Shares;
4. an ordinary resolution to authorise the Directors under section 80 of the 1985 Act to allot the Placing Shares and further relevant securities for cash up to a limit of £80,709;
5. an ordinary resolution to approve the appointment of Andrew Fickling to the Board;
6. an ordinary resolution to increase the Company's borrowing limits to £40,000,000;
7. an ordinary resolution to approve and adopt each of the New Schemes;
8. a special resolution to authorise the Directors under section 95 of the Act to allot the Placing Shares and further relevant securities for cash up to a limit of £24,212 on a non pre-emptive basis; and
9. a special resolution to change the name of the Company to Sport Media Group plc.

The Resolutions give authority to the Directors to allot shares other than *pro rata* to Shareholders but this authority is limited to: (i) the allotment of the Placing Shares for the purposes of the Placing; (ii) the allotment of Ordinary Shares by way of a rights or other *pro rata* issue in the future; and (iii) the allotment of up to 9,684,800 new Ordinary Shares for cash (for any purpose).

To be passed, Resolutions numbered 3, 8 and 9 which are special resolutions, each require to be passed a majority of not less than 75 per cent. of the Shareholders voting in favour at the EGM. **If the Resolutions are not passed none of the Proposals can be implemented.**

The attention of Shareholders is also drawn to the voting intentions of the Directors set out in paragraph 16 below.

#### **15. Action to be Taken**

Shareholders will find enclosed with this document a Form of Proxy for use at the EGM. Whether or not you intend to be present at the EGM, you are requested to complete, sign and return your Form of Proxy to the Company's Registrars, as soon as possible but, in any event, so as to arrive no later than 10.00 a.m. on 1 September 2007 or 48 hours before any adjourned meeting. The completion and return of a Form of Proxy will not preclude a Shareholder from attending the meeting and voting in person if they so wish.

#### **16. Dealings and trading**

Trading in the Existing Ordinary Shares on AIM was suspended on 25 June 2007. It is anticipated the trading in the Existing Ordinary Shares will recommence on AIM on 8 August 2007. Application has been made by the Company for the Placing Shares to be admitted to trading on AIM and the Existing Ordinary Shares to be re-admitted to AIM on completion of the Proposals. Trading in the Enlarged Share Capital is expected to commence at 8.00 a.m. on 5 September 2007. The Ordinary Shares and the Placing Shares will be separate classes of AIM securities and will have different ISIN and SEDOL numbers.

If the Proposals are not completed, the Existing Ordinary Shares will continue to be traded on AIM, the Acquisition, the Placing and the Vendor Placing will not take place, the Placing Shares will not be admitted to trading on AIM and the Proposed Director will not join the Board.

#### **17. Recommendation**

**Simon Hume Kendall has not taken any part in the consideration by the Board of the Proposals as to the recommendation set out below.**

**The Independent Directors, who have been so advised by Daniel Stewart, consider the Proposals to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the Resolutions to be proposed at the EGM. In giving its advice, Daniel Stewart has taken into account the Independent Directors' and the Proposed Director's commercial assessments.**

**Certain Shareholders have irrevocably undertaken to vote in favour of the Resolutions in respect of 20,298,375 Ordinary Shares held by them (representing 52.61 per cent. of the Existing Ordinary Shares). Further details of the irrevocable undertakings can be found in paragraph 6.14 of Part 7 of this document.**

Yours faithfully

**Andrew Fletcher**  
Chief Financial Officer

## **PART 2**

### **INFORMATION ON SPORT NEWSPAPERS GROUP**

#### **1. Introduction**

Sport Newspapers, established in 1986, has grown to become a recognised UK branded tabloid newspaper, publishing titles including the Daily Sport and Sunday Sport.

Current circulation in the UK for the Daily Sport is approximately 108,000 copies on weekdays, 67,000 on Saturdays, and 96,000 for the Sunday Sport. In addition Sport Newspapers distributes the Weekly Sport publication in the Republic of Ireland. Sport Newspapers also publishes various magazines either sold separately or distributed free with the Sunday Sport. The Sport Titles currently represent 1.6 per cent. of the 'red top' tabloid newspaper market.

The Sport Titles are sold to approximately 36,000 retail outlets around the UK by a network of wholesalers, including Menzies Distribution, WHSmith Distribution and Dawson News, with the remainder being sold to independent wholesalers.

Sport Newspapers obtains both photographic and editorial content from a variety of sources, including news and picture feeds from the Press Association and freelance news and picture agencies across the world. In addition content is generated in-house by Sport Newspapers' own news and sports journalists.

The Directors and the Proposed Director believe that the Sport Newspapers' editorial content and advertising has traditionally been influenced by its proprietors and has lacked focus in recent years. This has contributed to declining circulation since April 2005 when daily circulation was at a peak of 189,473 copies on a weekday, 110,785 on a Saturday and 167,971 for the Sunday Sport. The Directors and the Proposed Director believe that the Sport Titles are a niche offering and that the Enlarged Group is in a strong position to benefit from a refocusing of editorial content, distribution and advertising strategies.

Sport Newspapers has been profitable since incorporation with profit before tax for the nine months to 31 May 2007 of £2.8 million on a turnover of £19.6 million, of which 48.4 per cent. of this is generated from newspaper sales, 44.2 per cent. from advertising revenue, and the remainder from magazine and internet and mobile phone revenue.

#### **2. Key Strengths**

The Directors and the Proposed Director believe that the key strengths of Sport Newspapers include:

- its position on national newspaper newsstands in approximately 62 per cent. of the UK retail universe;
- a well known and established newspaper brand;
- a well defined demographic of readers, making it an efficient vehicle for promotion of products and services to the male C2DE profile;
- a non-unionised and efficient production unit;
- long-standing relationships with key advertisers, contributors and retailers; and
- a long history of profitable trading.

#### **3. Market and Competition**

Recent ABC figures show that approximately 5.9 million newspapers are sold in the tabloid market in the UK on a daily basis. The National Readership Survey figures show that between 2 and 2.5 people read each copy sold, equating to between 11.8 million and 14.75 million daily readers.

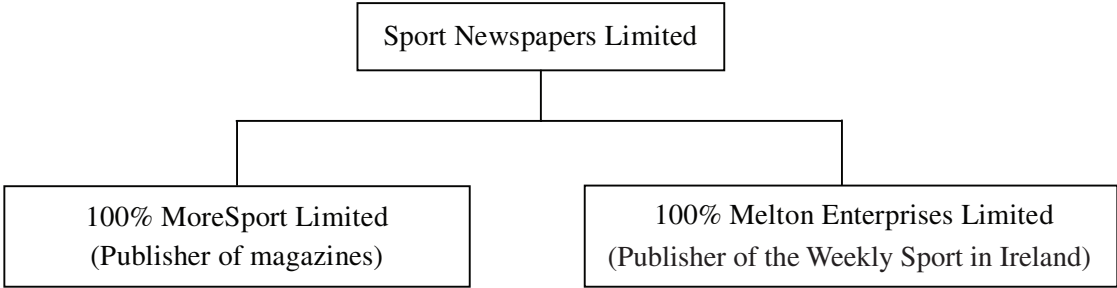
The main titles in the market include The Sun, News of the World, The Daily and Sunday Mirror, The Daily and Sunday Star, The People and the Daily Record (published in Scotland only). In terms of content, the Daily Star is seen to be the closest competitor to the Sport Titles (with an average circulation of 770,000 copies per day in April 2007), representing approximately 13 per cent. of the market.

External factors have contributed to a market-wide decline in circulation for tabloid newspapers, for example, other national newspapers have seen competition from the internet affect their circulation (to a greater or lesser degree). The Directors and the Proposed Director believe that due to the Daily Sport’s and Sunday Sport’s more specific reader profile (blue-collar male) these papers are often read in environments where the internet is not commonly available (such as by vehicle-bound workers and on building sites) and the Directors believe that by exploiting this position through targeted marketing and editorial strategies growth can be achieved within this sector.

The Directors and Proposed Director believe that the introduction of men’s weekly magazines Nuts and Zoo which, combined, sell around 500,000 copies per week has also impacted on the tabloid daily newspapers market, taking some of the market share. The Directors and the Proposed Director believe that there is an opportunity to be gained from the editorial style and production values of these publications which can be applied to the Sport Titles.

**4. Business Activities**

Sport Newspapers, a private limited company, was established in 1986 by David Sullivan (who owns 50 per cent. of the shares of Sport Newspapers) and Ralph and David Gold (who each own 25 per cent. of the shares of Sport Newspapers). The sale of newspapers, also generates income from the sale of advertising space within the newspapers and via royalties from an agreement with Interactive World. The current structure of active trading companies within the Sport Newspapers Group is as follows:



The Sport Titles are printed at three centres around the UK: Broughton Printers in Preston, Westferry Printers in London and Johnston Press in Portadown, with long-term printing agreements in place at Broughton and Westferry until 2018. The Sport Titles are distributed from the print centres by CEVA (formerly TNT).

Although selling to individual members of the public, Sport Newspapers maintains a relationship with the UK wholesale network to manage the distribution and sales of the Sport Titles, on a sale or return basis.

The current selling price per newspaper is 50 pence for the Daily Sport and 80 pence for the Sunday Sport.

Sport Newspapers has been a content supplier and a means of advertising for Interactive World since 2000. The relationship is based on a revenue share basis and the two companies have worked closely to initiate new and up to date content and routes to consumers.

**5. Regulatory Environment**

The content of newspapers is subject to the relevant UK statutes and to the UK common law. Included within this are the laws of defamation, human rights, intellectual property, obscenity (blasphemy and race hatred), confidence, contempt of court, reporting restrictions, official secrets and censorship.

There is no official regulator, appointed by statute, to regulate newspapers. However, there are a number of self regulatory bodies which are relevant. The Press Complaints Commission (PCC) is a private body funded by a levy on the owners of UK newspapers and magazines. The PCC hears complaints by members of the public who claim to have been unfairly treated by a newspaper. The PCC has developed a 16-clause code of practice which it uses when it hears such complaints. The PCC has no explicit legal powers, although the newspaper (in respect of which a complaint is made) publishes the PCC's findings. Other relevant self-regulatory authorities include the Advertising Standards Authority which hears complaints about advertisements which fall below the requisite standard.

Sport Newspapers uses lawyers to review in advance the editorial content of each publication.

## **6. Current Trading and Prospects**

Circulation levels for the Sport Titles have stabilised in recent months and the Directors and the Proposed Director believe the outlook is promising for the remainder of the current financial year to 31 August 2007. The Directors and the Proposed Director believe that the significant reorganisation of the Sport Newspapers Group, which began in January 2007, will contribute to an improvement in future trading.

## **7. Strategy**

The Directors and Proposed Director believe that following the Acquisition they will be able to implement straight forward and low cost changes to the Sport Newspapers Group that will have a positive impact on copy sales and advertising revenue from the Sport Titles as follows:

### ***Editorial, Advertising and Distribution Strategy***

- Gradually refocus the editorial direction of the Sport Titles to strengthen the glamour and humour content within the newspapers;
- Improve the quality and depth of sport coverage and analysis in the Sport Titles;
- Refocus the advertising content and profile of the Sport Titles to attract blue chip advertising whilst maintaining existing advertising revenue;
- Strengthen the branding of the Enlarged Group to allow further growth in print, online and mobile content markets; and
- To build on Sport Newspaper's position as a national tabloid newspaper publisher by targeting current non-selling retailers and broadening the readership base through advertising control and editorial strategies.

## **PART 3**

### **RISK FACTORS**

**The Directors and Proposed Director believe that an investment in the Ordinary Shares may be subject to a number of risks. Shareholders and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including in particular the risks described below, before making any investment decisions. The information below does not purport to be an exhaustive list. Shareholders and prospective investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of information in this document and their personal circumstances.**

**The Ordinary Shares and the Placing Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares and the Placing Shares should only be made by those with the necessary expertise to fully evaluate the investment. Prospective investors are advised to consult an independent adviser authorised under the Financial Services and Markets Act 2000.**

**If any of the following risks relating to the Enlarged Group were to materialise, the Enlarged Group's business, financial condition and results of future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares and the Placing Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainty not presently known to the Directors and Proposed Director, or which the Directors and Proposed Director currently deem immaterial, may also have an adverse effect upon the Company or the Enlarged Group.**

**In addition to the usual risks associated with an investment in a company, the Directors and Proposed Director consider the following risk factors to be significant to potential investors:**

**(a) Volatility of the AIM Market**

The value of publicly traded media companies can be highly volatile and potential investors should be aware that the value of shares can rise or fall. There may not always be adequate information available to determine the market value of an investment in smaller companies at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, might be less realizable and might carry a higher risk than a share quoted on the Official List. The ability of an investor to sell Ordinary Shares and the Placing Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realize his/her investment in the Group and he/she may lose all his/her investment. In addition, there can be no guarantee that the market price of an investment in the Group will fully reflect its underlying value.

**(b) Key Management**

The success of the Enlarged Group is dependent on, amongst other things, its continuing ability to attract and retain key management and operating personnel. Specifically the departure of key management, sales or technical personnel could have a material adverse effect on the existing and future business of the Enlarged Group.

**(c) Intellectual Property Rights**

Third parties may assert claims that the Enlarged Group has infringed a patent, a particular copyright work, trade mark or other proprietary right belonging to them (including without limitation, moral rights, rights in confidential information and rights of privacy). Any intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. In order to publish newspapers and magazines and to licence content to third parties, the Enlarged Group will be dependant on obtaining licences to exploit literary and artistic copyright works, including photographs. Such licences are obtained from companies and also from individuals. Licences may not always be obtained in writing and may not cover all of the uses made of these materials.

#### **(d) Regulatory Risks**

The majority of content distributed and promoted by the Group is subject to various regulation in particular ICSTIS's Code of Practice in respect of all premium rate charged telecommunications services and legislation regarding the distribution of sexually explicit material such as the Obscene Publications Acts 1956 and 1964. For the Group to offer its current content it has to have approval from ICSTIS in respect of adult online services, reverse billed SMS services and an internet dialer service. Whilst the Group currently has approval from ICSTIS, if any material breaches occur this approval may be withdrawn which would prevent the Group from operating.

Recently the premium rate telecommunications industry has been beset by a number of high profile scandals, mostly involving television quiz shows. This may hurt consumer confidence in premium rate telecommunications services and thereby lower revenues. Further, regulation in the area may be toughened as a consequence. Indeed, in June 2007 ICSTIS introduced emergency changes to its Code of Practice and announced a review of the same. ICSTIS is an industry-funded regulatory body and therefore self interested. There is therefore a risk that the Government may legislate to remove self regulation and impose a statutory regime if self regulation is deemed ineffective. Changes to the current regulatory regime may be detrimental to the Enlarged Group.

Complaints may be brought to The Press Complaints Commission ("PCC") (concerning the editorial content of the Enlarged Group's newspapers) or to the Advertising Standards Authority ("ASA") (concerning advertising for or in the Enlarged Group's publications). Neither the PCC nor the ASA have the power to impose fines but their findings may be published. Non compliance can lead to a referral to the Office of Fair Trading, who has the power to seek court orders (of their own volition or as a result of a complaint) against businesses who breach certain consumer protection laws.

#### **(e) Data Protection Compliance**

The Enlarged Group must comply with data protection and privacy laws (including the Data Protection Act 1998, the Privacy and Electronic Communications Regulations 2003 and the Human Rights Act 1998) which govern its ability to collect and use personal information relating to its customers or potential customers including the marketing use of that information. The Enlarged Group relies on various personnel to maintain its databases and ensures non-disclosure agreements are in place with these personnel and attempts to minimize access to its customer database to those that need it for performing their responsibilities.

Notwithstanding such non-disclosure agreements and such efforts to manage this, confidential information and/or personal data may be wrongfully appropriated or disclosed by the Enlarged Group's employees. The Directors and the Proposed Director will ensure that, after Admission, the Enlarged Group's customer privacy policies and data collection notices accurately describe the uses to which the customer data will be put to use.

The EU Data Protection Directive and equivalent laws that have been enacted in the European Union regulate how the Enlarged Group collects and uses personal information in the EU. These laws also regulate how data is exported to countries outside the EU for any purpose.

It is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Enlarged Group's data practices. If so, in addition to the possibility of fines, this could result in the Enlarged Group being required to change its data practices, which could have a material effect on its business, revenue and financial position.

Failure to comply with the Data Protection Act 1998 can lead to proceedings for criminal offences being brought by the Information Commissioner or by the Director of Public Prosecutions. Directors and other officers of companies which have committed offences under the Data Protection Act 1998 may also be liable to prosecution.

The Enlarged Group may also face civil proceedings. Any individual suffering damage or damage and distress (but not distress alone) as a result of a data controller's failure to comply with the principles in processing his or her personal data has a right to sue for damages under the Data Protection Act.

The Enlarged Group does not currently have in place a written data or document retention policy but intends to adopt a group-wide policy on data and document retention based on the principle that data and documents should only be kept for as long as is necessary and, where data or documents are kept for multiple purposes (such as marketing and audit), such data or documents should be kept for the longest period necessary with the relevant purpose justified by that retention period.

**(f) Foreign Jurisdictions**

The Enlarged Group's business and the contracts into which it enters are subject to different laws and jurisdictions worldwide. The Enlarged Group's content can be accessed by users, who may bring different legal actions against the Enlarged Group depending on their jurisdiction and local laws.

**(g) Potential Competition**

The Enlarged Group's market has growth potential and the Directors and the Proposed Director believe that the Enlarged Group faces limited direct competition. However it is expected that over time competition will grow rapidly. The Directors and the Proposed Director believe that the main competition will be from developments by consultancy companies wanting to work directly with the content providers.

These potential competitors may have greater resources than the Enlarged Group and would have the following advantages:

- greater financial resources;
- stronger brand name;
- pre-existing relationships with content providers;
- more resources to deploy on accelerating projects;
- lower labour and development costs; and
- greater geographical coverage.

**(h) International Competition**

The Enlarged Group may not enjoy the same economies of scale and efficiencies internationally that it does domestically. There may be local specialists who have the following advantages over the Enlarged Group:

- closer relationships with local MNOs;
- closer to the local regulation and laws;
- better understanding of local markets; and
- lower operating costs.

**(i) Market for mobile phones**

The Group's recent success has depended to a significant extent on the growth in the market for mobile phone data services, in particular those of an adult nature. There can be no assurance that such market growth will continue and this would have a material adverse effect on the Enlarged Group.

**(j) Privacy and Breach of Confidence**

Article 8 of the Human Rights Act 1998 ("HRA") guarantees individuals the right to respect for their private lives. Privacy law has been developing rapidly since the introduction of the HRA and it is increasingly difficult for newspapers to justify printing photographs of people engaging in their private lives where there is little or no public interest in publication. Surreptitious "long lens" photography of individuals on holiday or engaged in sexual activity are especially problematic.

Additionally the law of confidence has been used successfully and increasingly to prevent the publication of certain stories and pictures, usually regarding the lives of celebrities.

The content of the newspapers produced by the Enlarged Group features to a significant extent the kinds of pictures and stories that may now be unlawful for the reasons set out above. The Enlarged Group may therefore find itself subject to claims from the subjects of those stories and pictures. This holds true in the case of other publications produced by the Enlarged Group.

**(k) Content Risk**

The Enlarged Group may be affected by the regulatory and legal environment relating to the content control and access. Regulation both current and future could cause additional expense and have a material impact on the Enlarged Group's business, the extent of which cannot be predicted.

Certain jurisdictions may attempt to make the Enlarged Group responsible for the content which it facilitates or may be held responsible for content.

The Enlarged Group's business could also be affected by changes in the law that prohibit the provision of services by some of its content providers.

**(l) Risks relating to change of ownership of a national newspaper**

Merger activity in general, including the acquisition of newspaper interests, is subject to the framework and jurisdiction of the Office of Fair Trading (OFT) as set out in the 2002 Enterprise Act. The Directors consider that this Acquisition falls outside the thresholds of the jurisdiction of the OFT as set out in the 2002 Enterprise Act.

In any event, even though the Acquisition falls outside the relevant thresholds, there is a residual discretion in the remit of the Secretary of State for Trade and Industry to refer certain newspaper acquisitions to the Competition Commission on public interest grounds. The Directors consider that the chances of such a referral by the Secretary of State are low.

**(m) VCT status**

Application has been made to HMRC for advance assurance that the Placing Shares will be eligible for the purposes of the VCT legislation and may as a result be a qualifying investment for VCT but advance assurance has not yet been received. There is no guarantee that such assurance will be forthcoming. Further, whilst the Directors intend, so far as possible, to conduct the activities of the Company in such a way as to allow it to maintain its status as a qualifying VCT investment, there is no guarantee that they will be able to do so.

**The risks noted above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.**

**The investment described in this document is speculative and may not be suitable for all recipients of this document. Potential investors are accordingly advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him.**

## PART 4

### FINANCIAL INFORMATION ON SPORT NEWSPAPERS GROUP

The Directors and Proposed Director  
Interactive World plc  
Ramillies House  
2 Ramillies Street  
London W1F 7LN

The Directors  
Daniel Stewart & Company plc  
Becket House  
36 Old Jewry  
London EC2R 8DD

8 August 2007

Dear Sirs

We report on the financial information set out below on Sport Newspapers Limited (“Sport Newspapers”) and its subsidiary undertakings (together “the Sport Newspapers Group”) which has been prepared for inclusion in the AIM Admission Document (the “Document”) dated 8 August 2007 of Interactive World plc (“Interactive World”) on the basis of the accounting policies set out in Note 1. The financial information does not constitute audited statutory accounts.

This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Document.

#### **Responsibilities**

The Directors of Sport Newspapers are responsible for preparing the financial information on the Sport Newspapers Group as described in the ‘Basis of Preparation’ set out below and in accordance with applicable United Kingdom Accounting Standards. The Directors and the Proposed Director of Interactive World are responsible for the contents of the Document in its entirety.

It is our responsibility to form an opinion on the financial information as to whether the financial information on the Sport Newspapers Group gives a true and fair view, for the purposes of the Document and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion the financial information gives, for the purposes of the Document dated 8 August 2007, a true and fair view of the state of affairs of the Sport Newspapers Group as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable United Kingdom Accounting Standards and has been prepared in a form that is consistent with the accounting policies set out in Note 1.

### **Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**  
Chartered Accountants  
London

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The consolidated profit and loss accounts for the three years ended 31 August 2006 and the nine months ended 31 May 2007 are set out below:

	<i>Notes</i>	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Turnover	2	37,011	36,523	31,058	19,615
Cost of sales		(26,267)	(26,110)	(23,270)	(14,920)
<b>Gross profit</b>		<u>10,744</u>	<u>10,413</u>	<u>7,788</u>	<u>4,695</u>
Administrative expenses		(2,239)	(2,820)	(3,699)	(1,566)
<b>Operating profit on ordinary activities before management charges, exceptional items and interest</b>		8,505	7,593	4,089	3,129
Exceptional items	3	–	–	(535)	(439)
Management charges	3	(8,500)	(7,800)	(3,600)	(2,580)
<b>Operating profit/(loss) on ordinary activities before interest</b>	4	5	(207)	(46)	110
Interest receivable	6	151	179	100	83
Interest payable and similar charges	6	(5)	–	–	(12)
<b>Profit on ordinary activities before taxation</b>		<u>151</u>	<u>(28)</u>	<u>54</u>	<u>181</u>
Taxation	7	(69)	82	6	(43)
<b>Profit on ordinary activities after taxation and for the period</b>	16	<u>82</u>	<u>54</u>	<u>60</u>	<u>138</u>
<b>Earnings per share:</b>					
Basic and diluted (£)					
Before exceptional items and management charges	15	5,996	5,606	2,800	2,000
After exceptional items and management charges	15	82	54	60	138

The Sport Newspapers Group had no recognised gains or losses other than the profit for the periods. All activities relate to continuing operations.

## CONSOLIDATED BALANCE SHEETS

The consolidated balance sheets as at 31 August 2004, and 2005 and 2006 and 31 May 2007 are set out below:

	<i>Notes</i>	<i>31 August 2004 £'000</i>	<i>31 August 2005 £'000</i>	<i>31 August 2006 £'000</i>	<i>31 May 2007 £'000</i>
<b>Fixed assets</b>					
Tangible assets	8	542	476	368	296
Investments	9	450	450	450	450
		<u>992</u>	<u>926</u>	<u>818</u>	<u>746</u>
<b>Current assets</b>					
Stocks	10	5	5	5	5
Debtors	11	5,976	5,869	5,144	4,933
Cash at bank and in hand		4,990	3,302	1,289	2,163
		<u>10,971</u>	<u>9,176</u>	<u>6,438</u>	<u>7,101</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(7,931)</u>	<u>(6,016)</u>	<u>(3,110)</u>	<u>(3,563)</u>
<b>Net current assets/(liabilities)</b>		<u>3,040</u>	<u>3,161</u>	<u>3,328</u>	<u>3,538</u>
<b>Total net assets</b>		<u>4,032</u>	<u>4,086</u>	<u>4,146</u>	<u>4,284</u>
<b>Capital and reserves</b>					
Called up share capital	14	1	1	1	1
Profit and loss account	16	4,031	4,085	4,145	4,283
<b>Equity shareholders' funds</b>		<u>4,032</u>	<u>4,086</u>	<u>4,146</u>	<u>4,284</u>

## CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statement for the three years ended 31 August 2006 and the nine months ended 31 May 2007 are set out below:

	<i>Notes</i>	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
<b>Net cash flow from operating activities</b>	19	2,424	(1,804)	(1,880)	1,238
<b>Returns on investment and servicing of finance</b>					
Interest received		151	179	100	83
Interest paid		(5)	–	–	(12)
<b>Net cash flow from returns on investment and servicing of finance</b>		146	179	100	71
<b>Taxation paid</b>		(124)	(69)	(3)	(23)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(542)	(247)	(291)	(129)
Receipt from fixed asset investment		21	13	73	64
<b>Net cash flow from capital expenditure and financial investment</b>		(521)	(234)	(218)	(65)
<b>Net Cash flow before financing</b>		1,925	(1,928)	(2,001)	1,221
<b>Financing</b>					
Capital element of finance lease rental payments		(37)	–	–	–
<b>Net cash flow from financing</b>		(37)	–	–	–
<b>Increase/(decrease) in cash in the period</b>		1,888	(1,928)	(2,001)	1,221
<b>Reconciliation of net Cash Flow to Movement in Debt</b>					
(Decrease)/increase in cash in the year		1,888	(1,928)	(2,001)	1,221
Cash flow from decrease in debt and lease financing		37	–	–	–
Change in net funds resulting from cash flows		1,925	(1,928)	(2,001)	1,221
Net funds brought forward		2,941	4,866	2,938	937
Net funds carried forward	20	4,866	2,938	937	2,158

**CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Profit for the financial year after taxation	82	54	60	138
Increase in shareholders' funds	82	54	60	138
Opening shareholders' funds	3,950	4,032	4,086	4,146
Closing shareholders' funds	<u>4,032</u>	<u>4,086</u>	<u>4,146</u>	<u>4,284</u>

## **1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in the relation to the Sport Newspapers Group's financial statements.

### ***Basis of Preparation***

This financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

In the period prior to 24 September 2004, Sport Newspapers Group owned 77.5 per cent. of the issued share capital of Birmingham City plc, the owner of Birmingham City Football Club, the results of which were included in its consolidated financial statements. On 24 September 2004, that interest was disposed to shareholders or entities connected to shareholders in Sport Newspapers Group. The financial information excludes the trade, activities, profit on disposal and related dividends of Birmingham City plc through an adjustment to opening reserves as at 1 September 2003.

The principal accounting policies which the directors have adopted are set out below.

### ***Basis of Consolidation***

The financial information consolidates the financial statements of Sport Newspapers and its subsidiary undertakings, Melton Enterprises Ltd, News and Echo Ltd, Sport.com Ltd and Moresport Ltd, for the financial years ended 31 August 2004, 2005 and 2006 and for the nine month period ended 31 May 2007 except as described above in the basis of preparation. All inter-company transactions and balances have been eliminated.

### ***Turnover***

Turnover represents the value of newspaper and advertising sales less returns and ancillary revenues from exploitation of content through the internet and telephony platforms. All turnover is exclusive of Value Added Tax and arose predominantly in the United Kingdom.

### ***Tangible Fixed Assets and Depreciation***

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold properties and improvements	over the term of the lease
Equipment, fixtures and fittings	over 2 to 5 years
Motor vehicles	over 4 to 5 years
Computer systems	over 3 years

### ***Leasing***

The group enters into operating and finance leases.

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged in the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

### ***Stock***

Stock is valued at the lower of cost or net realisable value.

### ***Deferred Taxation***

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting or taxation purposes. Full provision for deferred taxation is made, without discounting, on all timing differences that have arisen but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered.

In accordance with FRS 19, deferred tax is not provided for:

- (a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- (b) gains on the sale of non-monetary assets, where, on the basis of all available evidence, it is more likely than not the taxable gain will be rolled over into replacement assets.

### ***Pensions***

The group operates defined contribution pension schemes and the pension charge represents the amounts payable by the group to the funds in respect of the period. The assets of the schemes are held separately from those of the Sport Group.

### ***Foreign Currency Translation***

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

### ***Financial Instruments***

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

### ***Trade receivables***

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### ***Investments***

Investments are measured at cost, including transaction costs, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### *Financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

### *Bank borrowings*

Interest bearing bank loans, stocking loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### *Trade payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### *Equity instruments*

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### *Earnings per share*

Basic earnings per share is calculated by dividing the amounts or profit attributable to ordinary equity shareholders in the company by the weighted average number of shares in issue during the period. Diluted earnings per share is calculated by reference to the effect of dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

### *Liquid resources*

The Sport Newspapers Group includes short term deposits and bank deposit accounts as part of liquid resources.

## **2. ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS**

The Sport Group operated in one principal area of activity, that of newspaper publishing. It operates predominantly in one geographical market, the United Kingdom. Turnover includes ancillary revenues from the exploitation of content through the internet and telephony platforms as follows:

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Newspaper publishing	35,788	35,850	30,606	19,094
Internet revenues	1,063	579	383	506
Telephony revenues	160	94	69	15
	<u>37,011</u>	<u>36,523</u>	<u>31,058</u>	<u>19,615</u>

No analysis is presented of operating profits and net assets derived from ancillary revenues as the amounts involved are not material.

### 3. EXCEPTIONAL ITEMS AND MANAGEMENT CHARGES

	<i>12m to</i> <i>31 August</i> <i>2004</i> <i>£'000</i>	<i>12m to</i> <i>31 August</i> <i>2005</i> <i>£'000</i>	<i>12m to</i> <i>31 August</i> <i>2006</i> <i>£'000</i>	<i>9m to</i> <i>31 May</i> <i>2007</i> <i>£'000</i>
<b>Exceptional items:</b>				
Reorganisation costs	–	–	535	439
	<u>–</u>	<u>–</u>	<u>535</u>	<u>439</u>

Exceptional items reflect the costs of the reorganisation of the Sport Newspapers Group in the second half of 2006 which saw the departure of the group managing director, the closure of the Leicester offices of the business, the relocation of the advertising, circulation and accounts departments from Leicester to the group's existing Manchester offices. The costs represent the costs of redundancy and compensation for loss of office, office closure and relocation expenses.

#### Management charges:

Management charges receivable from entities connected to the vendor shareholders	(1,000)	–	–	–
Management charges payable to entities connected to the vendor shareholders	9,500	7,800	3,600	2,580
	<u>8,500</u>	<u>7,800</u>	<u>3,600</u>	<u>2,580</u>

Management charges were paid to entities related to the shareholders of Sport Newspapers throughout the period covered by this report. The Sport Newspapers Group will not continue to bear such charges on admission. Further details of these charges are set out in note 17.

### 4. OPERATING PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST

	<i>12m to</i> <i>31 August</i> <i>2004</i> <i>£'000</i>	<i>12m to</i> <i>31 August</i> <i>2005</i> <i>£'000</i>	<i>12m to</i> <i>31 August</i> <i>2006</i> <i>£'000</i>	<i>9m to</i> <i>31 May</i> <i>2007</i> <i>£'000</i>
Operating profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation of tangible assets	362	302	337	153
Operating lease rentals – land and buildings	179	167	182	167
Operating lease rentals – other assets	114	105	50	42
Auditors' remuneration – audit	15	15	11	10
Amounts written off loans and investments	–	132	–	–
	<u>–</u>	<u>132</u>	<u>–</u>	<u>–</u>

## 5. EMPLOYEE COSTS

	<i>12m to 31 August 2004</i>	<i>12m to 31 August 2005</i>	<i>12m to 31 August 2006</i>	<i>9m to 31 May 2007</i>
<b>a) Staff costs</b>				
<i>Employees</i>				
The average number of group employees (including directors) was:				
Administration	24	26	27	18
Editorial and production	96	95	93	89
Advertising and sales	19	17	19	27
	<hr/>	<hr/>	<hr/>	<hr/>
	139	138	139	134
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Staff costs (including directors' emoluments)</i>				
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	3,984	4,078	4,594	3,162
Social security costs	426	455	486	345
Other pension costs	79	86	87	27
	<hr/>	<hr/>	<hr/>	<hr/>
	4,489	4,619	5,167	3,534
	<hr/>	<hr/>	<hr/>	<hr/>
<b>b) Directors' emoluments</b>				
	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
<i>Directors' remuneration</i>				
Aggregate remuneration	299	294	296	158
Compensation for loss of office	–	–	204	–
Pension contributions	29	30	31	15
	<hr/>	<hr/>	<hr/>	<hr/>
	328	324	531	173
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Highest paid director</i>				
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Remuneration	184	179	176	92
Compensation for loss of office	–	–	204	–
Pension contributions	17	18	18	10
	<hr/>	<hr/>	<hr/>	<hr/>
	201	197	398	102
	<hr/>	<hr/>	<hr/>	<hr/>
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Number of directors receiving money purchase pension benefits	2	2	2	2
	<hr/>	<hr/>	<hr/>	<hr/>

## 6. INTEREST

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Bank interest receivable	151	179	100	83
Interest payable in respect of finance lease and hire purchase contracts	5	–	–	12

## 7. TAXATION

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Current taxation – UK corporation tax at 30% (2006: 30%, 2005: 30%, 2004: 30%)	69	2	23	43
Deferred taxation – current year	–	(3)	(29)	–
Deferred taxation – prior year	–	(81)	–	–
	<u>69</u>	<u>(82)</u>	<u>(6)</u>	<u>43</u>

### Factors affecting the tax charge for the period

Profit/(loss) on ordinary activities before taxation	151	(28)	54	181
Loss on ordinary activities before taxation multiplied by the standard rate of UK Corporation tax of 30% (2006: 30%, 2005: 30%, 2004: 30%)	45	(8)	16	54
Effects of:				
Non deductible expenses	24	8	6	5
Depreciation in excess of capital allowances	2	6	11	(14)
Other tax adjustments	(2)	(4)	(10)	(2)
Tax charge	<u>69</u>	<u>2</u>	<u>23</u>	<u>43</u>

## 8. TANGIBLE FIXED ASSETS

	<i>Leasehold land and buildings £'000</i>	<i>Computer equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Fixtures, fittings &amp; equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 September 2003	187	3,153	138	177	3,655
Additions	142	239	110	51	542
On disposal	–	–	(66)	–	(66)
At 31 August 2004	329	3,392	182	228	4,131
Additions	13	211	–	23	247
On disposal	–	–	(18)	–	(18)
At 31 August 2005	342	3,603	164	251	4,360
Additions	–	128	95	67	290
On disposal	–	–	(136)	–	(136)
At 31 August 2006	342	3,731	123	318	4,514
Additions	11	19	94	5	129
On disposal	–	–	(122)	–	(122)
At 31 May 2007	353	3,750	95	323	4,521
<b>Depreciation</b>					
At 1 September 2003	160	2,898	65	151	3,274
Charge for the year	23	272	45	22	362
On disposal	–	–	(47)	–	(47)
At 31 August 2004	183	3,170	63	173	3,589
Charge for the year	22	213	43	24	302
On disposal	–	–	(7)	–	(7)
At 31 August 2005	205	3,383	99	197	3,884
Charge for the year	70	193	42	32	337
On disposal	–	–	(75)	–	(75)
At 31 August 2006	275	3,576	66	229	4,146
Charge for the period	14	90	26	23	153
On disposal	–	–	(74)	–	(74)
At 31 May 2007	289	3,666	18	252	4,225
<b>Net book value</b>					
At 31 May 2007	64	84	77	71	296
At 31 August 2006	67	155	57	89	368
At 31 August 2005	137	220	65	54	476
At 31 August 2004	146	222	119	55	542

## 9. INVESTMENTS

	<i>31 August 2004 £'000</i>	<i>31 August 2005 £'000</i>	<i>31 August 2006 £'000</i>	<i>31 May 2007 £'000</i>
Participating interests	200	200	200	200
Other investments	250	250	250	250
	<u>450</u>	<u>450</u>	<u>450</u>	<u>450</u>

The participating interest investment of £200,000 at 31 May 2007 and 31 August 2006, 2005 and 2004 represented a 30% holding in Stock Patmore Holdings Ltd, a company incorporated in England and Wales.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year ended 31 October 2005:

	<i>Capital and reserves 2005 £'000</i>	<i>Results for the year 2005 £'000</i>
Stock Patmore Holdings Limited	679	–

The group's 30 per cent. interest in Stock Patmore Holdings Limited has not been treated as an associated undertaking as the company is controlled by its majority shareholders and, in the opinion of the directors, the group did not, in the period to 31 May 2007, exercise significant influence over its operations. The share of net assets of Stock Patmore Holdings Limited was not materially different from the cost of the investment as at 31 August 2004, 2005 and 2006 or 31 May 2007.

Other investments represent a £250,000 International Capital Protected Bond issued by HSBC Life (Europe) Limited, which has a market value of £352,911 as at 31 May 2007.

## 10. STOCK

	<i>31 August 2004 £'000</i>	<i>31 August 2005 £'000</i>	<i>31 August 2006 £'000</i>	<i>31 May 2007 £'000</i>
Goods for resale	5	5	5	5

## 11. DEBTORS

	<i>31 August 2004 £'000</i>	<i>31 August 2005 £'000</i>	<i>31 August 2006 £'000</i>	<i>31 May 2007 £'000</i>
Trade debtors	5,468	5,411	4,564	4,259
Corporation tax	52	15	12	2
Deferred tax (Note 13)	–	84	113	113
Other debtors	176	98	195	155
Prepayments and accrued income	280	261	260	404
	<u>5,976</u>	<u>5,869</u>	<u>5,144</u>	<u>4,933</u>

## 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>31 August 2004 £'000</i>	<i>31 August 2005 £'000</i>	<i>31 August 2006 £'000</i>	<i>31 May 2007 £'000</i>
Bank overdrafts	124	364	352	5
Trade creditors	1,188	1,202	802	1,445
Corporation tax	121	18	35	46
Other tax and social security	375	189	278	230
Other creditors	216	3	41	23
Accruals and deferred income	5,907	4,239	1,602	1,814
	<u>7,931</u>	<u>6,015</u>	<u>3,110</u>	<u>3,563</u>

## 13. DEFERRED TAXATION

	<i>31 August 2004 £'000</i>	<i>31 August 2005 £'000</i>	<i>31 August 2006 £'000</i>	<i>31 May 2007 £'000</i>
Excess of depreciation over capital allowances	–	84	113	113
	<u>–</u>	<u>84</u>	<u>113</u>	<u>113</u>
Balance at start of period	–	–	84	113
Charge in year/period – origination of timing differences	–	84	29	–
Balance at end of year/period	<u>–</u>	<u>84</u>	<u>113</u>	<u>113</u>

## 14. SHARE CAPITAL

	<i>31 August 2004 £'000</i>	<i>31 August 2005 £'000</i>	<i>31 August 2006 £'000</i>	<i>31 May 2007 £'000</i>
<b>Authorised</b>				
1,000 (31 August 2004, 2005 and 2006: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Allotted, called up and fully paid</b>				
1,000 (31 August 2004, 2005 and 2006: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## 15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on a profit after taxation of £138,000 in the nine months ended 31 May 2007 (Year ended 31 August 2006: £60,000; year ended 31 August 2005: £54,000; year ended 31 August 2004: £82,000) and a weighted average number of shares in issue of 1,000 (Year ended 31 August 2006: 1,000; year ended 31 August 2005: 1,000; year ended 31 August 2004: 1,000).

The calculation of earnings per share before exceptional items is based on a profit after taxation excluding exceptional items and including a standard rate of 30 per cent. on these items, which amounted to £2,052,000 in the nine month period 31 May 2007 (Year ended 31 August 2006: £2,800,000; year ended 31 August 2005: £5,606,000; year ended 31 August 2004: £5,996,000).

In the nine month period ended 31 May 2007 and the three years ended 31 August 2006, there were no dilutive potential ordinary shares.

## 16. SHARE CAPITAL AND RESERVES

	<i>Share Capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
Balance at 1 September 2003	1	3,949	3,950
Profit for the year	–	82	82
Balance at 31 August 2004	1	4,031	4,032
Profit for the year	–	54	54
Balance at 31 August 2005	1	4,085	4,086
Profit for the year	–	60	60
Balance at 31 August 2006	1	4,145	4,146
Profit for the period	–	138	138
Balance at 31 May 2007	1	4,283	4,284

## 17. RELATED PARTY TRANSACTIONS

The Sport Newspapers Group trades with Gold Group International Limited and its subsidiaries. During the period under review, Gold Group International Limited was under the control of Mr. D Gold and Mr. R Gold by virtue of their majority shareholding in Gold Group International Limited. Mr. D Gold and Mr. R Gold jointly controlled the Sport Newspapers Group with Mr. D Sullivan in the period.

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Advertising revenues	27	–	–	–
Management charges payable	4,750	3,900	2,200	1,330
Balance due from Sport Newspapers Group	2,748	1,900	500	1,250

Sport Newspapers Group trades with Roldvale Limited. During the period under review, Roldvale Limited was under the control of Mr. D Sullivan virtue of his majority shareholding in Roldvale Trading Limited, the parent company of Roldvale Limited. Mr. D Sullivan jointly controlled the Sport Group with Mr. D Gold and Mr. R Gold in the period.

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Management charges payable	4,750	3,900	1,400	1,250
Advertising revenues	322	1,201	1,014	469
Balance due to/(from) Sport Newspapers Group	(2,723)	(1,802)	(400)	42

The Sport Newspapers Group trades with Interactive World plc and Netcollex Limited, a subsidiary of Interactive World. During the period under review, Interactive World was under the control of Mr. D Sullivan virtue of his direct personal controlling interesting the issued share capital of Interactive World. Mr. D Sullivan jointly controlled the Sport Newspapers Group with Mr. D Gold and Mr. R Gold in the period.

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Advertising costs	–	–	800	80
Advertising revenues	–	–	–	152
Internet income	453	491	383	518
Balance due to Sport Newspapers Group	<u>54</u>	<u>42</u>	<u>23</u>	<u>117</u>

The Sport Group trades with The Van Boys Limited. During the period under review, Mr. D Sullivan, Mr. D Gold and Mr. R Gold had an interest in The Van Boys Limited. Mr. D Sullivan, Mr. D Gold and Mr. R Gold jointly controlled Sport Newspapers Group in the period.

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Loan written off	–	132	–	–
Balance due to Sport Newspapers Group	<u>132</u>	<u>–</u>	<u>–</u>	<u>–</u>

In the period to its disposal on 24 September 2004 the Sport Newspapers Group traded with Birmingham City plc. During the period to 24 September 2004 Mr. D Sullivan, Mr. D Gold and Mr. R Gold controlled Birmingham City plc. Mr. D Sullivan, Mr. D Gold and Mr. R Gold jointly controlled Sport Newspapers Group in the period.

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Management charge receivable	1,052	52	52	39
Balance due to Sport Newspapers Group	<u>52</u>	<u>52</u>	<u>52</u>	<u>39</u>

## 18. ULTIMATE CONTROLLING PARTY

During the period under review, the Sport Newspapers Group was controlled by Mr. D Sullivan, Mr. D Gold and Mr. R Gold by nature of their direct personal controlling interest in the issued share capital of Sport Newspapers.

## 19. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<i>12m to 31 August 2004 £'000</i>	<i>12m to 31 August 2005 £'000</i>	<i>12m to 31 August 2006 £'000</i>	<i>9m to 31 May 2007 £'000</i>
Operating profit/(loss) on ordinary activities before interest	5	(207)	(46)	110
Depreciation	362	302	337	153
Profit on disposal of fixed assets	(2)	(2)	(12)	(16)
Increase/(decrease) in debtors	1,099	(54)	751	201
(Decrease)/increase in creditors	<u>960</u>	<u>(1,843)</u>	<u>(2,910)</u>	<u>790</u>
Net cash flow from operating activities	<u>2,424</u>	<u>(1,804)</u>	<u>(1,880)</u>	<u>1,238</u>

## 20. ANALYSIS OF CHANGES IN NET FUNDS

	<i>Cash at bank</i> £'000	<i>Overdrafts</i> £'000	<i>Net Funds</i> £'000
At 1 September 2003	3,438	(460)	2,978
Cash flows	1,552	336	1,888
At 31 August 2004	4,990	(124)	4,866
Cash flows	(1,688)	(240)	(1,928)
At 31 August 2005	3,302	(364)	2,938
Cash flows	(2,013)	12	(2,001)
At 31 August 2006	1,289	(352)	937
Cash flows	874	347	1,221
At 31 May 2007	2,163	(5)	2,158

## 21. FINANCIAL COMMITMENTS

At 31 May 2007, the group was committed to making the following annual payments under non cancellable operating leases:

	<i>12m to</i> <i>31 August</i> <i>2004</i> £'000	<i>12m to</i> <i>31 August</i> <i>2005</i> £'000	<i>12m to</i> <i>31 August</i> <i>2006</i> £'000	<i>9m to</i> <i>31 May</i> <i>2007</i> £'000
Operating leases which expire:				
<b>Land and buildings</b>				
Within one year	–	–	–	–
Between two and five years	68	–	166	157
After more than five years	127	195	29	–
	<u>195</u>	<u>195</u>	<u>195</u>	<u>157</u>
<b>Other</b>				
Within one year	47	40	32	1
Between two and five years	74	29	6	10
After more than five years	–	–	–	–
	<u>121</u>	<u>69</u>	<u>38</u>	<u>11</u>
	<u>316</u>	<u>264</u>	<u>233</u>	<u>168</u>

## 22. POST BALANCE SHEET EVENTS

On 8 August 2007, the entire issued share capital of Sport Newspapers was acquired by Interactive World conditional on, *inter alia*, readmission of the issued and to be issued share capital of that company to trading on the AIM market, for aggregate consideration of £50 million.

## 23. NATURE OF FINANCIAL INFORMATION

The financial information presented above does not constitute statutory accounts for the Sport Newspapers Group for the three years ended 31 August 2006 or the period ended 31 May 2007.

## PART 5

### FINANCIAL INFORMATION ON INTERACTIVE WORLD PLC

The Directors and Proposed Director  
Interactive World plc  
Ramillies House  
2 Ramillies Street  
London W1F 7LN

The Directors  
Daniel Stewart & Company plc  
Becket House  
36 Old Jewry  
London EC2R 8DD

8 August 2007

Dear Sirs

We report on the financial information set out below on Interactive World plc ('the Company') and its subsidiary undertakings (together 'the Interactive Group') which has been prepared for inclusion in the AIM Admission Document (the 'Document') dated 8 August 2007 of the Company on the basis of the Company's accounting policies. The financial information does not constitute audited statutory accounts.

This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Document.

#### **Responsibilities**

The Directors and the Proposed Director of the Company are responsible for preparing the financial information on the Interactive Group as described in the 'Basis of Preparation' set out below and in accordance with applicable United Kingdom Accounting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion the financial information gives, for the purposes of the Document dated 8 August 2007, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits and cash flows for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable United Kingdom Accounting Standards and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**  
Chartered Accountants  
London

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The consolidated profit and loss accounts for the three years ended 31 July 2006 and the six months ended 31 January 2007 are set out below:

	<i>Notes</i>	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
Turnover					
<i>Continuing operations</i>		9,594	8,851	9,065	4,796
<i>Acquisitions</i>		–	–	–	313
	2	<u>9,594</u>	<u>8,851</u>	<u>9,065</u>	<u>5,109</u>
Cost of sales		(6,114)	(4,971)	(3,949)	(2,368)
<b>Gross profit</b>		<u>3,480</u>	<u>3,880</u>	<u>5,116</u>	<u>2,741</u>
Administrative expenses					
<i>Continuing operations</i>		(664)	(839)	(882)	(630)
<i>Acquisitions</i>		–	–	–	(99)
		<u>(664)</u>	<u>(839)</u>	<u>(882)</u>	<u>(729)</u>
<b>Operating profit on ordinary activities before interest</b>					
<i>Continuing operations</i>		2,816	3,041	4,234	1,970
<i>Acquisitions</i>		–	–	–	42
	3	<u>2,816</u>	<u>3,041</u>	<u>4,234</u>	<u>2,012</u>
Interest receivable and similar income	5	<u>72</u>	<u>115</u>	<u>87</u>	<u>65</u>
<b>Profit on ordinary activities before taxation</b>		<u>2,888</u>	<u>3,156</u>	<u>4,321</u>	<u>2,077</u>
Taxation	6	<u>(874)</u>	<u>(951)</u>	<u>(1,307)</u>	<u>(644)</u>
<b>Profit on ordinary activities after taxation</b>		<u>2,014</u>	<u>2,205</u>	<u>3,014</u>	<u>1,433</u>
Equity minority interests	10	<u>–</u>	<u>–</u>	<u>–</u>	<u>(10)</u>
<b>Profit for the period</b>	17	<u><u>2,014</u></u>	<u><u>2,205</u></u>	<u><u>3,014</u></u>	<u><u>1,423</u></u>
<b>Earnings per share:</b>					
Basic (pence)	16	<u>5.67</u>	<u>6.21</u>	<u>8.32</u>	<u>3.70</u>
Diluted (pence)	16	<u>5.67</u>	<u>6.21</u>	<u>7.67</u>	<u>3.37</u>

The Interactive Group had no recognised gains or losses other than the profits for the periods. All activities relate to continuing operations.

## CONSOLIDATED BALANCE SHEETS

The consolidated balance sheets as at 31 July 2004, and 2005 and 2006 and 31 January 2007 are set out below:

	<i>Notes</i>	<i>31 July 2004 £'000</i>	<i>31 July 2005 £'000</i>	<i>31 July 2006 £'000</i>	<i>31 Jan 2007 £'000</i>
<b>Fixed assets</b>					
Intangible assets	7	–	–	–	796
Tangible assets	8	28	71	106	122
Investments	9	–	20	32	–
		<u>28</u>	<u>91</u>	<u>138</u>	<u>918</u>
<b>Current assets</b>					
Debtors	11	1,450	1,190	2,020	2,435
Cash at bank and in hand		2,857	2,874	3,421	2,387
		<u>4,307</u>	<u>4,064</u>	<u>5,441</u>	<u>4,822</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,457)</u>	<u>(1,054)</u>	<u>(1,798)</u>	<u>(1,959)</u>
<b>Net current assets</b>		<u>2,850</u>	<u>3,010</u>	<u>3,643</u>	<u>2,863</u>
<b>Total net assets</b>		<u>2,878</u>	<u>3,101</u>	<u>3,781</u>	<u>3,781</u>
<b>Capital and reserves</b>					
Called up share capital	13	–	–	96	96
Share premium reserve	17	–	–	1,161	1,262
Profit and loss account	17	2,778	3,001	2,424	2,309
Other reserves	17	100	100	100	100
Equity shareholders' funds		<u>2,878</u>	<u>3,101</u>	<u>3,781</u>	<u>3,767</u>
Minority interests	10	–	–	–	14
<b>Equity shareholders' funds</b>		<u>2,878</u>	<u>3,101</u>	<u>3,781</u>	<u>3,781</u>

## CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statements for the three years ended 31 July 2006 and the six months ended 31 January 2007 are set out below:

	<i>Notes</i>	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
<b>Net cash flow from operating activities</b>	21	3,314	3,044	3,887	1,634
<b>Returns on investment and servicing of finance</b>					
Interest received		72	115	87	65
<b>Net cash flow from returns on investment and servicing of finance</b>		72	115	87	65
<b>Taxation paid</b>		(813)	(1,196)	(777)	(942)
<b>Capital expenditure and financial investment</b>					
Purchase of intangible fixed assets		–	–	–	(500)
Purchase of tangible fixed assets		(6)	(86)	(102)	(33)
Purchase of trade investment		–	(20)	(12)	–
<b>Net cash flow from capital expenditure and financial investment</b>		(6)	(106)	(114)	(533)
Purchase of subsidiary undertaking (net of cash acquired)		–	–	–	(45)
<b>Net cash flow from acquisitions and disposals</b>		–	–	–	(45)
<b>Payment of equity dividends</b>	14	(2,103)	(1,892)	(3,487)	(1,538)
<b>Net cash flow before financing</b>		464	(35)	(404)	(1,359)
<b>Financing</b>					
Issue of new shares		–	–	2,000	–
Costs of issue of new shares		–	–	(804)	–
Shares repurchased		–	(90)	(16)	–
<b>Net cash flow from financing</b>		–	(90)	1,180	–
<b>Increase/(decrease) in cash in the period</b>		464	(125)	776	(1,359)
<b>Reconciliation of net Cash Flow to Movement in Debt</b>					
(Decrease)/increase in cash in the period		464	(125)	776	(1,359)
Net funds brought forward		2,305	2,769	2,644	3,420
Net funds carried forward	22	2,769	2,644	3,420	2,061

## CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>12m to 31 July 2004</i>	<i>12m to 31 July 2005</i>	<i>12m to 31 July 2006</i>	<i>6m to 31 Jan 2007</i>
<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit for the financial period after taxation and minority interests	2,014	2,205	3,014	1,423
Dividends paid	(2,103)	(1,892)	(3,487)	(1,538)
Issue of new shares	–	–	2,000	106
Costs of issue of new shares	–	–	(831)	(5)
Purchase of own shares	–	(90)	(16)	–
Increase/(reduction) in shareholders' funds	(89)	223	680	(14)
Opening shareholders' funds	2,967	2,878	3,101	3,781
Closing shareholders' funds	2,878	3,101	3,781	3,767

### 1. ACCOUNTING POLICIES

This financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies which the directors have adopted are set out below.

#### *Basis of Consolidation*

The financial information consolidates the financial statements of the Company and its subsidiary undertakings for the financial years ended 31 July 2004, 2005 and 2006 and for the six month period ended 31 July 2007. All inter-company transactions and balances have been eliminated. Acquisitions meeting the criteria of FRS 6 'Acquisition and Mergers' are accounted for using merger accounting.

#### *Goodwill*

Goodwill is the excess of the fair value of the consideration paid for a business or trade and assets acquired and is carried on the balance sheet at cost.

Purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life. The Directors consider the economic life of goodwill separately on each acquisition. Goodwill capitalised to date will be written off over a 15 year period, being a fair estimate of its useful economic life.

Impairment reviews are carried out at the end of the first full financial period following initial recognition, and thereafter if subsequent events or changes in circumstances indicate that impairment may have taken place.

#### *Other intangible assets*

Product licensing rights and customer databases are capitalised at cost in the year in which they are acquired and amortised over their estimated useful lives. The Directors consider the economic life of each intangible asset separately on each acquisition.

Amortisation is provided at rates calculated to write off the cost of each intangible asset over its expected useful life, as follows:

Licensing rights and related  
customer databases

Over the license term on a straight line basis

Impairment reviews are carried out at the end of the first full financial period following initial recognition, and thereafter if subsequent events or changes in circumstances indicate that impairment may have taken place.

### ***Research and Development***

Research and Development expenditure is written off to the profit and loss account in the year in which it is incurred.

### ***Leasing***

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

### ***Fixed Assets and Depreciation***

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Web based file servers	33.3% on a straight line basis
Fixtures, fittings & equipment	20% on a straight line basis

The carrying value of the tangible assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### ***Turnover***

Turnover is principally derived from mobile and internet content delivery and represents amounts receivable for goods and services net of VAT and trade discounts. Income is recognised in the period in which content is delivered to end users.

### ***Deferred Tax***

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that they are regarded as being recoverable. Deferred tax assets and liabilities are not discounted.

### ***Website Costs***

Website costs have been written off to the profit and loss account as incurred.

### ***Dividends***

Only dividends declared and payable at the balance sheet date are included as liabilities at that date. Dividends declared after the balance sheet date but before the date of the approval of the financial information are disclosed in the notes as post balance sheet events in accordance with FRS21 'Events After the Balance Sheet Date' as if that standard had been in effect throughout the reporting period.

### ***Employee share schemes***

The Company's employee share schemes allow the employees of the Interactive Group to acquire shares in the Company. In accordance with FRS20 'Share Based Payments', the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period. There were no material adjustments consequent on adopting this accounting policy in the period ended 31 January 2007, nor to prior periods – see note 15.

### ***Earnings per share***

Basic earnings per share is calculated by dividing the amounts of profit attributable to ordinary equity shareholders in the Company by the weighted average number of shares in issue during the period. Diluted earnings per share is calculated by reference to the effect of dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

### ***Liquid resources***

The Interactive Group includes short term deposits and bank deposit accounts as part of liquid resources.

### ***Financial instruments***

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

### ***Trade receivables***

Trade receivables are measured at initial recognition at cost, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### ***Investments***

Investments are measured at cost, including transaction costs, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### ***Financial liabilities and equity***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

### ***Trade payables***

Trade payables are initially measured at incurred cost, and are subsequently measured at amortised cost, using the effective interest rate method.

### ***Equity instruments***

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

## 2. ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS

	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
<b><i>Turnover by activity:</i></b>				
Mobile Telephony Service	1,161	6,014	6,766	3,789
Internet Service	8,433	2,837	2,299	1,320
	<u>9,594</u>	<u>8,851</u>	<u>9,065</u>	<u>5,109</u>

For management purposes the Interactive Group is currently organised into a single operating division. For internal reporting purposes the Interactive Group records and monitors revenues and cost of sales according to the delivery platform through which the content is delivered and through which services are provided. The Interactive Group differentiates its key business segments between Mobile Telephony and Internet. Administrative expenses are shared overheads of the business and cannot be meaningfully be allocated by revenue stream. The Interactive Group's tangible fixed assets consist of computer equipment and servers, which are utilised in the delivery of content and services through both platforms. All of the Interactive Group's activities are currently carried out in the United Kingdom.

## 3. OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST

	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
Operating profit on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation of tangible assets	27	44	67	36
Amortisation of intangible assets	–	–	–	19
Operating lease rentals – land and buildings	14	14	14	7
Fees payable to the company's auditor for the audit of the annual accounts	10	12	18	–
Fees payable to the company's auditor for other services:				
The audit of the company's subsidiaries pursuant to legislation	8	8	8	–
Accountancy and taxation services	4	18	–	–
	<u>4</u>	<u>18</u>	<u>–</u>	<u>–</u>

#### 4. STAFF COSTS

	<i>12m to 31 July 2004 No.</i>	<i>12m to 31 July 2005 No.</i>	<i>12m to 31 July 2006 No.</i>	<i>6m to 31 Jan 2007 No.</i>
<b>Employees</b>				
The average number of group employees was:				
Office and administration	9	10	10	12
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Staff costs</b>				
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	393	416	471	389
Social security costs	45	47	57	38
Staff pension costs	–	–	–	3
	<hr/>	<hr/>	<hr/>	<hr/>
	438	463	528	430
	<hr/>	<hr/>	<hr/>	<hr/>

Two directors accrue benefits under money purchase pension schemes (Year ended 31 July 2006: 2; year ended 31 July 2005; Nil; year ended 31 July 2004; Nil).

Included in the above are the following directors' emoluments:

	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
Total emoluments	–	–	146	175
Contributions to money purchase pension schemes	–	–	2	3
	<hr/>	<hr/>	<hr/>	<hr/>
	–	–	148	178
	<hr/>	<hr/>	<hr/>	<hr/>

#### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
Bank interest	72	115	87	65
	<hr/>	<hr/>	<hr/>	<hr/>

## 6. TAXATION

	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
Current year corporation tax charge	873	951	1,307	644
Over provision in prior year	1	–	–	–
	<u>874</u>	<u>951</u>	<u>1,307</u>	<u>644</u>
<b>Factors affecting the tax credit for the year</b>				
Profit on ordinary activities before taxation	<u>2,888</u>	<u>3,156</u>	<u>4,321</u>	<u>2,077</u>
Loss on ordinary activities before taxation multiplied by the standard rate of UK Corporation tax of 30%	<u>866</u>	<u>947</u>	<u>1,296</u>	<u>623</u>
Effects of:				
Non-deductible expenses	3	4	4	12
Depreciation add back	8	13	20	11
Amortisation add back	–	–	–	6
Capital allowances	(4)	(13)	(18)	(9)
Adjustments to previous periods	1	–	–	–
Other tax adjustments	–	–	5	1
Tax charge	<u>874</u>	<u>951</u>	<u>1,307</u>	<u>644</u>

## 7. INTANGIBLE FIXED ASSETS

	<i>Goodwill on consolidation £'000</i>	<i>Other intangible assets £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 August 2006	–	–	–
Additions	316	500	816
At 31 January 2007	<u>316</u>	<u>500</u>	<u>816</u>
<b>Amortisation</b>			
At 1 August 2006	–	–	–
Charge for period	3	17	20
At 31 January 2007	<u>3</u>	<u>17</u>	<u>20</u>
<b>Net book value</b>			
At 31 January 2007	<u>313</u>	<u>483</u>	<u>796</u>
At 31 July 2006, 2005 and 2004	<u>–</u>	<u>–</u>	<u>–</u>

Goodwill on consolidation arose on the acquisition of a controlling interest in Strictly Broadband Limited – see notes 9 and 10.

Other intangible assets represent licensing rights to the ‘UR the Star’ video technology and related customer databases, which were acquired in the period ended 31 January 2007. These assets are being amortised over the license term of 15 years.

## 8. TANGIBLE FIXED ASSETS

	<i>Web based Servers £'000</i>	<i>Fixtures, fittings &amp; equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 August 2003	91	97	188
Additions	–	6	6
At 31 July 2004	91	103	194
Additions	75	11	86
At 31 July 2005	166	114	280
Additions	85	17	102
At 31 July 2006	251	131	382
Additions	30	22	52
At 31 January 2007	281	153	434
<b>Depreciation</b>			
At 1 August 2003	81	58	139
Charge for year	6	21	27
At 31 July 2004	87	79	166
Charge for year	29	14	43
At 31 July 2005	116	93	209
Charge for year	54	13	67
At 31 July 2006	170	106	276
Charge for period	31	5	36
At 31 January 2007	201	111	312
<b>Net book value</b>			
At 31 January 2007	80	42	122
At 31 July 2006	81	25	106
At 31 July 2005	50	21	71
At 31 July 2004	4	24	28

## 9. INVESTMENTS

The investment of £32,000 at 31 July 2006 (£20,000 at 31 July 2005) represented 32 shares (31 July 2005: 20 shares) in Strictly Broadband Limited, a company registered in England and Wales. The investment, which is stated at cost, represented 16 per cent. (31 July 2005: 10 per cent.) of the issued share capital of that company. In the period ended 31 January 2007 the Interactive Group acquired a controlling interest in Strictly Broadband Limited by increasing its stake from 16 per cent. to 55.5 per cent. for consideration of £265,000 plus associated costs. In the six month period ended 31 January 2007 Strictly Broadband Limited was consolidated into the results of the Interactive Group as a subsidiary undertaking (see note 10).

## 10. ACQUISITION OF SUBSIDIARY

On 4 December 2006 the Company announced that it had acquired a controlling interest in Strictly Broadband Limited by increasing its stake from 16 per cent. to 55.5 per cent. as follows. Strictly Broadband

Limited has been consolidated as a subsidiary undertaking of the Interactive Group with effect from the acquisition of the controlling interest as follows:

	<i>Book value of assets acquired £'000</i>	<i>Fair value adjustments £'000</i>	<i>Provisional fair value of assets acquired £'000</i>
Tangible fixed assets	11	–	11
Debtors	134	–	134
Cash	101	–	101
Creditors: amounts falling due in less than one year	(244)	–	(244)
Fair value of share of net assets acquired (55.5%)	<u>2</u>	<u>–</u>	<u>2</u>
Goodwill			316
Consideration			<u>318</u>
Satisfied by:			
Cash			158
Issue of 134,442 new ordinary shares at mid market price of 79.4 pence per share			106
Acquisition costs			22
Transfer from fixed asset investments			<u>32</u>
			<u>318</u>

Strictly Broadband Limited has developed an internet based Video-on-Demand platform that can be used on its own or in future with Internet Protocol Television. The technology incorporates digital rights management, which prevents copying and downloading but allows registered users to watch, play and pause films at their convenience. As part of the acquisition, Mr. R Johnson, a director of the Company, received £20,000 in cash and 9,445 new ordinary shares in the Company in consideration for the purchase from him of his entire interest in Strictly Broadband Limited. The Company has an option to acquire the remaining 45.5 per cent. of the issued share capital of Strictly Broadband Limited between 2008 and 2011.

Positive goodwill of £316,000 arising on this transaction has been capitalised and is being amortised over 15 years, which is based on the directors' estimate of its useful economic life.

The last financial statements of Strictly Broadband Limited were prepared for the period from incorporation on 17 November 2004 to 30 November 2005 in which the company reported turnover of £102,000 and an operating and retained loss of £79,000. The management accounts of the company for the year to 30 November 2006 indicate turnover of £791,000 and an operating and retained loss of £62,000.

The last financial statements of Go Content Limited, a wholly owned subsidiary of Strictly Broadband Limited, were prepared for the period in which the company commenced trading on 6 April 2005 to 28 February 2006 and reported turnover of £428,000 and an operating and retained loss of £46,000. The management accounts of the company for the period from 1 March 2006 to 30 November 2006 indicate turnover of £405,000 and an operating and retained profit of £96,000.

## 11. DEBTORS

	<i>31 July 2004 £'000</i>	<i>31 July 2005 £'000</i>	<i>31 July 2006 £'000</i>	<i>31 Jan 2007 £'000</i>
Trade debtors	1,426	1,151	1,760	2,102
Other debtors	11	28	110	106
Prepayments and accrued income	13	11	150	227
	<u>1,450</u>	<u>1,190</u>	<u>2,020</u>	<u>2,435</u>

All debtors fall due within one year

## 12. CREDITORS

	<i>31 July 2004 £'000</i>	<i>31 July 2005 £'000</i>	<i>31 July 2006 £'000</i>	<i>31 Jan 2007 £'000</i>
Bank overdrafts	88	230	1	326
Trade creditors	611	305	780	888
Corporation taxes	383	138	668	370
Other tax and social security	305	332	249	177
Accruals and deferred income	70	49	100	198
	<u>1,457</u>	<u>1,054</u>	<u>1,798</u>	<u>1,959</u>

## 13. SHARE CAPITAL

	<i>31 July 2004 £'000</i>	<i>31 July 2005 £'000</i>	<i>31 July 2006 £'000</i>	<i>31 Jan 2007 £'000</i>
<b>Authorised</b> 200,000,000 (31 July 2006: 200,000,000; (31 July 2005 and 2004: 1,000) ordinary shares of 0.25 pence (31 July 2005 and 2004: £1) each	<u>1</u>	<u>1</u>	<u>500</u>	<u>500</u>
<b>Allotted, called up and fully paid</b> 38,584,880 (31 July 2006: 38,450,438; 31 July 2005: 371; 31 July 2004: 379) ordinary shares of 0.25 pence (31 July 2005 and 2004: £1) each	<u>–</u>	<u>–</u>	<u>96</u>	<u>96</u>

On 2 December 2004 the Company bought back 8 of its issued shares of £1 each from shareholders for aggregate consideration and costs of purchase of £90,000. The shares were subsequently cancelled.

On 29 September and 4 October 2005 the Company bought back 2 of its issued shares of £1 each from shareholders for aggregate consideration and costs of purchase of £16,000. The shares were subsequently cancelled.

On 4 April 2006 the then issued and un-issued share capital of the Company was subdivided into ordinary shares of 0.25 pence each and the authorised share capital was increased from £1,000 to £500,000 by the creation of 199,600,000 additional ordinary shares of 0.25 pence each.

On 4 April 2006 the sum of £88,024 was capitalised from distributable reserves by way of a bonus issue of 35,209,540 ordinary shares of 0.25 pence each, such shares being allotted and distributed pro-rata amongst the then existing shareholders.

On 8 May 2006 the Company completed a placing of 2,739,727 new ordinary shares to investors at a price of 73 pence per share to raise £2 million before costs of the placing and admission to AIM.

On 8 May 2006 Pathfinder LLP exercised its option over 353,571 ordinary shares at par. That option was granted under the terms of an engagement letter in relation to the Company's admission to AIM.

On 1 December 2006 the Company issued 134,442 new ordinary shares at mid market price of 79.4 pence per share as part of the consideration for the acquisition of a controlling interest in Strictly Broadband Limited (see note 10).

#### 14. DIVIDENDS

	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
2003 final dividend – £5,990/5.9 pence per share	2,103	–	–	–
2004 final dividend – £5,550/5.35 pence per share	–	1,892	–	–
2005 final dividend – £5,950/6.21 pence per share	–	–	2,196	–
2006 interim dividend – £3,500/3.65 pence per share	–	–	1,291	–
2006 final dividend – 4 pence per share	–	–	–	1,538
	<u>2,103</u>	<u>1,892</u>	<u>3,487</u>	<u>1,538</u>

Dividends per share set out above in relation to the period up to and including the 2006 interim dividend refer to dividends per share as calculated on the basis of shares in issue and as adjusted to take account of the subdivision of share capital and bonus issue from distributable reserves on 4 April 2006 referred to in note 13 above.

#### 15. SHARE OPTIONS

The following options to subscribe for ordinary shares have been granted under the Enterprise Management Incentive Share Option Scheme:

<i>Year of grant</i>	<i>Exercise period</i>	<i>Exercise price per share</i>	<i>Number of options</i>
2006	8 May 2007 to 8 May 2009	73 pence	463,972
2006	1 November 2009 to 1 November 2016	79.5 pence	707,366
			<u>1,171,338</u>

The following options to subscribe for ordinary shares have been granted under the Share Option Schemes:

<i>Year of grant</i>	<i>Exercise period</i>	<i>Exercise price per share</i>	<i>Number of options</i>
2006	8 May 2006 to 8 May 2011	73 pence	1,345,765
2006	8 May 2006 to 8 May 2016	73 pence	1,237,699
			<u>2,583,464</u>

Share options held by directors, employees and third parties are as follows:

<i>Outstanding at 1 Aug 05</i>	<i>Granted in year</i>	<i>Exercised in year</i>	<i>Outstanding 31 July 2006</i>	<i>Exercise price</i>	<i>Date of grant</i>	<i>First date of exercise</i>	<i>Final date of exercise</i>
–	353,571	(353,571)	–	0.25p	8 May 06	8 May 06	8 May 06
–	463,972	–	463,972	73p	8 May 06	8 May 07	8 May 10
–	1,345,765	–	1,345,765	73p	8 May 06	8 May 06	8 May 11
–	1,237,699	–	1,237,699	73p	8 May 06	8 May 07	8 May 16
	<u>3,401,007</u>	<u>(353,571)</u>	<u>3,047,436</u>				

<i>Outstanding at 1 Aug 06</i>	<i>Granted in period</i>	<i>Exercised in period</i>	<i>Outstanding 31 Jan 07</i>	<i>Exercise price</i>	<i>Date of grant</i>	<i>First date of exercise</i>	<i>Final date of exercise</i>
–	–	–	–	–	–	–	–
463,972	–	–	463,972	73p	8 May 06	8 May 07	8 May 10
1,345,765	–	–	1,345,765	73p	8 May 06	8 May 07	8 May 11
1,237,699	–	–	1,237,699	73p	8 May 06	8 May 06	8 May 16
–	707,366	–	707,366	79.25p	1 Nov 06	1 Nov 09	1 Nov 16
<u>3,047,436</u>	<u>707,366</u>	<u>–</u>	<u>3,754,802</u>				

### ***Share options granted to directors and employees***

The fair value of share options granted to directors and employees is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The Company adopted this accounting policy in relation to the financial year ending 31 January 2007.

A Black-Scholes model has been used to determine the fair value of the share options on the date of grant. The fair value is expensed to the profit and loss account on a straight line basis over the vesting period, which is determined annually. The model assesses a number of factors in calculating the fair value. These include the market price on the date of grant, the exercise price of the share options, the expected share price volatility of the market sector in which the group operates, the expected life of the options, the risk free rate of interest and the expected level of dividends in future years.

The inputs into the model were as follows:

<i>Granted</i>	<i>Unapproved</i>	<i>Other 2006</i>	<i>EMI 2007</i>
Weighted average share price	73.00p	73.00p	79.50p
Weighted average exercise price	73.00p	73.00p	79.50p
Expected volatility	25%	25%	46%
Estimated vesting period	3 years	3 years	3 years
Risk-free rate	4%	4%	4%
Expected dividend yield	6%	6%	6%

Expected volatility was determined at the date of grant of options as follows:

In respect of the earlier grants based on the directors estimates of volatility of similar quoted stocks and in respect of later grants by estimating the actual volatility at the date of grant by reference to the Company's share price since admission to AIM.

There were no material amounts to charge to the profit and loss account for any of the periods ending 31 January 2007. Had charges been included in the profit and loss account, they would have amounted to an aggregate £40,000.

Based on share options granted to date and summarised above the directors estimate that the charge to profit and loss account in relation to share based employee remuneration will be approximately £70,000 for the full year to 31 July 2007.

## 16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on a profit of £1,423,000 in the six months ended 31 January 2007 (Year ended 31 July 2006: £3,014,000; year ended 31 July 2005: £2,205,000; year ended 31 July 2004: £2,014,000) and a weighted average number of shares in issue of 38,495,252 (Year ended 31 July 2006: 36,225,371; year ended 31 July 2005: 35,512,210; year ended 31 July 2004: 35,512,210).

Diluted earnings per share assumes dilutive options have been converted into ordinary shares. The calculations are as follows:

	<i>12m to 31 July 2006 Profit £'000</i>	<i>12m to 31 July 2006 Shares (Number)</i>	<i>6m to 31 Jan 2007 Profit £'000</i>	<i>6m to 31 Jan 2007 Shares (Number)</i>
Basic earnings	3,014	36,225,371	1,423	38,495,252
Dilutive effects – options	–	3,047,436	–	3,754,802
	<u>3,014</u>	<u>39,272,807</u>	<u>1,423</u>	<u>42,250,054</u>

In the two years ended 31 July 2004 and 31 July 2005 there were no dilutive options.

In arriving at the number of shares used in the calculations of earnings per share (basic and diluted) the sub-division of share capital and bonus issue of new ordinary shares, both of which took place on 4 April 2006 and are referred to in note 13 above, have been treated as having taken place on 1 August 2003.

## 17. RESERVES

	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Other reserves £'000</i>
Balance at 1 August 2003	–	2,867	100
Profit for the year	–	2,014	–
Dividend paid	–	(2,103)	–
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2004	–	2,778	100
Profit for the year	–	2,205	–
Dividend paid	–	(1,892)	–
Shares bought back and cancelled	–	(90)	–
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2005	–	3,001	100
Profit for the year	–	3,014	–
Dividend paid	–	(3,487)	–
Shares bought back and cancelled	–	(16)	–
Bonus issue of new shares	–	(88)	–
Issue of new shares	1,992	–	–
Costs of issue of new shares	(831)	–	–
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2006	1,161	2,424	100
Profit for the period	–	1,423	–
Dividend paid	–	(1,538)	–
Issue of new shares	106	–	–
Costs of issue of new shares	(5)	–	–
	<hr/>	<hr/>	<hr/>
Balance at 31 January 2007	1,262	2,309	100

Other reserves at 31 January 2007 consisted of a capital redemption reserve of £53 and a merger reserve of £99,878.

## 18. RELATED PARTY TRANSACTIONS

During the six months ended 31 January 2007 the Interactive Group paid advertising charges of £Nil (Year ended 31 July 2006: £Nil; year ended 31 July 2005: £33,000; year ended 31 July 2004: £283,000) to Roldvale Limited.

At 31 January 2007 balances due from the Interactive Group to Roldvale Limited were £Nil (Year ended 31 July 2006: £4,000; year ended 31 July 2005: £Nil; year ended 31 July 2004: £20,000).

On 22 November 2006 the Interactive Group acquired licensing rights and related customer databases to 'UR the Star' for £500,000 from Darker Enterprises Limited, a subsidiary undertaking of Roldvale Limited.

Roldvale Limited is under the control of Roldvale Trading Limited, a holding company under the ultimate control of Mr. D Sullivan. Mr. D Sullivan was the Company's controlling party in the period.

During the period ended 31 January 2007 the Interactive Group incurred advertising charges of £104,000 (Year ended 31 July 2006: £308,000; year ended 31 July 2005: £911,000; year ended 31 July 2004: £202,000) to Sport Newspapers Limited. The Interactive Group provided mobile marketing services to Sport Newspapers Limited during the period ended 31 January 2007 of £80,000 (Year ended 31 July 2006: £800,000; year ended 31 July 2005: £Nil; year ended 31 July 2004: £Nil). Mr. D Sullivan was a director of, and had a significant beneficial interest in, Sport Newspapers Limited during the period.

At 31 January 2007 balances due from the Interactive Group to Sport Newspapers Limited were £220,000 (Year ended 31 July 2006: £99,000; year ended 31 July 2005: £109,000; year ended 31 July 2004: £Nil).

During the period ended 31 January 2007 the Interactive Group made payments in respect of payroll and treasury management services of £6,000 (Year ended 31 July 2006: £12,000; year ended 31 July 2005: £12,000; year ended 31 July 2004: £12,000) to Limetime Limited. Mr. C Sullivan is a shareholder in Limetime Limited.

At 31 January 2007 balances due to the Interactive Group from Limetime Services Limited were £1,000 (Year ended 31 July 2006: creditor of £2,000; year ended 31 July 2005: £Nil; year ended 31 July 2004: £Nil).

#### 19. TRANSACTIONS WITH COMPANIES IN WHICH THE DIRECTORS HAVE A BENEFICIAL INTEREST

In the period ended 31 January 2007 the Interactive Group purchased access rights and content for subsequent resale amounting to £356,000 (Year ended 31 July 2006: £460,000; year ended 31 July 2005: £Nil; year ended 31 July 2004: £Nil) from Strictly Broadband Limited. Mr. R Johnson was a director and a 5 per cent. shareholder in Strictly Broadband Limited until 4 December 2006, when the Interactive Group acquired that shareholding. As part of the acquisition of a controlling interest in Strictly Broadband Limited, Mr. R Johnson, a director of the Company, received £20,000 in cash and 9,445 new ordinary shares in the Company in consideration for the purchase from him of his entire interest in Strictly Broadband Limited.

#### 20. ULTIMATE CONTROLLING PARTY

During the period under review the Company's controlling party was Mr. D Sullivan by nature of his direct personal controlling interest in the issued share capital of the Company.

#### 21. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<i>12m to 31 July 2004 £'000</i>	<i>12m to 31 July 2005 £'000</i>	<i>12m to 31 July 2006 £'000</i>	<i>6m to 31 Jan 2007 £'000</i>
Operating profit on ordinary activities before interest	2,816	3,041	4,234	2,012
Depreciation	27	44	67	55
(Increase)/decrease in debtors	414	260	(830)	(176)
(Decrease)/increase in creditors	57	(301)	416	(257)
Net cash flow from operating activities	<u>3,314</u>	<u>3,044</u>	<u>3,887</u>	<u>1,634</u>

#### 22. ANALYSIS OF CHANGES IN NET FUNDS

	<i>Cash at bank £'000</i>	<i>Overdrafts £'000</i>	<i>Net Funds £'000</i>
At 1 August 2003	2,359	(54)	2,305
Cash flows	<u>498</u>	<u>(34)</u>	<u>464</u>
At 31 July 2004	2,857	(88)	2,769
Cash flows	<u>17</u>	<u>(142)</u>	<u>(125)</u>
At 31 July 2005	2,874	(230)	2,644
Cash flows	<u>547</u>	<u>229</u>	<u>776</u>
At 31 July 2006	3,421	(1)	3,420
Cash flows	<u>(1,034)</u>	<u>(325)</u>	<u>(1,359)</u>
At 31 January 2007	<u>2,387</u>	<u>(326)</u>	<u>2,061</u>

## **23. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS**

### ***Policy***

The group seeks to reduce the risks arising from the currency and maturity of the group's financial instruments. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. Speculation, including the use of complex financial derivative products, is not part of the group's treasury activities. Financial instruments are sterling denominated. Borrowings and, where they arise, deposits are fixed for periods of up to one year. The functional currency of the group is sterling.

### ***Interest rate risk***

The group seeks to minimise interest rate risk by maximising interest received on cash at bank by placing deposits on the money market at the prevailing market rate.

### ***Liquidity risk***

The group's policy throughout the period regarding liquidity has been to maximise the return on funds placed on deposit but to minimise the associated risk by placing funds in low-risk cash deposits.

Short term debtors and creditors have been excluded from financial instrument disclosures. All financial assets are held in sterling. Short term deposits are placed with banks and earn interest at commercial rates.

## **24. POST BALANCE SHEET EVENTS**

After the balance sheet date the Company's shareholders approved the payment of a dividend of 3 pence per share in respect of the period ended 31 January 2007, representing an aggregate dividend of £1.158 million.

## **25. NATURE OF FINANCIAL INFORMATION**

The financial information presented above does not constitute statutory accounts for the Interactive Group for the three years ended 31 July 2006 or the period ended 31 January 2007.

## PART 6A

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP FOLLOWING THE PROPOSED ACQUISITION AND PLACING

Set out below is a pro forma statement of consolidated net assets of the Enlarged Group, which has been prepared on the basis of the financial information on Interactive World and on Sport Newspapers, as adjusted for the acquisition of Sport Newspapers by the Company and the Placing as set out in the notes below. The pro forma has been prepared for illustrative purposes only and, because of its nature, will not represent the actual financial position or results of the Enlarged Group.

<i>Notes</i>	<i>Sport Group (i) £'000</i>	<i>Interactive Group (ii) £'000</i>	<i>Acquisition adjustments (iii) £000</i>	<i>Placing proceeds (iv) £'000</i>	<i>Pro forma balances £000</i>
<b>Fixed assets:</b>					
Intangible assets	296	796	45,716	–	46,808
Tangible assets	–	122	–	–	122
Investments	450	–	–	–	450
	<u>746</u>	<u>918</u>	<u>45,716</u>	<u>–</u>	<u>47,380</u>
<b>Current assets:</b>					
Stocks	5	–	–	–	5
Debtors	4,933	2,435	–	–	7,368
Cash at bank and in hand	2,163	2,387	(40,000)	39,200	3,750
	<u>7,101</u>	<u>4,822</u>	<u>(40,000)</u>	<u>39,200</u>	<u>11,123</u>
<b>Creditors:</b> amounts falling due in less than one year	(3,563)	(1,959)	(5,000)	–	(10,522)
<b>Net current assets</b>	<u>3,538</u>	<u>2,863</u>	<u>(45,000)</u>	<u>39,200</u>	<u>601</u>
<b>Total assets less current liabilities</b>	<u>4,284</u>	<u>3,781</u>	<u>716</u>	<u>39,200</u>	<u>47,981</u>
<b>Creditors:</b> amounts falling due in more than one year	–	–	(5,000)	–	(5,000)
<b>Net assets</b>	<u>4,284</u>	<u>3,781</u>	<u>(4,284)</u>	<u>39,200</u>	<u>42,981</u>

#### NOTES:

- i. The balance sheet of Sport Newspapers 31 May 2007 has been extracted without adjustment from the financial information on the Sport Newspapers Group set out in Part 4 of this document. With the exceptions of the transactions referred to below, no account has been taken of the activities of the Sport Newspapers Group subsequent to 31 May 2007.
- ii. The balance sheet of the Group at 31 January 2007 has been extracted without adjustment from the financial information on the Interactive Group set out in Part 5 of this document. With the exception of the transactions referred to below, no account has been taken of the activities of the Interactive Group subsequent to 31 January 2007.
- iii. The proposed acquisition of Sport Newspapers by the Company for aggregate consideration £50.0 million, payable by cash of £40.0 million, deferred consideration of £5.0 million and vendor loan notes of £5.0 million, giving rise to preliminary estimated goodwill on consolidation and other intangible assets of £45.7 million.
- iv. Placing proceeds represent the Placing on 8 August 2007 by the Company of 58,266,667 Placing Shares at 75p per share, raising £43,700,000 before costs of the transaction of £4,500,000.

The Directors and Proposed Director  
Interactive World plc  
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W1F 7LN

Mazars LLP  
3 Sheldon Square  
London  
W2 6PS

The Directors  
Daniel Stewart & Company plc  
Becket House  
36 Old Jewry  
London  
EC2R 8DD

8 August 2007

Dear Sirs

### **Interactive World plc**

We report on the pro forma financial information set out in Part 6A of the AIM Admission Document ('the Document') dated 8 August 2007 of Interactive World plc ('the Company') which has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the acquisition of the Sport Newspapers by the Company and the subsequent Placing might have affected the financial information presented on the basis of the accounting policies adopted by the Company. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

### **Responsibilities**

It is the responsibility of the Directors of the Company to prepare the pro forma financial information in accordance with Schedule Two of the AIM Rules. It is our responsibility to form an opinion on the financial information as to the proper compilation of the pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

### **Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company

**Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**  
**Chartered Accountants**  
**London**

## **PART 6B**

### **SUPPLEMENTARY FINANCIAL INFORMATION ON THE SPORT NEWSPAPERS GROUP AND ON INTERACTIVE WORLD**

#### **Responsibility**

The Directors and Proposed Director of Interactive World are responsible for preparing the financial information set out below as described in the “Basis of Preparation” notes therein and in accordance with applicable United Kingdom Accounting Standards as applicable for the relevant period.

The financial information on The Sport Newspapers Group in respect of the nine months ended 31 May 2007 has been extracted without material adjustment from the audited financial information on The Sport Newspapers Group included within Part 4 of this document. Unaudited comparative financial information for the nine months ended 31 May 2006 is presented as required by Paragraph (a) of Schedule Two of the AIM Rules and is based on unaudited management accounts.

The financial information on the Company for the six months ended 31 January 2007 and the unaudited comparative financial information for the period ended 31 January 2006 form part of the full text of the interim results of the Company for the period then ended announced on 8 March 2007 and reproduced below.

Neither the financial information on Sport Newspapers nor the interim announcement of the Company constitute statutory financial statements.

## (a) Supplementary financial information on the Sport Newspapers Group

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>9m to</i> <i>31 May</i> <i>2007</i> <i>(Audited)</i> <i>£'000</i>	<i>9m to</i> <i>31 May</i> <i>2006</i> <i>(Unaudited)</i> <i>£'000</i>	<i>12m to</i> <i>31 August</i> <i>2006</i> <i>(Audited)</i> <i>£'000</i>
Turnover	2	19,615	23,869	31,058
Cost of sales		<u>(14,920)</u>	<u>(18,383)</u>	<u>(23,270)</u>
<b>Gross profit</b>		4,695	5,486	7,788
Administrative expenses		<u>(1,566)</u>	<u>(1,871)</u>	<u>(3,699)</u>
<b>Operating profit on ordinary activities before management charges, exceptional items and interest</b>		3,129	3,615	4,089
Exceptional items	3	(439)	–	(535)
Management charges	3	(2,580)	(3,498)	(3,600)
<b>Operating profit/(loss) on ordinary activities before interest</b>		110	117	(46)
Interest receivable		83	89	100
Interest payable and similar charges		<u>(12)</u>	<u>(7)</u>	<u>–</u>
<b>Profit on ordinary activities before taxation</b>		181	199	54
Taxation		<u>(43)</u>	<u>(60)</u>	<u>6</u>
<b>Profit on ordinary activities after taxation and for the period</b>		<u>138</u>	<u>139</u>	<u>60</u>
<b>Earnings per share:</b>				
Basic and diluted (£)				
Before exceptional items and management charges	5	2,000	2,587	2,800
After exceptional items and management charges	5	<u>138</u>	<u>139</u>	<u>60</u>

The Sport Newspapers Group had no recognised gains or losses other than the profit for the periods. All activities relate to continuing operations.

## CONSOLIDATED BALANCE SHEETS

		<i>31 May</i> <i>2007</i> <i>(Audited)</i> <i>£'000</i>	<i>31 August</i> <i>2006</i> <i>(Audited)</i> <i>£'000</i>
	<i>Notes</i>		
<b>Fixed assets</b>			
Tangible assets		296	368
Investments		450	450
		<hr/> 746	<hr/> 818
<b>Current assets</b>			
Stocks		5	5
Debtors		4,933	5,144
Cash at bank and in hand		2,163	1,289
		<hr/> 7,101	<hr/> 6,438
<b>Creditors: amounts falling due within one year</b>		<hr/> (3,563)	<hr/> (3,110)
<b>Net current assets/(liabilities)</b>		<hr/> 3,538	<hr/> 3,328
<b>Total net assets</b>		<hr/> 4,284	<hr/> 4,146
<b>Capital and reserves</b>			
Called up share capital	4	1	1
Profit and loss account		4,283	4,145
<b>Equity shareholders' funds</b>		<hr/> 4,284	<hr/> 4,146

## CONSOLIDATED CASH FLOW STATEMENTS

		<i>9m to</i> <i>31 May</i> <i>2007</i> <i>(Audited)</i> <i>£'000</i>	<i>9m to</i> <i>31 May</i> <i>2006</i> <i>(Unaudited)</i> <i>£'000</i>	<i>12m to</i> <i>31 August</i> <i>2006</i> <i>(Audited)</i> <i>£'000</i>
<b>Net cash flow from operating activities</b>	6	1,238	(1,627)	(1,880)
<b>Returns on investment and servicing of finance</b>				
Interest received		83	89	100
Interest paid		(12)	(6)	–
<b>Net cash flow from returns on investment and servicing of finance</b>		71	83	100
<b>Taxation paid</b>		(23)	–	(3)
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(129)	(209)	(291)
Receipt from fixed asset investment		64	52	73
<b>Net cash flow from capital expenditure and financial investment</b>		(65)	(157)	(218)
<b>Net Cash flow before financing</b>		1,221	(1,701)	(2,001)
<b>Net cash flow from financing</b>		–	–	–
<b>Increase/(decrease) in cash in the period</b>		1,221	(1,701)	(2,001)
<b>Reconciliation of net Cash Flow to Movement in Debt</b>				
Change in net funds resulting from cash flows		1,221	(1,701)	(2,001)
Net funds brought forward		937	2,938	2,938
Net funds carried forward		2,158	1,237	937

## CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>9m to 31 May 2007 (Audited) £'000</i>	<i>9m to 31 May 2006 (Unaudited) £'000</i>	<i>12m to 31 August 2006 (Audited) £'000</i>
Profit for the financial year after taxation	138	139	60
Increase in shareholders' funds	138	139	60
Opening shareholders' funds	4,146	4,086	4,086
Closing shareholders' funds	4,284	4,225	4,146

### 1. BASIS OF PREPARATION

This financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

The financial information consolidates the financial statements of Sport Newspapers and its subsidiary undertakings, Melton, News and Echo, Sport.com and Moresport for the nine month period ended 31 May 2007 and for the comparative period, being the nine month period ended 31 May 2006. All inter-company transactions and balances have been eliminated.

The financial information on the Sport Newspapers Group in respect of the nine months ended 31 May 2007 has been extracted without material adjustment from the audited financial information included within Part 4 of this document. The comparative financial information on the Sport Newspapers Group for the nine months ended 31 May 2006 is presented as required by Paragraph (a) of Schedule Two of the AIM Rules and is based on unaudited management accounts. The financial information has been presented on the basis of the accounting policies of Sport as set out in Part 4 of this document.

### 2. ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS

The Sport Newspapers Group operated in one principal area of activity, that of newspaper publishing. It operates predominantly in one geographical market, the United Kingdom. Turnover includes ancillary revenues from the exploitation of content through the internet and telephony platforms as follows:

	<i>9m to 31 May 2007 (Audited) £'000</i>	<i>9m to 31 May 2006 (Unaudited) £'000</i>	<i>12m to 31 August 2006 (Audited) £'000</i>
Newspaper publishing	19,094	23,568	30,606
Internet revenues	506	255	383
Telephony revenues	15	46	69
	19,615	23,869	31,058

No analysis is presented of operating profits and net assets derived from ancillary revenues as the amounts involved are not material.

### 3. EXCEPTIONAL ITEMS AND MANAGEMENT CHARGES

	<i>9m to 31 May 2007 (Audited) £'000</i>	<i>9m to 31 May 2006 (Unaudited) £'000</i>	<i>12m to 31 August 2006 (Audited) £'000</i>
<b>Exceptional items</b>			
Reorganisation costs	439	–	535
	<u>439</u>	<u>–</u>	<u>535</u>

Exceptional items reflect the costs of the reorganisation of the Sport Newspapers Group in the second half of 2006 which saw the departure of the group managing director, the closure of the Leicester offices of the business, the relocation of the advertising, circulation and accounts departments from Leicester to the group's existing Manchester offices. The costs represent the costs of redundancy and compensation for loss of office, office closure and relocation expenses.

	<i>9m to 31 May 2007 (Audited) £'000</i>	<i>9m to 31 May 2006 (Unaudited) £'000</i>	<i>12m to 31 August 2006 (Audited) £'000</i>
<b>Management charges:</b>			
Management charges payable to entities connected to the vendor shareholders	2,580	3,498	3,600
	<u>2,580</u>	<u>3,498</u>	<u>3,600</u>

Management charges were paid to entities related to the shareholders of Sport Newspapers throughout the period. The Sport Group will not continue to bear such charges following Admission.

### 4. SHARE CAPITAL

	<i>31 May 2007 (Audited) £'000</i>	<i>31 August 2006 (Audited) £'000</i>
<b>Authorised</b>		
1,000 (31 August 2006: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>
<b>Allotted, called up and fully paid</b>		
1,000 (31 August 2006: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

### 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on a profit after taxation of £138,000 in the nine months ended 31 May 2007 (Nine months ended 31 May 2006: £139,000; year ended 31 August 2006: £60,000) and a weighted average number of shares in issue of 1,000 throughout the period.

The calculation of earnings per share before exceptional items is based on a profit after taxation excluding exceptional items and including a standard rate of 30% on these items, which amounted to £2,052,000 in the nine month period 31 May 2007 (Nine months ended 31 May 2006: £3,498,000; Year ended 31 August 2006: £2,800,000)

In the nine month period ended 31 May 2007, the nine months ended 31 May 2006 and the year ended 31 August 2006, there were no dilutive potential ordinary shares.

**6. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<i>9m to 31 May 2007 (Audited) £'000</i>	<i>9m to 31 May 2006 (Unaudited) £'000</i>	<i>12m to 31 August 2006 (Audited) £'000</i>
Operating profit/(loss) on ordinary activities before interest	110	117	(46)
Depreciation	153	252	337
Profit on disposal of fixed assets	(16)	–	(12)
Increase/(decrease) in debtors	201	(481)	751
(Decrease)/increase in creditors	790	(1,515)	(2,910)
Net cash flow from operating activities	<u>1,238</u>	<u>(1,627)</u>	<u>(1,880)</u>

## (b) Interim announcement of Interactive World plc

The following is the full text of the unaudited interim results of Interactive World plc announced on 8 March 2007:

### Consolidated Profit & Loss Accounts

		<i>6m to</i> <i>31 January</i> <i>2007</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>£'000</i>	<i>12m to</i> <i>31 July</i> <i>2006</i> <i>£'000</i>
<b>Turnover</b>				
Continuing operations		4,796	3,982	9,065
Acquisitions		313	–	–
	2	<u>5,109</u>	<u>3,982</u>	<u>9,065</u>
Cost of sales		(2,368)	(1,843)	(3,949)
<b>Gross profit</b>		<u>2,741</u>	<u>2,139</u>	<u>5,116</u>
Administrative expenses		(729)	(405)	(882)
<b>Operating profit</b>				
<b>Continuing operations</b>		1,970	1,734	4,234
<b>Acquisitions</b>		42	–	–
		<u>2,012</u>	<u>1,734</u>	<u>4,234</u>
Interest receivable		65	42	87
<b>Profit on ordinary activities before taxation</b>		<u>2,077</u>	<u>1,776</u>	<u>4,321</u>
Tax on profit on ordinary activities		(644)	(519)	(1,307)
<b>Profit after taxation</b>		<u>1,433</u>	<u>1,257</u>	<u>3,014</u>
Equity minority interest		(10)	–	–
<b>Profit for the period</b>		<u>1,423</u>	<u>1,257</u>	<u>3,014</u>
Basic earnings per share	4	3.70p	3.53p	8.32p
Diluted earnings per share	4	3.37p	3.53p	7.67p

The Group had no recognised gains or losses other than the profits for the periods.

## Consolidated Balance Sheets

	<i>6m to</i> <i>31 January</i> <i>2007</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>£'000</i>	<i>12m to</i> <i>31 July</i> <i>2006</i> <i>£'000</i>
<b>FIXED ASSETS</b>			
Intangible assets	796	–	–
Tangible assets	122	95	106
Investments	–	20	32
	<u>918</u>	<u>115</u>	<u>138</u>
<b>CURRENT ASSETS</b>			
Debtors	2,435	1,688	2,020
Cash at bank and in hand	2,387	1,458	3,421
	<u>4,822</u>	<u>3,146</u>	<u>5,441</u>
<b>CREDITORS</b>			
Amounts falling due within one year	(1,959)	(1,115)	(1,798)
<b>NET CURRENT ASSETS</b>	<u>2,863</u>	<u>2,031</u>	<u>3,643</u>
<b>NET ASSETS</b>	<u>3,781</u>	<u>2,146</u>	<u>3,781</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	96	–	96
Share premium account	1,262	100	1,161
Profit and loss account	2,309	2,046	2,424
Merger reserve	100	–	100
<b>SHAREHOLDERS' FUNDS</b>	<u>3,767</u>	<u>2,146</u>	<u>3,781</u>
Minority interest	14	–	–
	<u>3,781</u>	<u>2,146</u>	<u>3,781</u>

## Consolidated Cash Flow Statements

	<i>6m to</i> <i>31 January</i> <i>2007</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>£'000</i>	<i>12m to</i> <i>31 July</i> <i>2006</i> <i>£'000</i>
<b>Net cash flow from operating activities</b>	1,634	1,131	3,887
<b>Returns on investments and servicing of finance</b>			
Interest received	65	42	87
<b>Net cash flow from returns on investments and servicing of finance</b>	65	42	87
<b>Corporation tax paid</b>	(942)	(139)	(777)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets	(500)	–	–
Purchase of tangible fixed assets	(33)	(48)	(102)
Disposal of fixed asset trade investments	–	–	(12)
<b>Net cash flow from capital expenditure and financial investment</b>	(533)	(48)	(114)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertaking (net of cash acquired)	(45)	–	–
<b>Net cash outflow from acquisitions and disposals</b>	(45)	–	–
<b>Payment of equity dividends</b>	(1,538)	(2,196)	(3,487)
<b>Net cash flow before financing</b>	(1,359)	(1,210)	(404)
<b>Financing</b>			
Issue of share capital	–	–	2,000
Costs of issue	–	–	(804)
Share capital repurchase	–	(16)	(16)
<b>Net cash flow from financing</b>	–	(16)	1,180
<b>(Decrease)/increase in cash</b>	(1,359)	(1,226)	776

**Reconciliation of operating profit to cash flow from operating activities**

	<i>6m to</i> <i>31 January</i> <i>2007</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>£'000</i>	<i>12m to</i> <i>31 July</i> <i>2006</i> <i>£'000</i>
Operating profit	2,012	1,734	4,234
Depreciation and amortisation	55	25	67
(Increase)/decrease in debtors	(176)	(498)	(830)
Increase/(decrease) in creditors	(257)	(130)	416
<b>Net cash flow from operating activities</b>	<b>1,634</b>	<b>1,131</b>	<b>3,887</b>

**Reconciliation of net cash flow to movement in net funds**

	<i>6m to</i> <i>31 January</i> <i>2007</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>£'000</i>	<i>12m to</i> <i>31 July</i> <i>2006</i> <i>£'000</i>
(Decrease)/increase in cash	(1,359)	(1,226)	776
Net funds brought forward	3,420	2,644	2,644
<b>Net funds carried forward</b>	<b>2,061</b>	<b>1,418</b>	<b>3,420</b>

**Reconciliation of movements in shareholders' funds**

	<i>6m to</i> <i>31 January</i> <i>2007</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>£'000</i>	<i>12m to</i> <i>31 July</i> <i>2006</i> <i>£'000</i>
<b>Profit for the period/year after taxation</b>	<b>1,423</b>	<b>1,257</b>	<b>3,014</b>
Dividends	(1,538)	(2,196)	(3,487)
Shares repurchased	–	(16)	(16)
Issue of new shares	106	–	2,000
Cost of share issues	(5)	–	(831)
(Decrease)/increase in shareholders' funds	(14)	(955)	680
Opening shareholders' funds	3,781	3,101	3,101
<b>Closing shareholders funds carried forward</b>	<b>3,767</b>	<b>2,146</b>	<b>3,781</b>

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information set out in this announcement does not constitute statutory accounts for the Group. Except as set out below, the financial information for the period ended 31 January 2007 has been prepared using accounting policies which are consistent with those adopted in the audited accounts of the Group for the year ended 31 January 2006.

The Company has adopted FRS20 'Share Based Payments' in the current financial year ending 31 July 2007. The Company's accounting policy in this respect is as follows:

### *"Share based payments*

The Company's employee share schemes allow the Group's employees to acquire shares in the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period."

There were no material adjustments arising as a result of this change in accounting policy in respect of the period ended 31 January 2007 or of prior periods.

The financial information for the year ended 31 January 2006 has been extracted from the statutory accounts for that year for the Group, which have been delivered to the Registrar of Companies.

The Board of Directors approved the financial information set out in this announcement on 8 March 2007.

## 2. TURNOVER AND SEGMENTAL ANALYSIS

For management purposes the Group is currently organised into a single operating division. For internal reporting purposes the Group records and monitors revenues and cost of sales according to the delivery platform to which content is delivered and through which services are provided. The Group differentiates its key business segments between Mobile Telephony and Internet. Administrative expenses are shared overheads of the business and cannot be meaningfully allocated by revenue stream. The Groups' principal tangible fixed assets consist of computer equipment and servers, which are utilised in the delivery of content and services through both platforms. All of the Group's activities are carried out in the UK.

	<i>6m to 31 January 2007 £'000</i>	<i>6m to 31 January 2006 £'000</i>	<i>12m to 31 July 2006 £'000</i>
<i>Turnover</i>			
Mobile Telephony Service	3,789	3,353	6,766
Internet Service	1,320	629	2,299
	<u>5,109</u>	<u>3,982</u>	<u>9,065</u>

### 3. DIVIDENDS

	<i>6m to</i> <i>31 January</i> <i>2007</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>£'000</i>	<i>12m to</i> <i>31 July</i> <i>2006</i> <i>£'000</i>
2005 final dividend paid (6.21 pence per share)	–	2,196	2,196
2006 interim dividend paid (3.65 pence per share)	–	–	1,291
2006 final dividend paid (4.0 pence per share)	1,538	–	–
	<u>1,538</u>	<u>2,196</u>	<u>3,487</u>

### 4. EARNINGS PER SHARE

The calculation of basic earnings per share is based on a profit for the six months ended 31 January 2007 of £1.423 million (Six months ended 31 July 2006: £1.257 million; Year ended 31 July 2006: £3.014 million) and weighted average shares in issue of 38,495,252 (Six months ended 31 January 2006: 35,512,210; Year ended 31 July 2006: 36,225,371).

Diluted earnings per share assumes dilutive options have been converted into ordinary shares throughout the period. The calculations are as follows:

	<i>6m to</i> <i>31 January</i> <i>2007</i> <i>Profit</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2007</i> <i>Shares</i> <i>No.</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>Profit</i> <i>£'000</i>	<i>6m to</i> <i>31 January</i> <i>2006</i> <i>Shares</i> <i>No.</i>
Basic earnings	1,423	38,495,252	1,257	35,512,210
Dilutive effects:				
– Options	–	3,754,800	–	–
Diluted earnings	<u>1,423</u>	<u>42,250,052</u>	<u>1,257</u>	<u>35,512,210</u>

On 4 April 2006, each of the Company's authorised and issued ordinary shares of £1 was sub-divided into 400 shares of 0.25 pence each. Also on the 4 April 2006, the Company made a bonus issue of 35,209,540 new ordinary shares of 0.25 pence each. Information in respect of dividends and earnings per share set out in notes 3 and 4 above refer to dividends and earnings per share as calculated on the basis of shares in issue and as adjusted to take account of the sub-division and bonus issue of share capital in the year ended 31 July 2006.

## PART 7

### ADDITIONAL INFORMATION

#### 1. INCORPORATION

- 1.1 The Company was incorporated in England and Wales on 12 May 1999 as a limited liability company under the Act with the name Free4internet.net Limited and with company number 3769328. The Company changed its name to Interactive World Limited on 29 July 2005. The Company was re-registered as a public limited company on 6 April 2006.
- 1.2 The Company's registered office is at Ramillies House, 2 Ramillies Street, London W1F 7LN. The Company's principal place of business is 26 Thames Road, Barking, Essex IG11 OJA.
- 1.3 The Company is subject to and operates pursuant to the provisions of the Act. The liability of the members of the Company is limited.
- 1.4 The Company's telephone number is +44 20 8507 6920 and its website is [www.interactiveworld.com](http://www.interactiveworld.com).

#### 2. SUBSIDIARIES AND INVESTMENTS

##### 2.1 *Netcollex Limited*

The Company holds 100 per cent. of the issued share capital of Netcollex. Netcollex was incorporated in England and Wales on 24 June 1999 under company number 3795005 with a current authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which 111 have been issued and are fully paid. On 19 January 2000, pursuant to a share exchange agreement between the Company (1) and David Sullivan and others (together the "Netcollex Vendors") (2) (the "Netcollex Share Exchange Agreement") the Netcollex Vendors transferred the entire issued share capital of Netcollex to the Company in consideration for the issue and allotment to the Netcollex Vendors of 222 ordinary shares of £1 each in aggregate.

##### 2.2 *Strictly Broadband Limited*

The Company is the ultimate holding company of 55.5 per cent. of the issued share capital in Strictly Broadband, with the Company holding 39.5 per cent. and Netcollex holding 16 per cent. of the issued share capital of Strictly Broadband respectively. Strictly Broadband was incorporated in England and Wales on 17 November 2004 under company number 5289443 with a current authorised share capital of £10,000 divided into 10,000 ordinary shares of £1 each of which 200 have been issued and are fully paid.

In 2005, Netcollex invested £20,000 in Strictly Broadband pursuant to which it was issued 20 ordinary shares in Strictly Broadband. On 14 March 2006, Netcollex acquired a further 12 further ordinary shares in Strictly Broadband for a price of £12,000 taking its shareholding to approximately 16 per cent. of the issued share capital of Strictly Broadband.

On 1 December 2006, pursuant to the Strictly Broadband Agreement, the Strictly Broadband Vendors (as defined in paragraph 6 of this Part 7 below) transferred 39.5 per cent. of the issued share capital in Strictly Broadband to the Company. Following completion of the Strictly Broadband Agreement and as at the date of this document, the Company holds 79 ordinary shares in the issued share capital of Strictly Broadband and Netcollex holds 32 ordinary shares in the issued share capital of Strictly Broadband and various individuals hold the remaining 89 shares. The Company has an option to purchase the outstanding 89 ordinary shares in Strictly Broadband which it does not currently own pursuant to the Strictly Broadband Option Agreement (further details of which are set out in paragraph 6 of this Part 7 below).

### 2.3 *Go Content Limited*

The Company is the ultimate holding company of Go Content, with Strictly Broadband holding 100 per cent. of the issued share capital of Go Content.

Go Content was incorporated in England and Wales on 12 April 2000 under company number 3970579 with a current authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which 1 has been issued and is fully paid. Pursuant to the Strictly Broadband Agreement (further details of which are set out at paragraph 6 of this Part 7 below), Jeremy Barnett transferred the one issued share in Go Content to Strictly Broadband and as a result Strictly Broadband now holds 100 per cent. of the issued share capital of Go Content.

2.4 Other than the Subsidiaries, the Company has no subsidiaries.

2.5 Following Completion of the Acquisition, in addition to the Subsidiaries, the following companies, all of which are wholly owned by Sport Newspapers, will form part of the Enlarged Group:

<i>Name</i>	<i>Activity</i>	<i>Date of Incorporation</i>	<i>Issued Share Capital</i>
Sport Newspapers Limited (Company no. 1994074)	Publishing of newspapers	28 February 1986	1,000 Ordinary Shares of £1 each
Melton Enterprises Ltd. (Company no. 2422639)	Publishing of newspapers	14 September 1989	100 Ordinary Shares of £1 each
News & Echo Limited (Company no. 2422632)	Non-trading company	14 September 1989	100 Ordinary Shares of £1 each
Sport.com Ltd. (Company no. 2423147)	Computer related activities	15 September 1989	100 Ordinary Shares of £1 each
Moresport Limited (Company no. 4305546)	Publishing journals and periodicals	16 October 2001	2 Ordinary Shares of £1 each

2.6 The subsidiaries listed above are all private limited companies, are incorporated in England and Wales and have their registered office at 19 Great Ancoats Street, Manchester, M60 4BT. Following the Acquisition, the registered office of each of the above companies will be changed to Ramillies House, 2 Ramillies Street, London W1F 7LN.

2.7 Sport Newspapers holds approximately a 30 per cent. shareholding in Stock Patmore Holdings Limited, a private limited company which is involved in record production.

### 3. **SHARE CAPITAL OF THE COMPANY**

3.1 The authorised and issued share capital of the Company at the date of this document, and as it will be immediately following the Placing and Admission, is/will be as follows:

	<i>Authorised</i>		<i>Issued and Credited</i>					
	<i>Number of Ordinary Shares of 0.25 pence each</i>	<i>Number of A Ordinary Shares of 0.25 pence each</i>	<i>Number of Ordinary Shares of 0.25 pence each</i>	<i>Number of A Ordinary Shares of 0.25 pence each</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Current	200,000,000	500,000	nil	nil	38,584,884	96,462.21	nil	nil
On Admission	141,733,333	354,333.34	58,266,667	145,666.66	38,584,884	96,462.21	58,266,667	145,666.66

3.2 On incorporation the Company had two ordinary shares of £1 each in issue. As at the date of this document the Company has 38,584,884 Ordinary Shares in issue. Save for the issue of ordinary shares of £1 each pursuant to the Netcollex Share Exchange Agreement, as defined and detailed in paragraph 2.1 above. The Company has not used more than 10 per cent. of the issued share capital for the purchase of assets other than cash since incorporation.

3.3 The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which two were issued as subscriber shares to the subscribers to the Company's

memorandum of association and were subsequently transferred to Keith Maddock and Nicholas Cracknell respectively for £1 per ordinary share.

- 3.4 On 12 May 1999, 140 ordinary shares of £1 each were issued to David Sullivan, 10 ordinary shares of £1 each were issued to Microplace Limited, 24 ordinary shares of £1 each were issued to Keith Maddock and 24 ordinary shares of £1 each were issued to Nicholas Cracknell, in each case for £1 per ordinary share.
- 3.5 On 30 July 1999, David Sullivan transferred 30 ordinary shares of £1 each to himself and AWD Trustees Limited jointly as trustees of The Sullivan Trust.
- 3.6 On 19 January 2000, pursuant to the Netcollex Share Exchange Agreement (further details of which are set out at paragraph 2.1 above) the Netcollex Vendors transferred the entire share capital of the Netcollex to the Company in consideration for the issue and allotment to the Netcollex Vendors of 222 ordinary shares of £1 each in aggregate.
- 3.7 On 16 February 2001, Nicholas Cracknell transferred 5 ordinary shares of £1 each to Eastern Thunder Limited.
- 3.8 The Company has purchased and cancelled 53 ordinary shares of £1 each as follows:
  - 3.8.1 On 29 January 2001, the Company purchased 20 ordinary shares of £1 each for an amount of £140,000.
  - 3.8.2 On 18 September 2001, the Company purchased 10 ordinary shares of £1 each for an amount of £110,000.
  - 3.8.3 On 29 October 2001, the Company purchased 13 ordinary shares of £1 each for an amount of £143,000.
  - 3.8.4 On 2 December 2004, the Company purchased 8 ordinary shares of £1 each for an amount of £88,000.
  - 3.8.5 On 29 September 2005, the Company purchased 1 ordinary share of £1 for an amount of £8,000.
  - 3.8.6 On 4 October 2005, the Company purchased 1 ordinary share of £1 for an amount of £8,000.
- 3.9 On 4 April 2006, the issued and unissued share capital of the Company was subdivided into Ordinary Shares of 0.25 pence each and the authorised share capital was increased from £1,000 to £500,000 by the creation of 199,600,000 additional Ordinary Shares.
- 3.10 On 4 April 2006, the sum of £88,023.86 was capitalised from distributable reserves by way of a bonus issue of 35,209,540 Ordinary Shares, such shares being allotted and distributed pro-rata amongst the holders of Ordinary Shares at that time.
- 3.11 On 3 May 2006, Pathfinder LLP exercised the Pathfinder Option (as defined in paragraph 6 of this Part 7 below) resulting in the issue and allotment to Pathfinder LLP of 353,571 Ordinary Shares on the First Admission. Further details regarding the Pathfinder Option are set out in paragraph 6 of this Part 7 below.
- 3.12 On 8 May 2006, the Company issued and allotted 38,450,438 Ordinary Shares at 73 pence per share, all of which were admitted to trading on AIM.
- 3.13 On 23 October 2006, the Directors were generally and unconditionally, for the purposes of Section 80 of the Act, authorised to allot relevant securities up to an aggregate nominal amount of £32,042 such authority to expire on the earlier of fifteen months of the passing of the resolution or the conclusion of the next annual general meeting of the Company save that the Company may, at any time before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

- 3.14 In addition, on 23 October 2006 the Directors were empowered pursuant to Section 95 of the Act to allot equity securities as if Section 89(1) of the Act did not apply to any allotment made in accordance with paragraph 3.12 above, such authority being limited to the allotment of equity securities up to an aggregate amount of £9,612. This authority expires at the earlier of fifteen months of the passing of the resolution or conclusion of the next annual general meeting of the Company, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.
- 3.15 On 1 December 2006, the Company issued and allotted 134,442 Ordinary Shares at 79.4 pence per share pursuant to the terms of the Strictly Broadband Agreement (further details of which are set out in paragraph 6 of this Part 7 below).
- 3.16 All the Ordinary Shares rank *pari passu* and, save to the extent set out in this document, the Placing Shares rank *pari passu* and no shareholder of the Company has different voting rights to other shareholders of the Company.
- 3.17 The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped and deposited in accordance with the Articles and is in favour of not more than four joint transferees and is in respect of one class only.
- 3.18 No Ordinary Shares are held by or on behalf of the Company or the Subsidiaries.
- 3.19 The par value of each Ordinary Share is 0.25 pence and the Company has not issued Ordinary Shares that are not fully paid up. The par value of each A Ordinary Share will be 0.25 pence.
- 3.20 Other than set out in this document, no person has any rights to purchase the authorised but unissued share capital of the Company and no person has been given an undertaking by the Company to increase its authorised share capital.
- 3.21 Pursuant to the Resolutions, the Directors will be given authority to allot equity securities for cash limited to 58,266,667 A Ordinary Shares in respect of the Placing and thereafter for up to a further 9,684,800 Ordinary Shares, such authority expiring on the earlier of 3 September 2008 or the conclusion of the next Annual General Meeting of the Company.
- 3.22 As at the date of this document and immediately following Admission, so far as the Directors are aware, the only persons who are directly or indirectly interested (within the meaning of Chapter 5 of the DTR) in 3 per cent. or more of the Company's capital or could exercise control over the Company are, and will be, as follows:

<i>Name</i>	<i>At the date of this document</i>		<i>On Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>% of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
David Sullivan	19,273,148 <sup>1</sup>	49.95	Nil	Nil
Dalton Strategic Partnership LLP	2,914,441	7.55	2,914,441	3.0
Shore Capital	2,482,953	6.44	2,482,953	2.5
DRWKS Securities	1,473,070	3.82	1,473,070	1.5

1. Of these Ordinary Shares, David Sullivan and AWD Trustees Limited jointly hold 2,359,398 Ordinary Shares as trustees of The Sullivan Trust (being 6.11 per cent. of the Ordinary Shares in issue at the date of this document), the sole beneficiary of which is David Sullivan.

- 3.23 Save in connection with the Placing or on the exercise of options granted pursuant to the EMI Scheme, the Share Option Plan, the Daniel Stewart Option, or as otherwise disclosed in this document, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- 3.24 The International Security Identification Number for the Ordinary Shares is GBOOB11FCP94.
- 3.25 The International Security Identification Number for the Placing Shares is GBOOB253T973.

- 3.26 On completion of the Placing, the issued share capital of the Company shall be increased by approximately 150.9 per cent. resulting in an immediate dilution of 60.1 per cent.
- 3.27 Save as disclosed in this document:
- 3.27.1 no share or loan capital of the Company has been issued or is proposed to be issued;
- 3.27.2 there are currently no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
- 3.27.3 there are no shares in the Company not representing capital;
- 3.27.4 there are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company;
- 3.27.5 there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital;
- 3.27.6 no person has any preferential or subscription rights for any share capital of the Company; and
- 3.27.7 no share or loan capital of the Company or any member of the Group is under option or agreed conditionally or unconditionally to be put under option.
- 3.28 Save in respect of having no entitlement to receive or to be paid a dividend in respect of the Company's financial year ending 31 July 2007, the Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive other dividends or other distributions if thereafter declared, paid or made on the ordinary share capital of the Company. Further details regarding the rights attaching to the Placing Shares are set out in paragraph 8 of this Part 7 below.
- 3.29 A Shareholder is required pursuant to the DTR to notify the Company if, as a result of his acquisition or disposal of Ordinary Shares or of changes in the Company's voting rights, the percentage of voting rights which that Shareholder holds reaches or exceeds 3 per cent., and each additional 1 per cent., or falls below 3 per cent.
- 3.30 Neither the Ordinary Shares nor the A Ordinary Shares are redeemable or conditional.
- 3.31 Section 89 of the Act gives the Shareholders pre-emption rights on any issue of shares by the Company to the extent not disapplied by a special resolution passed pursuant to section 95 of the Act. Details of the current section 95 disapplication resolution are set out in paragraph 3.14 above. A new section 95 disapplication resolution is being sought at the EGM.

#### 4. THE DIRECTORS', THE PROPOSED DIRECTOR'S AND OTHER INTERESTS

- 4.1 The interests (within the meaning of Chapter 5 of the DTR) of the Directors and the Proposed Director and their respective families (as defined in the AIM Rules) all of which are beneficial unless otherwise stated and of connected persons within the meaning of section 346 of the Act, in the issued share capital of the Company as at the date of this document and as it will be immediately following Admission, the existence of which is known to, or could, with reasonable diligence, be ascertained by the Directors and the Proposed Director, together with the percentages which such interests represent of the Ordinary Shares in issue are or will be as follows:

Name	At the date of this document			On Admission				
	No. of Ordinary Shares	% of Ordinary Shares	No. of Options	No. of Ordinary Shares	% of Ordinary Shares	No. of A Ordinary Shares	% of A Ordinary Shares	No. of Options
Simon Hume Kendall <sup>1</sup>	146,232	0.38	273,972	509,500	1.32	970,065	1.67	1,968,873
Andrew Fletcher	Nil	Nil	479,754	Nil	Nil	Nil	Nil	2,174,655
Nigel Blythe-Tinker	Nil	Nil	68,493	Nil	Nil	Nil	Nil	68,493
Andrew Fickling	Nil	Nil	Nil	Nil	Nil	Nil	Nil	1,694,901

<sup>1</sup> Simon Hume Kendall has agreed to subscribe 970,065 Placing Shares in the Placing and to acquire 363,268 Vendor Placing Shares pursuant to the Vendor Placing.

<sup>2</sup> Details of the options granted to the Directors and to be awarded to the Directors and the Proposed Director pursuant to the New Schemes are set out in paragraph 9 below.

- 4.2 Under the terms of the EMI Scheme and the Share Option Plan, summaries of which are set out in paragraph 9 of this Part 7 below, certain of the Directors have been issued with options to subscribe for Ordinary Shares at 73 pence and 79.5 pence per share.
- 4.3 The Directors and the Proposed Director will receive awards of Ordinary Shares on Admission pursuant to the New Schemes, further details of which are set out in paragraph 9 below.
- 4.4 Save as disclosed in this paragraph 4 above, no Director or Proposed Director or any member of their respective families (as defined in the AIM Rules) (or any person connected with him within the meaning of section 346 of the Act) is, or immediately following Admission, will be, interested, whether beneficially or otherwise, in the ordinary share capital of the Company.
- 4.5 Save as disclosed in this document, no Director or Proposed Director has any option or warranty to subscribe for new Ordinary Shares.
- 4.6 Save as disclosed in this document, as at the close of business on 7 August 2007 (being the latest practicable date prior to the publication of this document), none of the directors of Sport Newspapers, the Vendors nor their immediate families, related trusts and connected persons (within the meaning of section 346 of the Act) had any interest in any of the Existing Ordinary Shares.
- 4.7 Irrevocable undertakings to vote in favour of the Resolutions to enable, *inter alia*, the Acquisition to be implemented and the Placing Shares to be allotted, have been given by the persons shown below (or the Shareholder connected with them) in respect of all, or part of, the Existing Ordinary Shares owned or controlled by them (except where otherwise indicated) amounting to 20,298,375 Existing Ordinary Shares accounting for 52.61 per cent. of the Existing Ordinary Shares:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of the Company's issued voting share capital</i>
David Sullivan	16,913,750	43.84
David Sullivan and AWD Trustees Limited	2,359,398	6.11
Simon Hume Kendall	146,232	0.38
Robert Johnson <sup>1</sup>	495,720	1.28
Clive Sullivan <sup>1</sup>	383,275	0.99
TOTAL	20,298,375	52.61

<sup>1</sup> Robert Johnson and Clive Sullivan resigned as directors of the Company on 7 August 2007.

- 4.8 The aggregate of the remuneration paid to the Directors by the Group in respect of the period from 1 August 2006 to 31 July 2007 will be approximately £360,000 and for the period from 1 August 2007 to 31 July 2008 is estimated, under the arrangements in force at the date of this document, and including the fees payable to the Proposed Director on the assumption that Admission takes place, to be approximately £485,000, and in a full year would amount to approximately £496,000.
- 4.9 Save as disclosed in paragraph 4.12 of this Part 7 below, there will be no variation in the total emoluments receivable by the Directors and the Proposed Director as a result of the Proposals.
- 4.10 Save as disclosed in this document, there are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors or the Proposed Director and nor are there any outstanding loans or guarantees provided by any of the Directors or the Proposed Director for the benefit of the Company.
- 4.11 Clive Sullivan was appointed to the Board on 5 January 2000, Robert Johnson was appointed to the Board on 3 January 2006, and Nigel Blythe-Tinker, Andrew Fletcher and Simon Hume Kendall were appointed to the Board on 17 March 2006. On 7 August 2007, Robert Johnson and Clive Sullivan resigned as directors of the Company. Andrew Fickling will be appointed to the Board on Admission. Each Director and the Proposed Director shall remain in office until such time as their appointment with the relevant company in the Group may be terminated as described in paragraph 4.12 below. In addition, at each annual general meeting of the Company, one third of the directors of the Company

are required to retire by rotation and may stand for re-election. Failure of any director to be re-appointed upon retirement by rotation will not automatically result in termination of the employment of such director.

4.12 The services of the Directors and the Proposed Director are or shall be (as relevant) provided to the Company under the following agreements:

4.12.1 On 2 May 2006, Simon Hume Kendall entered into a letter of appointment with the Company setting out his terms of appointment as a non executive director of the Company. Pursuant to this letter of appointment, an annual fee of £30,000 was payable to Simon Hume Kendall. The appointment was for an initial term of one year and may be terminated by either party giving not less than 6 months' notice provided that such notice may not be given prior to the end of the one year fixed term. The terms of appointment also allow for early termination, *inter alia*, in the event of a breach by Simon Hume Kendall. Upon termination of appointment, no contractual benefits (other than those accruing in respect of notice period) are due to Simon Hume Kendall.

On 8 August 2007, Simon Hume Kendall entered into a new letter of appointment with the Company, conditional on Admission, pursuant to which his fee has been increased to £66,000 per annum. All other conditions of his appointment remain the same.

4.12.2 On 19 April 2006, Andrew Fletcher entered into a service agreement with the Company. The service agreement may be terminated upon either party giving not less than 12 months' notice which can be served at any time. The agreement contains provisions for early termination, *inter alia*, in the event of a breach by Andrew Fletcher. The agreement restricts Andrew Fletcher from competing with the Company for a period of 6 months after termination of employment and/or soliciting customers for a period of 12 months after termination of employment. Upon termination of the service agreement, no benefits (other than those accruing in respect of the notice period) are due to Andrew Fletcher. On 8 August 2007, conditional on Admission, Andrew Fletcher's service agreement was amended such that his annual salary will be £160,000 from Admission and he will receive a car allowance and a 15 per cent. pension contribution. All other conditions of his service agreement remain the same.

4.12.3 On 2 May 2006, Nigel Blythe-Tinker entered into a letter of appointment with the Company setting out his terms of appointment as a non executive director of the Company. An annual fee of £25,000 is payable to Nigel Blythe-Tinker. The appointment was for an initial term of 1 year and may be terminated by either party giving not less than 6 months' notice provided that such notice may not be given prior to the end of the 1 year fixed term. The terms of appointment also allow for early termination, *inter alia*, in the event of a breach by Nigel Blythe-Tinker. Upon termination of appointment, no contractual benefits (other than those accruing in respect of notice period) are due to Nigel Blythe-Tinker. On 8 August 2007, Nigel Blythe-Tinker entered into a new letter of appointment with the Company, conditional on Admission, pursuant to which his fee has been increased to £45,000 per annum. All other conditions of his appointment remain the same.

4.12.4 Immediately following the EGM but conditional upon Admission, Andrew Fickling will enter into a service agreement with the Company pursuant to which he will be employed as an Executive Director of the Company for an annual salary (subject to review) of £175,000, a car allowance and 15 per cent. pension contribution. The service agreement may be terminated upon either party giving not less than 12 months' notice which can be served at any time. The agreement contains provisions for early termination, *inter alia*, in the event of a breach by Andrew Fickling. The agreement will restrict Andrew Fickling from competing with the Company for a period of 6 months after termination of employment and/or soliciting customers for a period of 12 months after termination of employment. Upon termination of the service agreement, no benefits (other than those accruing in respect of the notice period) are due to Andrew Fickling.

4.13 Save for the Company, the Directors and the Proposed Director currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Past Directorships/Partnerships</i>
Simon Hume Kendall	Grapevine Oast Limited Hop Farm Real Estate Limited Hubstore Limited Interactive World plc Lamberhurst Estate Limited Lamberhurst Holdings Limited Lamberhurst Hotels Limited Lamberhurst Inns Limited London & Athens Limited LV Management Limited Progressive Shipmanagement Limited (in compulsory liquidation) RISC Holdings Limited Stenoak Associated Services plc (in compulsory liquidation) The Hop Farm Enterprises Limited The Hop Farm Limited The Vines Bungalow Limited	BRN Realisations Limited (in administration) Crystal Palace F.C. 1986 Limited (in compulsory liquidation) English Wines Group plc Hop Farm Trading Limited Lamberhurst Vineyard Management Limited (in compulsory liquidation) RISC Services Limited
Andrew Fletcher	Interactive World plc Strictly Broadband Limited Strictly Broadband.co.uk Limited	Digital Rum Limited Ellen Limited ESP Enterprises (UK) Limited ESP Promotions Limited Option Line Limited (compulsory liquidation) Sports & Outdoor Media International Limited Sprigg & Wilson Limited Swiss Tony Limited
Nigel Blythe- Tinker	BBT Enterprises Limited Gaming VC S.A. (a Luxembourg registered company) Interactive World plc Pentasia Limited	Digital Interactive Broadcasting Group Limited Emtec Colleges Limited Emtec (Specialised Services) Limited Emtec (Leicestershire) Limited Motor Systems Limited
Andrew Fickling	Sport Newspapers Limited	None

4.14 Save as set out in paragraphs 4.15 to 4.17 below no Director or Proposed Director has:

4.14.1 any unspent convictions in relation to indictable offences;

4.14.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;

4.14.3 been a director of a company or a partner in any firm at that time or within 12 months preceding the dates of its receivership, compulsory liquidation, company voluntary arrangement, creditors voluntary liquidation or administration, or entered into any composition or arrangement with its creditors generally or any class of its creditors;

- 4.14.4 been a partner in any partnership at the time of or within 12 months preceding the date of its liquidation, administration or voluntary arrangement;
- 4.14.5 been the owner of any asset which was placed into receivership or a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be partner in that partnership;
- 4.14.6 had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies); or
- 4.14.7 been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.
- 4.15 Simon Hume Kendall was and remains a director of the following companies that have been subject to a compulsory liquidation order:
- 4.15.1 Stenoak Associated Services Plc (“Stenoak”) which went into administrative receivership on 8 July 2002, and in respect of which an order for winding up was granted on 13 November 2002 under The Insolvency Act 1986. Stenoak was a holding company which held investments in various group companies. Having regard to the statement of affairs filed at Companies House, the estimated deficiency as regards creditors was approximately £15,404,000; and
- 4.15.2 Progressive Shipmanagement Limited in relation to which an administration order was made on 29 January 1996. The administration order was discharged on 14 July 1997 when Progressive Shipmanagement Limited went into compulsory liquidation and a court order was made for its winding up under the Insolvency Act 1986 and for the appointment of an administrator liquidator. There was no statement of affairs in respect of this liquidation.
- In addition, Simon Hume Kendall has previously been a director of the following companies:
- 4.15.3 Crystal Palace F.C. (1986) Limited from which he resigned as a director on 18 August 1999. He was a director of such company when it went into administration on 31 March 1999. The administration order was discharged on 14 May 2003 when the company was put into creditors voluntary liquidation. There was an estimated deficiency to creditors of approximately £9,889,000; and
- 4.15.4 Lamberhurst Vineyard Management Limited from which he resigned as a director on 18 April 2006. The company was put into creditors voluntary liquidation on 28 March 2007. According to the statement of affairs there was an estimated deficiency to creditors of approximately £481,110.
- 4.16 Andrew Fletcher was a director of Sportsworld Media Group plc (“SMG”) which went into administrative receivership on 10 April 2002 and in relation to which he resigned as a director on 29 November 2001. SMG acted as a holding company for a number of subsidiaries (“SMG Group”). These subsidiaries had provided guarantees totalling £8.2 million to SMG Group’s bankers in respect of SMG Group’s borrowings. SMG Group as a whole had been experiencing cash-flow difficulties and following delays to planned disposals of subsidiary businesses, had become unable to trade within its agreed overdraft facility with its bankers. This led to the appointment of administrative receivers to SMG. Following the appointment of administrative receivers to SMG, the subsidiaries no longer had access to the funding provided by SMG Group’s bankers. Consequently, administrative receivers were appointed in respect of various of them, including the following:
- 4.16.1 Chilli Industries Limited (“Chilli”) which went into administrative receivership on 15 April 2002, and in relation to which Andrew Fletcher was a director until 11 April 2002;
- 4.16.2 GI Barnett Limited which went into administrative receivership on 1 May 2002, and in relation to which Andrew Fletcher was a director until 29 November 2001;

4.16.3 Netsports Limited which went into administrative receivership on 18 June 2002, and in relation to which Andrew Fletcher was a director until 29 November 2001; and

4.16.4 Sports World Television Limited (“SWTV”) which went into administrative receivership on 11 September 2002, and in relation to which Andrew Fletcher was a director until 29 November 2001.

Having regard to the statement of affairs filed in relation to SMG, the estimated total deficiency as regards creditors was approximately £4,021,504. Having regard to the statement of affairs filed in relation to Chillli, the estimated total deficiency as regards creditors was approximately £2,661,000. Having regard to the statement of affairs filed in relation to GI Barnett limited, the estimated total deficiency as regards creditors was approximately £1,419,000. Having regard to the statement of affairs filed in relation to Netsports Limited, the estimated total deficiency as regards creditors was approximately £8,543,000. Having regard to the statement of affairs filed in relation to SWTV, the estimated total deficiency as regards creditors was approximately £8,092,000. In relation to Netsports Limited and SWTV, the estimated total deficiency to creditors as referred to in the statement of affairs filed for each company was inclusive of the £8.2 million which had been guaranteed by these subsidiaries to the SMG Group’s bankers.

4.17 Andrew Fletcher was also a director of Option Line Limited, another wholly owned subsidiary of SMG. Option Line Limited was subject to compulsory liquidation and was dissolved on 16 July 2002 following a court order dated 23 January 2002 that the company be wound up under the provisions of The Insolvency Act 1986. The court order was made on the petition of Carlton Communications pIc, a creditor of the Company. There was also a deficiency to creditors the quantum of which has not been notified to Companies House.

4.18 Save as disclosed in this document, no Director or Proposed Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group or the Enlarged Group and which was effected during the current or immediately proceeding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

4.19 The business address of David Sullivan and of AWD Trustees Limited is Birch Coppice Hall, Coppice Row, Theydon Bois, Epping, Essex CM16 7DR.

## 5. KEY EMPLOYEES

5.1 As at the date of this document, the following comprise the key employees of the Group

<i>Name</i>	<i>Title</i>	<i>Term of Office</i>
Andrew Fletcher	Chief Financial Officer	12 months’ notice
Robert Johnson	Managing Director of Netcollex Limited	24 months’ notice

5.2 Following Admission, and in addition to the above, the following will comprise the key employees of the Enlarged Group:

<i>Name</i>	<i>Title</i>	<i>Term of Office</i>
Andrew Fickling	Executive Director of the Company and Managing Director of Sport Newspapers	12 months’ notice

5.3 None of the employment contracts relating to the key management referred to above, contain a right to benefits (other than those due during the notice period due under the contract) upon termination.

5.4 As at the date of this document, the Group had 13 employees as follows, all of whom are located in the United Kingdom:

	<i>Number Employees</i>
Senior Management	2
IT/website	6
Finance, Administration and marketing	5

- 5.5 Following Completion, the Enlarged Group will have 146 employees as follows, all of whom are located in the United Kingdom:

	<i>Number Employees</i>
Senior Management	4
Editorial and production	91
Advertising and sales	19
IT/website	6
Administration	26

## **6. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group and the Sport Newspapers Group within the last two years and are or may be material:

### **A. The Group**

- 6.1 a placing agreement dated 8 August July 2007 between the Company (1) the Directors and Proposed Director (2) and Daniel Stewart (3) pursuant to which Daniel Stewart has agreed conditionally upon, *inter alia*, the passing of the Resolutions and, save in respect of those of the Placing Shares which the Directors believe will form a qualifying holding for a VCT, Admission taking place by no later than 5 September 2007 (or such later date as the Company, Daniel Stewart, and the Directors may agree not being later than 5 October 2007) to use its reasonable endeavours to procure Places for the Placing Shares. Under the terms of the Placing Agreement the Company has agreed to pay Daniel Stewart a corporate finance fee and a commission of 4.5 per cent. of the aggregate value at the Placing Price of the Placing Shares per share (together with specified expenses including fees of legal advisers). The Placing Agreement contains certain representations and warranties given by the Directors and the Company and in respect only of the Company an indemnity in favour of Daniel Stewart, together with provisions which enable Daniel Stewart to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The Directors have also undertaken to the Company and Daniel Stewart not to dispose of any of their interests in the Ordinary Shares held by them at any time on or before the first anniversary of the date of Admission except in certain limited circumstances (including where Daniel Stewart has consented to such disposal). They have also undertaken that for a further twelve months from the date of the first anniversary of Admission they will not dispose of any Ordinary Shares except through Daniel Stewart or (if Daniel Stewart is replaced) the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal);
- 6.2 an agreement dated 15 June 2007 between L&A and the Company pursuant to which L&A agreed to negotiate the purchase by the Company of Sport Newspapers. In consideration for these services, the Company agreed to pay L&A a success related fee equal to 2 per cent. of the value of the Acquisition plus VAT. This fee of £1,000,000 plus VAT is payable by the Company on Admission;
- 6.3 a share purchase agreement dated 1 December 2006 between the Company (1) Jeremy Barnett, Anthony Redfern, Sanjiv Ranjan, Kevin Durley, Nicholas Jesus, Gabriel Murray, David Krell, Robert Johnson and Matthew Barnett ("the Strictly Broadband Vendors") (2) and Strictly Broadband (3) pursuant to which the Company agreed to acquire 39.5 per cent. of the issued share capital of Strictly Broadband and the entire issued share capital of Go Content. The aggregate consideration for the acquisition was £158,000 in cash and the issue of 134,442 Ordinary Shares with an aggregate market value of £106,750 on an issue price of 79.4 pence per Ordinary Share and which was paid or were issued, respectively, upon completion of the agreement. An additional £1 was paid to Jeremy Barnett on completion for the transfer of the entire issued share capital in Go Content to the Company. The Strictly Broadband Agreement contains business and trading warranties from Jeremy Barnett to the Company and a separate tax indemnity in relation to the tax liabilities of Strictly Broadband and Go

Content arising prior to the date of the agreement. Jeremy Barnett agreed to a 12 month lock-in in respect of 37.5 per cent. of the 95,717 Ordinary Shares allotted to him;

- 6.4 an option agreement dated 1 December 2006 between the Company (1) and the Strictly Broadband Vendors (2) pursuant to which the Strictly Broadband Vendors granted call options to the Company to subscribe for 89 ordinary shares in Strictly Broadband, representing 44.5 per cent. of its issued share capital, at a price to be calculated using a formula based on a net profit of Strictly Broadband. The right to exercise the option was conditional on First Admission exercisable in whole or in part and the Company has from two to five years from the date of First Admission to exercise the options, although an earlier exercise date is permissible subject to a minimum purchase price per option share of £2,750 per share;
- 6.5 a placing agreement dated 2 May 2006 between the Company (1) the Directors (2) and David Sullivan (3) and Daniel Stewart (4) (the "First Placing Agreement") pursuant to which Daniel Stewart agreed to use its reasonable endeavours to procure subscribers for 2,739,727 Ordinary Shares at 73 pence per share (the "First Placing Price"). Under the terms of the First Placing Agreement the Company agreed to pay Daniel Stewart a corporate finance fee and a commission of 5 per cent. of the aggregate value at the First Placing Price of the placing shares per share (together with specified expenses including fees of legal advisers) and David Sullivan agreed to pay Daniel Stewart a commission of 5 per cent. of the aggregate value at the placing price of the number of vendor placing shares held by David Sullivan and sold on his behalf by Daniel Stewart pursuant to the First Placing Agreement. The First Placing Agreement contains certain representations and warranties given by the Directors, David Sullivan and the Company and in respect only of the Company an indemnity in favour of Daniel Stewart. The Directors and David Sullivan also undertook to the Company and Daniel Stewart not to dispose of any of their interests in the Ordinary Shares held by them at any time on or before the first anniversary of the date of First Admission except in certain limited circumstances (including where Daniel Stewart has consented to such disposal). In addition the Directors and David Sullivan have also undertaken that for a further twelve months from the date of the first anniversary of First Admission they will not dispose of any Ordinary Shares except through Daniel Stewart or the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal);
- 6.6 an option agreement dated 2 May 2006 between the Company (1) and Daniel Stewart (2) pursuant to which the Company granted Daniel Stewart an option to subscribe for 1,345,765 Ordinary Shares at 73 pence per share. The right is exercisable in whole or in part and Daniel Stewart has five years from the date of First Admission to exercise the option. As at the date of this document no option has been exercised pursuant to the Daniel Stewart Option;
- 6.7 a lock-in deed dated 2 May 2006 in favour of each of the Company and Daniel Stewart whereby each of the shareholders of the Company as at the date thereof (other than Rysaffe Trustee Company (CI) Limited) agreed not to dispose of any of their interest in any Ordinary Shares held by them at any time on or before the first anniversary of the date of First Admission except in certain limited circumstances (including where Daniel Stewart has consented to such disposal). In addition such persons also undertook that for a further twelve months from the date of the first anniversary of First Admission they would not dispose of any Ordinary Shares except through Daniel Stewart or the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal);
- 6.8 a lock-in deed dated 2 May 2006 in favour of each of the Company and Daniel Stewart whereby Rysaffe Trustee Company (CI) Limited agreed that it would not at any time prior to the date 6 months following First Admission (save in certain limited circumstances including where Daniel Stewart has consented to such disposal) dispose of any interest in Ordinary Shares. Rysaffe Trust Company (CI) Limited also undertook that for a further six months after the date of the sixth month anniversary of First Admission any disposal will be conducted in order to maintain an orderly market through Daniel Stewart or the Company's then broker (save in certain limited circumstances including where Daniel Stewart has consented to such disposal);

- 6.9 a lock-in deed dated 2 May 2006 in favour of each of the Company and Daniel Stewart whereby Pathfinder Partnership LLP (“Pathfinder”) agreed not to dispose of any of its interest in any Ordinary Shares held by it at any time on or before the first anniversary of the date of First Admission except in certain limited circumstances (including where Daniel Stewart has consented to such disposal). Pathfinder LLP also undertook that for a further twelve months from the date of the first anniversary of First Admission it would not dispose of any Ordinary Shares except through Daniel Stewart or the Company’s broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal);
- 6.10 a nominated adviser and broker agreement dated 2 May 2006 between the Company and Daniel Stewart pursuant to which the Company appointed Daniel Stewart to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company agreed to pay Daniel Stewart a fee of £40,000 per annum for such services. The agreement continues for a fixed period of 18 months from the date of the agreement and thereafter is subject to termination by either party on the giving of 6 months’ notice;
- 6.11 a content service agreement dated 6 March 2006 between the Company (1) and Sport Newspapers (2) (“the Content Services Agreement”) pursuant to which the Company pays Sport Newspapers 50 per cent. of gross revenue share (being revenue received from Sport Newspaper’s customers for the distribution of content via mobile telephones or the internet) in consideration for Sport Newspapers agreeing to grant the Company the exclusive right to (i) fulfil all editorial offers for the delivery of content in any newspapers or magazines published by Sport Newspapers; (ii) promote, sell, distribute and sub-licence all content for which Sport Newspapers owns exclusive rights; and (iii) produce internet, web or WAP sites containing suitable content for which Sport Newspapers owns exclusive rights;
- 6.12 an option agreement dated 20 February 2006 between the Company (1) and Pathfinder LLP (2) pursuant to which the Company granted Pathfinder LLP an option to subscribe at par value for up to 5 per cent. of the total number of Ordinary Shares issued and allotted by the Company immediately prior to First Admission (“Pre-First Admission Shares”). The number of Ordinary Shares was calculated having regard to the valuation of the entire issued ordinary share capital of the Company as agreed by the Company and Daniel Stewart (excluding for the avoidance of doubt any of the First Placing Shares) (the “Valuation”) on the basis of a sliding scale (such that Pathfinder LLP would receive a minimum of 1 per cent. of the total number of Pre-First Admission Shares if the Valuation was less than £29,999,999 and a maximum of 5 per cent. of the Pre-First Admission Shares if the Valuation was £55,000,000 or more). The option was conditional on, *inter alia*, the Company entering into the First Placing Agreement and the publication of an AIM admission document in connection with the First Admission. On 3 May 2006, Pathfinder LLP exercised the option, which resulted in the issue and allotment to Pathfinder LLP of 353,571 Ordinary Shares at an exercise price of 0.25 pence per share on the First Admission. On 20 April 2007, 85,059 Ordinary Shares were sold by Pathfinder leaving 264,013 Ordinary Shares which are currently held by three of the Pathfinder partners in their personal names;
- 6.13 an engagement agreement dated 22 November 2005 between the Company (1) and Pathfinder LLP (2) pursuant to which Pathfinder LLP agreed to provide consultancy services to the Company in relation to the First Admission. In addition, Pathfinder LLP agreed to advise on any strategic sale, joint venture and all merger and acquisition activity prior to First Admission and also to advise on the structure of the Company so as to maximise value on a listing. In consideration for these services the Company agreed to pay Pathfinder LLP a monthly retainer of £7,500 exclusive of VAT and any reasonably incurred expenses in the performance of Pathfinder LLP’s duties (not to exceed £5,000) under the agreement. Further upon successful completion of either a listing of the Company (which included the First Admission) and/or a trade sale the Company agreed to pay Pathfinder LLP a success fee of £220,000 plus VAT, such fee being paid on First Admission;

- 6.14 irrevocable undertakings dated 8 August 2007 in favour of Daniel Stewart and the Company from each of David Sullivan, David Sullivan and AWD Trustees Limited, Simon Hume Kendall, Robert Johnson and Clive Sullivan to vote in favour of all of the Resolutions at the EGM; and
- 6.15 the Acquisition Agreement.

## **B. Sport Newspapers Group**

- 6.16 a printing agreement dated 3 April 2006 between Sport Newspapers (1) and West Ferry Printers Limited (“WFPL”) (2) pursuant to which Sport Newspapers appointed WFPL to provide it with printing services from 3 April 2006 until 2 April 2018 and thereafter unless and until terminated by either party giving to the other 6 months’ written notice. Charges for the printing services were reviewed on 1 March 2007 and thereafter are reviewable annually. All copyright in all material supplied by Sport Newspapers to WFPL remains vested at all times in Sport Newspapers;
- 6.17 a printing agreement dated 3 April 2006 between Sport Newspapers(1) and Broughton Printers Limited (“BPL”) (2) pursuant to which Sport Newspapers appointed BPL to provide it with printing services from 3 April 2006 until 2 April 2018 and thereafter unless and until terminated by either party giving to the other 6 months’ written notice. Charges for the printing services were reviewed on 1 March 2007 and thereafter are reviewable annually. All copyright in all material supplied by Sport Newspapers to BPL remains vested at all times in Sport Newspapers;
- 6.18 a printing agreement dated 1 July 2003 between Benhamgoodhead Print Limited (“Benham”) (1) Sport Newspapers (2) and Moresport Limited (“Moresport”) (3) for the printing of magazines by Benham for Sport Newspapers and Moresport. The contract is effective for a minimum of 5 years from 1 June 2003 and may be terminated by either party on 6 months’ written notice to the other to expire on or after the fifth anniversary of the agreement. Price reviews take place on each anniversary of the contract and prices are reviewed to reflect any increase in the retail price index during the preceding 12 month period;
- 6.19 a distribution agreement dated 23 August 1996 between TNT UK Limited (“TNT”) (1) and Sport Newspapers (2) for the provision by TNT to Sport Newspapers of a road haulage distribution service. The initial period of this contract has now terminated although the contract continues unless and until terminated by either party on giving to the other 3 months’ notice;
- 6.20 a trading agreement between Co-operative Group (CWS) Limited (“Co-op”) (1) and Sport Newspapers (2) commencing 1 January 2007 pursuant to which Co-op agrees to stock the Sport Titles in all its controlled news retail outlets for a period of 12 months from such date;
- 6.21 an agreement between W H Smith Retail Limited (1) and Sport Newspapers (2) commencing 1 April 2007 to stock the Sport Titles in all its controlled news retail outlets for a period of 12 months from such date; and
- 6.22 an agreement between Martin McColl Limited (“MML”) (1) and Sport Newspapers (2) dated 20 December 2006 pursuant to which MML agrees to authorise Sport Newspapers to be an authorised mandatory title in all its stores. The agreement commenced on 27 November 2006 and terminates on 26 November 2007.

## **7. THE ACQUISITION AGREEMENT AND THE LOAN NOTES**

### **7.1 *The Acquisition Agreement***

On 8 August 2007 the Company entered into the Acquisition Agreement with the Vendors to acquire the entire issued share capital of Sport Newspapers. Under the terms of the Acquisition Agreement, the Company has agreed to pay consideration of £50,000,000 to be satisfied by the payment of £39,700,000 on Admission, the payment of £5,000,000 on 31 December 2007, the issue to the Vendors of £5,000,000 Loan Stock on Admission and the payment of the sum of £300,000 which will

be paid into a joint retention account pending the determination of the net current assets of Sport Newspapers Group on Admission.

Following Admission there will be a determination of the value of the net current assets of Sport Newspapers on Admission according to the terms of the Acquisition Agreement. If the net current assets of Sport Newspapers exceed the sum of £4,850,000 the joint retention account will be released to the Vendors and in addition there will be paid to the Vendors, by way of additional consideration, a sum equal to the amount of any excess above £5,150,000. If the current net assets of Sport Newspapers on Admission are less than £4,850,000, payment of a sum equal to such shortfall will be made by the Vendors to the Company by way of deduction from the joint retention account. If the net current assets of Sport Newspapers on Admission are less than £4,550,000 then in addition to the sum of £300,000 to be paid to the Company from the joint retention account, the Vendors will pay to the Company, a sum equal to the amount by which the net current assets on Admission are less than £4,550,000.

The Acquisition Agreement is conditional, *inter alia*, on the passing of the Resolutions and Admission. Under the terms of the Acquisition Agreement the Vendors have given normal commercial warranties and an indemnity in respect of the taxation liabilities of Sport Newspapers prior to Admission, such warranties and indemnity being limited as to time and amount.

The Acquisition Agreement is conditional upon, *inter alia*:

- 7.1.1 the Resolutions being duly passed without material amendment; and
- 7.1.2 the Placing Agreement not being terminated and becoming unconditional in all respects in accordance with its terms (save for any condition relating to the Acquisition Agreement becoming unconditional or Admission).

The Acquisition Agreement contains certain warranties and indemnities given by the Vendors for which the maximum aggregate liability for breach is limited to the consideration paid to the Vendors. A claim against the Vendors under the warranties (save for the warranties relating to tax) may only be brought if it exceeds £150,000 and the warranties may only be enforced by the Company on or before 45 business days following the publication of the preliminary results of the Company for the financial period ended 31 July 2009 in the case of the general warranties and prior to the seventh anniversary of Admission in the case of the warranties relating to tax.

The Vendors have also agreed on completion of the Acquisition to enter into a tax deed containing a covenant to indemnify the Company against pre-completion tax liabilities of Sport Newspapers and its subsidiaries, which may only be enforced by the Company prior to the seventh anniversary of Admission. The Company has a right to terminate the Acquisition Agreement in the event that warranty breaches or breaches of the tax deed (had it been entered into on the date of the Acquisition Agreement) or any other provision of the Acquisition Agreement are discovered before completion of the Acquisition Agreement which would have a material adverse effect on the business of the Group, being of an amount of £150,000 or more.

The Acquisition Agreement contains restrictive covenants from each of the Vendors, not to, *inter alia*, compete with the business of the Company for a period of 2 years from Admission and not to solicit any employees of Sport Newspapers and its subsidiaries for a period of 2 years from Admission.

## 7.2 ***The Loan Note***

On Admission, the Directors will issue £5,000,000 of the Loan Stock pursuant to the Loan Note. The Loan Note provides, *inter alia*, for the following:

- 7.2.1 interest is payable to the Stockholders at a rate of 2 per cent. per annum above the base rate of the Bank of England at or about 11.00 a.m. on the first business days after each date to which interest is calculated for the offering of deposits in Sterling for 3 months, such interest being payable quarterly in arrears;

- 7.2.2 all Loan Stock not previously purchased or redeemed by the Company, will be redeemed on the earlier of 31 August 2008 or the date on which the Company, by notice to the Stockholders, shall specify that such redemption or purchase is to take place, at par, together with the interest accrued to and including such date;
- 7.2.3 the Company may at any time serve notice on Stockholders of its intention to purchase Loan Stock at a price equal to the aggregate principal amount together with accrued interest;
- 7.2.4 on Admission, the Company will issue £5,000,000 of Loan Stock to the Vendors *pro rata* to their holdings of ordinary shares in the capital of Sport Newspapers.

## **8. MEMORANDUM AND ARTICLES OF ASSOCIATION**

8.1 The Company's primary object is that of a trading commercial company and this is set out in page 1 of the Company's memorandum of association.

8.2 The Articles contain provisions, *inter alia*, to the following effect:

### *8.2.1 Share capital*

The Company may by ordinary resolution:

- 8.2.1.1 increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- 8.2.1.2 consolidate its share capital into shares of larger amounts than its existing shares;
- 8.2.1.3 cancel any shares which have not been taken at the date of the passing of the resolution, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- 8.2.1.4 sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the Company's memorandum of association.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

### *8.2.2 Voting*

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or by proxy not being himself a member or (being a corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

### *8.2.3 AGM & EGM Procedures*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. Subject to the provisions of the Act, the annual general meeting shall be held at such time and place as the Directors may determine.

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by Section 368 of the Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except as stated by the requisition or proposed by the Board.

Subject to the provisions of the Act, an annual general meeting and a general meeting for the passing of a special resolution shall be called by at least twenty one clear day's notice, and all other general meetings shall be called by at least fourteen clear days' notice.

Shorter notice than that specified above may be deemed to have been given in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

Subject to regulation 41 of the Uncertificated Securities Regulations 2001, any Shareholder has the right to be admitted to any general meeting of the Company.

#### 8.2.4 *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

There is no fixed date on which an entitlement to a dividend arises. All dividends are non cumulative.

#### 8.2.5 *Variation of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated either:

8.2.5.1 in such manner (if any) as may be provided by such rights; or

8.2.5.2 in the absence of any such provision, with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. To every such meeting all the provisions

of the Articles of Association of the Company relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than 1m adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

#### 8.2.6 *Transferability*

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Directors may decline, without giving any reason, to recognise any instrument of transfer unless:

- 8.2.6.1 the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;
- 8.2.6.2 the instrument of transfer is in respect of only one class of share;
- 8.2.6.3 the instrument of transfer is in favour of not more than four transferees; and
- 8.2.6.4 the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company, then provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

#### 8.2.7 *Directors of the Company*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall be not less than two and not more than eight. Subject to certain exceptions, a Director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed at any other number shall be two.

Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes the chairman of the meeting shall have a second or casting vote. A Director who is unable to attend any meeting of the Directors and has not appointed an alternate Director may authorise any other Director to vote for him at the meeting, and in that event the Director so authorised shall have a vote for each Director by whom he is so authorised in addition to his own vote.

It shall not be necessary to give notice of a Board meeting to a Director who is absent from the United Kingdom unless he has requested the Board in writing that notices of Board meetings shall during his absence be given to him at any address in the United Kingdom.

Any Director or his alternate may validly participate in a meeting of the Board or a committee of the Board through the medium of conference telephone or any other form of communications equipment.

The Directors may delegate any of their powers to committees consisting of at least one member of their body as they think fit, provided that at least one half of the members of any such committee shall be directors of the Company and no resolution of a committee shall be effective unless at least half of those present when it is passed are Directors or alternate Directors. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors. The meetings and proceedings of any such committee consisting of two or more Directors shall be governed by the provisions of the Articles regulating the meetings and proceedings of the Directors, so far as the same are applicable and are not superseded by any regulations imposed by the Directors under the relevant Article.

Any remuneration paid for the services of the Directors, as fixed by the Company in general meeting, may be divided between the Directors as they shall agree or, failing agreement, equally and shall be deemed to accrue from day to day. The Company may remunerate a Director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring Director is eligible for re-election. In addition, any Director who as at the date of the relevant annual general meeting has been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting, and who in either case is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each Director (other than an alternate director) may appoint another Director or (subject to the approval of a majority of the Directors) any other person to be an alternate Director of the Company, and may at any time remove an alternate Director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

No person is capable of being appointed a Director if at the time of the appointment he has attained the age of 70.

#### 8.2.8 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of either four times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles but excluding certain amounts as defined therein or £20,000,000.

#### 8.2.9 *Distribution of assets on liquidation*

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the

members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the contributories.

#### 8.2.10 *Uncertificated Shares*

The Directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

#### 8.2.11 *Placing Shares*

The Placing Shares shall not be entitled to receive or to be paid dividends in respect of the Company's financial year ending 31 July 2007.

Other than in relation to the right not to receive any dividends as set out above or as otherwise expressly stated to the contrary in the Articles, the Placing Shares will rank *pari passu* with the Ordinary Shares in all respects, but shall constitute two separate classes of share.

The Placing Shares shall be converted into Ordinary Shares on a one to one basis by 31 January 2008.

### **9. THE SHARE OPTION PLAN, THE EMI SCHEME AND THE NEW SCHEMES**

9.1 On 8 May 2006, the Directors were granted the following options to subscribe for Ordinary Shares at 73 pence per share under the Share Option Plan:

<i>Name</i>	<i>No. of Ordinary Shares under option pursuant to the Share Option Plan on 8 May 2006</i>
Simon Hume Kendall	273,972
Andrew Fletcher	353,571
Nigel Blythe-Tinker	68,493
Total	<hr/> 764,529 <hr/>

As at the date of the document none of the above options have been exercised (whether in whole or in part).

9.2 On 1 November 2006, Andrew Fletcher was granted an EMI Option pursuant to the EMI Scheme in respect of 126,182 Ordinary Shares at an exercise price of 79.25 pence per share. None of the options under this option have been exercised.

9.3 In addition, the Directors and the Proposed Director have been granted, conditional on Admission, the following rights to acquire new Ordinary Shares under the New Schemes:

<i>Name</i>	<i>No. of new Ordinary Shares awarded pursuant to the Executive Incentive Plan</i>	<i>No. of new Ordinary Shares awarded pursuant to the Executive Share Bonus Plan</i>	<i>No. of new Ordinary Shares awarded pursuant to the Non Executive Incentive Plan</i>	<i>No. of new Ordinary Shares awarded pursuant to the Non Executive Share Bonus Plan</i>
Simon Hume Kendall	Nil	Nil	1,210,644	484,257
Andrew Fletcher	1,210,644	484,257	Nil	Nil
Andrew Fickling	1,210,644	484,257	Nil	Nil
<b>Total</b>	<b>2,421,288</b>	<b>968,514</b>	<b>1,210,644</b>	<b>484,257</b>

9.4 Other than as set out above, an award, conditional on Admission, under each of the Executive Incentive Plan and the Executive Share Bonus Plan of 1,210,644 Ordinary Shares and 484,257 Ordinary Shares respectively has been made to a Group employee and options over a total of a further 937,142 Ordinary Shares have been granted to 8 employees of the Group under the Share Option Plan and options over a total of a further 581,183 Ordinary Shares have been granted to 11 employees of the Group under the EMI Scheme exercisable at 79.5 pence per share.

#### 9.5 *The EMI Scheme*

9.5.1 The EMI Scheme meets the requirements of the EMI Code contained in Chapter 9 of Part 7 of, and Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003.

9.5.2 Options are to be currently satisfied by the allotment of Ordinary Shares.

9.5.3 Options are not transferable, nor are they pensionable. Options may normally be exercised between the first and the tenth anniversaries of the date of grant by the option holder, and will normally lapse on the expiry of the tenth anniversary after the date of grant. Options may be subject to vesting over a period determined by the Directors at the time of grant.

9.5.4 Performance conditions may be required to be met at the discretion of the Directors. Options will normally lapse on the expiry of the period of 40 days from the cessation of employment or the options becoming disqualified under the EMI Code except at the absolute discretion of the Directors who may extend the period of 40 days. However, in any event options will become exercisable for a period of 12 months on the death of an option holder.

9.5.5 Ordinary Shares issued pursuant to the exercise of options will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment. In all other respects the Ordinary Shares so allotted shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares in issue on the date of such allotment.

9.5.6 The option price may be adjusted in the event of a capitalisation issue or upon consolidation, subdivision or reduction of the Company's share capital, subject to the written certificate of the auditors that such adjustment is fair and reasonable and provided that no increase is made to the aggregate exercise price relating to any option.

9.5.7 The aggregate number of Ordinary Shares for which options may be granted under the EMI Scheme and together with the options otherwise granted to the Directors and employees at any time shall be further limited so that it shall not exceed 10 per cent. of the issued ordinary share capital of the Company at the relevant time when aggregated with any further options which are granted under any employee share scheme (including the Share Option Plan) in respect of rights granted during the preceding 10 years.

9.5.8 The Board has the power to amend the provisions of the EMI Scheme provided that no amendment may materially affect the rights of an option holder in respect of an option granted prior to the amendment being made without the written consent of the option holder and provided that no amendments may be made that would constitute a disqualifying event under the EMI Code.

#### 9.6 *The Share Option Plan*

The terms of the Share Option Plan are substantially the same as those set out above for the EMI Scheme other than the references to disqualifying events under the EMI Code and to the extent that the Share Option Plan does not have the tax advantages of the EMI Scheme.

#### 9.7 *Terms of the Executive Share Bonus Plan*

##### *General*

The Executive Share Bonus Plan is designed to recognise the contribution of the Executive Directors in the management team of the Enlarged Group. The award of Ordinary Shares under the Executive Share Bonus Plan is contingent on Admission.

No award may be made more than ten years after the date on which Shareholders approve the Executive Share Bonus Plan.

##### *Eligibility*

Participation in the Executive Share Bonus Plan is to be open to employees selected at the discretion of the remuneration committee. It is intended that the members of the management team who are full-time Executive Directors will be made awards prior to Admission.

##### *Making of awards*

Awards may be made at any time prior to Admission and after Admission, may be made during the six-week period following Admission and the announcement of the Company's interim or final financial results. The remuneration committee may make awards at other times in exceptional circumstances.

No award may be made more than ten years after the date on which Shareholders approve the Executive Share Bonus Plan.

##### *Individual Limits*

0.5 per cent. of the issued share capital of the Company is to be awarded to each of the participants in the form of an Executive share bonus ("the Share Bonus"), subject to the restrictions set out below.

##### *Vesting of the Share Bonus and Forfeiture*

If a participant under the Executive Share Bonus Plan resigns/ceases employment with the Company within 18 months following Admission, the Share Bonus will be forfeited. Subject to the continued employment of the participant for 18 months following the Admission, the Share Bonus will vest and the participant will be able to dispose freely of his Ordinary Shares.

Benefits under the Executive Share Bonus Plan will not be pensionable.

Further details regarding the general provisions of the Executive Share Bonus Plan are set out in paragraph 9.13 below.

## 9.8 *Terms of the Executive Incentive Plan*

### ***General***

Under the terms of the Executive Incentive Plan conditional awards of Ordinary Shares can be made at the discretion of the remuneration committee to selected employees and executives of the Enlarged Group.

### ***Eligibility***

Participation in the Executive Incentive Plan will be open to employees and Executive Directors, excluding those who are within six months of their contractual retirement date. Participants may be selected at the discretion of the remuneration committee.

### ***Making of awards***

Awards may be made at any time prior to Admission and after Admission, may be made during the six-week period following Admission and the announcement of the Company's interim or final financial results. The remuneration committee may make awards at other times in exceptional circumstances.

No award may be made more than ten years after the date on which Shareholders approve the Executive Incentive Plan.

### ***Individual limits***

The initial award under the Executive Incentive Plan shall be made on terms that the maximum number of Ordinary Shares awarded to a participant may not exceed 5 per cent. of the issued share capital of the Company. Any future awards to an individual shall be limited at the discretion of the remuneration committee.

### ***Performance conditions***

Each award ("the Award") shall be made subject to a performance condition that must be satisfied before the award vests. The initial Awards will be made subject to performance conditions based on a target share price on a sliding scale between £1.20 and £1.60 with 2.5 per cent. vesting for every penny increase in the share price.

The remuneration committee will have the right to set different performance conditions for future Awards. The remuneration committee will also have discretion to change a performance condition if events happen that make it fair and reasonable to do so, but not so as to make, in the opinion of the remuneration committee, the performance condition materially easier or materially more difficult to satisfy than when the Award was made.

### ***Vesting***

Subject to satisfaction of the defined performance conditions and to continued employment, the conditional Award will normally vest as to one third on each of the following dates:

- the first anniversary of the date of Award;
- the second anniversary of the date of Award; and
- the third anniversary of the date of Award.

Unvested Awards normally lapse on termination of employment. However, the following special rules may apply. The remuneration committee may exercise its discretion to allow a departing executive's Award to vest to the extent that the performance condition has been met *pro rata* to the time elapsed since the date of the Award.

Awards may vest early in the event of a change of control, amalgamation, reconstruction or voluntary winding up of the Company, and also on a demerger if the remuneration committee so decides. In such

circumstances, the performance condition must be satisfied as applied over the shorter period, unless the remuneration committee at its discretion and acting fairly and reasonably, treats the performance condition as satisfied, taking into account the performance of the Company up until the relevant event.

Prior to the vesting of an Award, the Award may not be transferred, assigned, charged or otherwise encumbered but this will not restrict any right of personal representatives following the death of the participant.

Further details regarding the general provisions of the Executive Incentive Plan are set out in paragraph 9.13 below.

#### **9.9 *Details of the Employee Trust***

An employee trust is to be established by the Company in order to operate the Executive Share Bonus Plan and the Executive Incentive Plan (“the Employee Trust”). The trustee of the Employee Trust will be a third party trustee company.

The principal terms of the Employee Trust are that it is a discretionary trust, the beneficiaries of which are the executives and former executives of any Group company and their spouses, widows, widowers and children or step-children under the age of 18. The Employee Trust is an employee share scheme and the trustee will have the power to facilitate share awards including but not limited to the power to acquire Ordinary Shares, or make conditional share awards under the Company’s share plans, transfer Ordinary Shares to beneficiaries (by gift or otherwise), transfer Ordinary Shares pursuant to any employees’ share scheme and assist beneficiaries in acquiring the Company’s Ordinary Shares. The Company has the power to amend the Employee Trust deed with agreement of the trustee. Certain restrictions on the ability to amend Employee Trust deed will be contained in the deed. It is anticipated that the Employee Trust will be funded by loan/contribution from the Company.

#### **9.10 *The Non Executive Share Bonus Plan***

##### ***General***

The Non Executive Share Bonus Plan contains the necessary provisions to make awards to Non Executive Directors on substantially the same terms as the Executive Share Bonus Plan other than as provided below.

The Non Executive Share Bonus Plan will be operated and administered by the Board.

##### ***Eligibility***

Participation in the Non Executive Share Bonus Plan may be by non executive directors of the Company selected by the Board. The participants in the Share Bonus Plan must not resign/terminate their non executive directorships, in accordance with the terms of their appointment, during a period of 12 months following Admission.

##### ***Individual Limits***

As above, 0.5 per cent. of the issued share capital of the Company is to be awarded to each of the participants in the form of a Non Executive Share Bonus (“the Non Executive Share Bonus”), subject to the restrictions set out below.

##### ***Vesting of the Non Executive Share Bonus and Forfeiture***

If a participant under the Non Executive Share Bonus Plan terminates his non executive directorship with the Company within 18 months following Admission, the Non Executive Share Bonus will be forfeited. Subject to the participant remaining as a non executive director of the Company for 18 months following Admission, the Non Executive Share Bonus will vest and the participant will be able to dispose freely of his Ordinary Shares.

Further details regarding the general provisions of the Non Executive Share Bonus Plan are set out in paragraph 9.13 below.

#### 9.11 *Terms of the Non Executive Incentive Plan*

##### *General*

The Non Executive Incentive Plan contains the necessary provisions to make awards to non executive directors on substantially the same terms as the Executive Incentive Plan other than as provided below.

The Non Executive Incentive Plan will be operated and administered by the Board.

##### *Eligibility*

Participation in the Non Executive Incentive Plan will be open to non executive directors of the Company. The Board will select those to whom awards are to be made.

##### *Vesting*

Awards normally lapse on termination of the non executive directorship. However, the following special rules may apply. Awards will be forfeited on termination of the non executive directorship, unless the Board exercises its discretion to allow them to vest.

Further details regarding the general provisions of the Non Executive Incentive Plan are set out in paragraph 9.13 below.

#### 9.12 *Details of the Non-Executive Trust*

A non executive trust (“the Non Executive Trust”) is to be established by the Company in order to operate the Non Executive Incentive Plan and the Non Executive Share Bonus Plan. The trustee of the Non Executive Trust will be a third party trustee company. The principal terms of the Non Executive Trust are substantially on the same terms as the Employee Trust except that it is not an employee share scheme and the beneficiaries are the non executive and former non executives of any Group company and their spouses, widows, widowers and children or step-children under the age of 18.

#### 9.13 *Provisions applying to the Executive Share Bonus Plan, The Executive Incentive Plan, the Non Executive Share Bonus Plan and the Non Executive Incentive Plan (together “the New Schemes”)*

##### *Issue of Ordinary Shares*

Awards under the New Schemes may be granted over new or existing Ordinary Shares. Ordinary Shares will be allotted, re-issued as treasury Ordinary Shares or transferred to a participant within 30 days of vesting only where satisfactory arrangements have been made to collect income tax and national insurance from the participants.

Ordinary Shares transferred or allotted under the New Schemes will, upon the holder’s name being entered on the Company’s register of members, rank *pari passu* with the then issued Ordinary Shares (save for any entitlements accruing to Ordinary Shares by reference to a record date preceding the date of entry on the register of members).

The Company will apply for admission to, and trading on, AIM for any new Ordinary Shares allotted and issued under the New Schemes after Admission.

##### *Adjustment of awards*

In the event of any variation of the Company’s share capital, including a capitalisation issue, rights issue, sub-division or consolidation of Ordinary Shares, or payment of a capital dividend or similar event, or a reduction of share capital, and in the event of a demerger, such adjustments may be made as appropriate to the number of Ordinary Shares subject to awards under the New Schemes.

### ***Amendments***

Each of the New Schemes may be amended except that the basis for determining a participant's entitlements, and any adjustments on a variation in capital, may not be altered to the advantage of participants without the prior agreement of the Company in general meeting, except for minor amendments to benefit the administration of each of the New Schemes, to take account of changes in legislation, to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company or for members of the Group.

### ***Limits on the issue of Ordinary Shares under the New Schemes***

The rules of the New Schemes permit awards to be satisfied on vesting by new issue Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market. The number of Ordinary Shares that may be issued under the New Schemes, when aggregated with the number of Ordinary Shares issued under any share or option plan for employees or non executives operated by the Company after Admission and in the ten years immediately preceding the date upon which an option or award is granted, shall not exceed 10 per cent. of the Company's issued ordinary share capital at the date of grant. Options granted and awards made prior to Admission shall not count toward this limit.

Benefits under the New Schemes will not be pensionable.

## **10. LITIGATION**

- 10.1 Neither the Company nor any of the Subsidiaries is or has been engaged in any government, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability nor as far as they are aware are any such proceedings pending or threatened.
- 10.2 Neither the Sport Newspapers nor any company in the Sport Newspapers Group is or has been engaged in any government, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Enlarged Group's financial position or profitability nor as far as they are aware are any such proceedings pending or threatened.

## **11. UNITED KINGDOM TAXATION**

### **11.1 *Introduction***

The information in this section is based on the Directors' understanding of current tax law and HM Revenue & Customs practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Existing Ordinary Shares and the Placing Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Existing Ordinary Shares and the Placing Shares should continue to be treated as unquoted securities.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

### **11.2 *Capital Gains Tax ("CGT")***

#### **11.2.1 *Disposals***

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares after 6 April 1998 is usually treated on a last in, first out basis for the purposes of

calculating gains that are chargeable to tax unless the shares are subsequently re-purchased within 30 days.

A UK resident corporate shareholder disposing of shares in a company may be liable to corporation tax on chargeable gains in relation thereto at the usual rates of corporation tax applicable to it (currently either at the full rate of 30 per cent. or at the small companies rate of 20 per cent.). In computing the chargeable gain liable to corporation tax, the shareholder is entitled to deduct from the disposal proceeds, the cost to it of the shares, together with incidental costs of acquisition, as increased by indexation allowance, and disposal costs.

In some circumstances, a shareholder may be exempt from corporation tax in relation to its disposal of shares under the substantial shareholding exemption or be able to reduce the quantum of the gain by capital and/or income losses arising to the corporate shareholder.

#### 11.2.2 *Taper Relief*

On 5 April 1998, “taper relief” was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a “business” or “non-business” asset. The scale of relief is enhanced for those assets that qualify as “business” assets. Business assets include shares in qualifying unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted.

During the period for which the shares are held the classification may change so that for part of the holding period, shares in the Company will be deemed to be non-business assets with the associated reduced scales of taper relief applicable. If this is the case, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

#### 11.2.3 *CGT Gift Relief*

If shares in an AIM company, which is a trading company, or the parent company of a trading group, are transferred to a third party, other than at arm’s length, any deemed capital gain can be “held over”, i.e. the CGT liability is postponed until a subsequent arm’s length disposal by the transferee, who effectively inherits the transferor’s base cost. The relief must be claimed by both the transferor and the transferee within five years after the 31 January immediately following the end of the relevant tax year in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years after the end of the relevant tax year in which the gift was made. If CGT gift relief is claimed, the effect of the claim is that the ownership for taper relief purposes starts again, with no taper relief in respect of the previous period of ownership being applicable.

Gift relief is not available on gifts to a trust where the donor can still receive any benefit from the trust.

#### 11.2.4 *Inheritance Tax (“IHT”)*

Shares in qualifying AIM trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes takes place.

#### 11.2.5 *The Placing Shares*

The conversion of the A Ordinary Shares to Ordinary Shares is expected to be regarded as a reorganisation of share capital for capital gains tax purposes, to the effect that the holders of the A Ordinary Shares will be deemed not to have made a disposal of their A Ordinary Shares.

Following the conversion the new Ordinary Shares will be treated as replacing the original A Ordinary Shares and carry the original base cost for the purpose of any future share disposals.

### 11.3 *Income Tax*

#### 11.3.1 *Taxation of Dividends*

- 11.3.1.1 The Company will not be obliged to make any withholding on account of UK tax on payment of any dividends. UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's income tax liability at the dividend ordinary rate in respect of the dividend but not liability at the dividend upper rate. UK resident individual shareholders who are subject to income tax at the higher rate (currently 40 per cent.) will have to account for additional tax at the dividend upper rate of 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent of the dividend plus tax credit (equal to 25 per cent. of the cash dividend). In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.
- 11.3.1.2 A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received.
- 11.3.1.3 A UK pension fund or a charity is denied a repayment of the tax credit.
- 11.3.1.4 Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is part of a dealing trade managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim relief for all or part of the tax credits carried by the dividends they received from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

#### 11.3.2 *Loss Relief*

If a loss arises on the disposal of shares in an unquoted trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year or both years, the Shareholder may choose which year takes priority. Subject to the application of targeted anti-avoidance rules, any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years.

### 11.4 *Stamp Duty and stamp duty reserve tax*

Transfers or sales of Ordinary Shares will be subject to *ad valorem* stamp duty (payable by the purchaser and generally at the rate of 0.5 pence per £1 or part thereof rounded up to the nearest £5 and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within sixty days of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at the same rate as stamp duty). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

### 11.5 *Venture Capital Trusts ('VCT')*

Application has been made to HMRC for advance assurance that the Placing Shares will be eligible for the purposes of the VCT legislation and may as a result be a qualifying investment for VCT but advance assurance has not yet been received.

Whilst the Company cannot guarantee to conduct its activities in a way to allow it to maintain its status as a qualifying VCT investment, the Directors intend, so far as possible, to do so.

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

## 12. **WORKING CAPITAL**

The Directors and the Proposed Director are of the opinion that, having made due and careful enquiry and after taking into account the net proceeds of the Placing to be received by the Company, the working capital available to the Enlarged Group will, on Admission, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 13. **GENERAL**

- 13.1 The total expenses of, or incidental to, the Acquisition, the Placing and Admission which are payable by the Company are estimated to amount to approximately £4,500,000 (excluding value added tax).
- 13.2 The gross proceeds expected to be raised by the Placing are £43,700,000 of which the Company will receive £40,000,000. The estimated net proceeds accruing to the Company after deduction of commissions and expenses (excluding VAT) are £40,000,000. The Company is satisfying £800,000 of the expenses of, or incidental to, the Acquisition, the Placing and Admission out of its own resources.
- 13.3 Except as stated in this document, there are no significant investments in progress by the Company.
- 13.4 Except as stated in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.
- 13.5 Mazars LLP, who are registered as auditors by the Institute of Chartered Accountants in England and Wales, have given and not withdrawn their consent to the issue of this document with the inclusion in it of their reports and references to their name in the form and context in which they respectively appear.
- 13.6 Daniel Stewart has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 13.7 Except as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 January 2007, the date to which the last consolidated financial information was made up.
- 13.8 Except as disclosed in this document, there has been no significant change in the financial or trading position of the Sport Newspapers Group since 31 May 2007, the date to which the last consolidated financial information was made up.
- 13.9 The Placing Price of 75 pence per Placing Share represents a premium of 74.75 pence for each A Ordinary Share to the nominal value of each A Ordinary Share.
- 13.10 Save as disclosed in this document, no person directly or indirectly (other than the Company's professional advisers referred to in this document and trade suppliers) has:
  - 13.10.1 received, directly or indirectly, from the Company within 12 months preceding the date of this document; or

- 13.10.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly from the Company on or after Admission any of the following:
- 13.10.2.1 fees totalling £10,000 or more; or
  - 13.10.2.2 securities in the Company with a value of £10,000 or more; or
  - 13.10.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 13.11 None of the Directors or the Proposed Director or any members of a Director's family (as defined in the AIM Rules) or any member of the Proposed Director's family (as defined in the AIM Rules) is interested in any related financial product (as defined in the AIM Rules) whose value in whole or part is determined directly or indirectly by reference to the price of the Ordinary Shares or the Placing Shares, including a contract for difference or a fixed odds bet.
- 13.12 The accounting reference date of the Company is 31 July.
- 13.13 So far as the Directors and the Proposed Director are aware, and save as set out in this document, there are no known trends, uncertainties, demands or events that are reasonably expected to have a material effect on the Enlarged Group's prospects for at least the current financial year.
- 13.14 The auditors of the Company and Netcollex for the year ended 31 July 2006 were MRI Moores Rowland LLP, which merged its practice with Mazars LLP on 16 April 2007, and Mazars LLP have audited the consolidated non-statutory financial information on the Company for the six months ended 31 January 2007.
- 13.15 The auditors of the Company and Netcollex for the financial years ended 31 July 2000 to 31 July 2005 were F. Winter & Co, who are registered as auditors by the Institute of Chartered Accountants in England and Wales. F. Winter & Co's address is Ramillies House, 2 Ramillies Street, London W1F 7LN.
- 13.16 The auditors of Sport Newspapers for the financial years ended 31 August 2004 to 31 August 2006 were Edwards, who are registered as Chartered Accountants and registered auditors. Edwards address is Harmony House, 34 High Street, Aldridge, Walsall, WS9 8LZ. Edwards will resign as auditors of Sport Newspapers on completion of the Acquisition.
- 13.17 The following dividends have been paid since the Company's incorporation:
- 13.17.1 a dividend for the year ended 31 July 2001 of £2,274,000;
  - 13.17.2 a dividend for the year ended 31 July 2002 of £2,270,210;
  - 13.17.3 a dividend for the year ended 31 July 2003 of £2,103,450;
  - 13.17.4 a dividend for the year ended 31 July 2004 of £1,892,100;
  - 13.17.5 a dividend for the year ended 31 July 2005 of £2,195,550;
  - 13.17.6 on 10 February 2006 the Company declared a dividend of £3,500 per Ordinary Share of £1 each in relation to the six months ended 31 January 2006, representing an aggregate dividend of £1,291,500; and
  - 13.17.7 a dividend for the year ended 31 July 2006 of £1,538,017.
- 13.18 Other than as disclosed above, no dividends have been paid since the Company's date of incorporation.
- 13.19 No person has made a public takeover bid for the Company's issued share capital since its incorporation.

- 13.20 Details regarding the related party transactions for the Group during the period 1 September 2003 to 31 May 2007 are set out in Part 5 of this document and details of the Content Services Agreement between the Company and Sport Newspapers are set out in paragraph 6 of this Part 7.
- 13.21 Details regarding the related party transactions for Sport Newspapers Group during the period 1 September 2003 to 31 May 2007 are set out in Part 4 of this document.
- 13.22 As far as the Directors and the Proposed Director are aware there are no arrangements relating to the Enlarged Group, the operation of which may at a subsequent date result in a change of control of the Company.
- 13.23 Save as set out in this document and as far as the Directors and the Proposed Director are aware, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 13.24 Save as disclosed in this document the Company has no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- 13.25 Other than the First Admission and the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 13.26 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing Agreement until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 5 October 2007, application monies will be returned to the Placees at their risk without interest.
- 13.27 The Directors have applied for the Existing Ordinary Shares to be re-admitted to CREST with effect from Admission and for the Placing Shares to be admitted to CREST from Admission. Accordingly, it is expected that the Placing Shares and the Vendor Placing Shares will be enabled for settlement in CREST following Admission. Placees who are system members may elect to have their Placing Shares and the Vendor Placing Shares allocated to them in uncertificated form through CREST.
- 13.28 It is expected that definitive share certificates for the Placing Shares and the Vendor Placing Shares will be despatched by hand or first class post by 12 September 2007. In respect of Placing Shares and the Vendor Placing Shares in uncertificated form it is expected that CREST stock accounts will be credited on 5 September 2007.
- 13.29 The Company's registrars are responsible for keeping and maintaining the Company's register of members.
- 13.30 Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares and the Placing Shares:
- 13.30.1 Mandatory bid
- The Code applies to the Company. Under the Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panell to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### 13.30.2 Squeeze-out

Under the Act, if a person who has made a general offer (an “offer”) to acquire Ordinary Shares (the “offeror”) were to acquire, or contract to acquire, 90 per cent. of the Ordinary Shares to which the offer relates, within the time period specified in the Act, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to all Shareholders who have not accepted the offer (the “Outstanding Shareholders”) telling them that the offeror will compulsorily acquire their Ordinary Shares and, six weeks later, executing a transfer of the outstanding Ordinary Shares in the offeror’s favour and (if not paid to the Shareholders) paying the consideration to the Company, which would hold the consideration on trust for Outstanding Shareholders. The consideration offered to the Outstanding Shareholders must, in general, be the same as the consideration which was available under the offer.

### 13.30.3 Sell-out

The Act gives minority Shareholders a right to be bought out in certain circumstances by the offeror. If, at any time before the end of the period within which the offer can be accepted, the offeror holds, or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the offer relates who has not accepted the offer can, by a written communication to the offeror, require it to acquire that holder’s Ordinary Shares.

The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his rights, the offeror is entitled to and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

13.31 Where, in this document, information has been sourced from a third party, it has been accurately reproduced and as far as the Company, the Directors and the Proposed Director are aware and are able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **14. AVAILABILITY OF THIS DOCUMENT**

Copies of this document will be available from the date of this document free of charge to the public on any week day (Saturdays, Sundays and public holidays excepted) at the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London EC2R 8DD until at least one month from Admission.

8 August 2007

# INTERACTIVE WORLD PLC

(Registered in England and Wales with company number 3769328)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an **EXTRAORDINARY GENERAL MEETING** of the Company will be held at the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London EC2R 8DD on 3 September 2007 at 10.00 a.m. to consider, and if thought fit, to pass (with or without modifications) the following resolutions which will be proposed as to Resolutions numbered 1 and 2 and 4 to 7 as Ordinary Resolutions and as to Resolutions 3, 8 and 9 as Special Resolutions:

### ORDINARY RESOLUTIONS

1. THAT, conditional on Admission (as defined in the circular dated 8 August 2007 relating to the Company of which the notice of extraordinary general meeting which contained this resolution formed part (the “**Circular**”)), the acquisition by the Company of the entire issued share capital of Sport Newspapers Limited upon the terms and subject to the conditions contained in the Acquisition Agreement (as defined in the Circular) made between (1) the Company and (2) the Vendors (as defined in the Circular) and dated 8 August 2007 (copies of which were produced to the meeting and initialled for the purposes of identification by the Chairman) be and is hereby approved pursuant to Rule 14 of the AIM Rules (as defined in the Circular) and that the consent of the holders of ordinary shares of 0.25 pence each in the Company to the transaction contemplated by the Acquisition Agreement be and is hereby given.
2. THAT 58,266,667 of the unissued ordinary shares of 0.25 pence each in the capital of the Company be and are hereby re-designated as A ordinary shares of 0.25 pence each having the rights set out in Resolution 3 below.

### SPECIAL RESOLUTION

3. THAT:
  - 3.1 Article 8.1 of the Company’s articles of association (the “**Articles**”) be amended as follows:
    - “8.1 The authorised share capital of the Company is £500,000 divided into 141,733,333 ordinary shares of 0.25 pence each and 58,266,667 A ordinary shares of 0.25 pence each, such A ordinary shares of 0.25 pence each having the rights set out in Article 8.2 below.”
  - 3.2 The Articles be amended by the addition of a new Article 8.2 as follows:
    - 8.2 “The A ordinary shares of 0.25 pence each (the “**A Ordinary Shares**”) shall have the following rights:
      - (a) the A Ordinary Shares shall not be entitled to receive, and shall not be paid, any dividends in respect of the Company’s financial year ending 31 July 2007;
      - (b) the A Ordinary Shares shall automatically convert into Ordinary Shares on a one to one basis on the earliest to occur of the following: (aa) the date on which the directors of the Company decide that circumstances have arisen which make conversion into Ordinary Shares appropriate; or (bb) 31 January 2008;
      - (c) other than as set out in Article 8.2 (a) and (b) above, the A Ordinary Shares will rank pari passu with the Ordinary Shares in all respects, but shall constitute two separate classes of share.”

### ORDINARY RESOLUTIONS

4. THAT the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the “**Act**”) to exercise all the powers of the

Company to allot relevant securities (within the meaning of section 80(2) of the Act) of the Company provided that such power be limited to:

- (i) the allotment of up to 58,266,667 Placing Shares (as defined in the Circular) in connection with the Placing (as defined in the Circular); and
- (ii) the allotment of relevant securities otherwise than the above up to an aggregate nominal amount of £80,709 to such persons and at such times and on such terms as they think fit,

provided that this aggregate authority shall (unless previously revoked or varied by the Company in general meeting) expire on the earlier of 3 September 2008 and the conclusion of the next Annual General Meeting of the Company following the passing of this resolution save that the Company may, before such expiry, make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuance of such offers or agreements as if this authority had not so expired and in this resolution the expression “relevant securities” and references to the allotment of relevant securities shall have the same respective meanings as given in section 80 of the Act.

- 5. THAT, conditional on Admission, Andrew Fickling be appointed as a director of the Company.
- 6. THAT, conditional on Admission, as required by Article 33.2 of the Articles, the Company and its subsidiaries, as enlarged by the acquisition of Sport Newspapers Limited, be and are hereby authorised to incur borrowings of up to £40,000,000 in aggregate.
- 7. THAT the:
  - 7.1 Interactive World plc Executive Share Bonus Plan (as defined in the Circular) and the Employee Trust (as defined in the Circular);
  - 7.2 Interactive World plc Executive Incentive Plan (as defined in the Circular);
  - 7.3 Interactive World plc Non Executive Share Bonus Plan (as defined in the Circular) and the Non Executive Trust (as defined in the Circular); and
  - 7.4 Interactive World plc Non Executive Incentive Plan (as defined in the Circular);

(together “the New Schemes”), the rules of which are summarised in the Circular and which were produced to the Meeting (and, for the purposes of identification, signed by the Chairman), each be and are hereby approved and adopted by the Company and that the directors of the Company be and are hereby authorised to take all steps which they consider necessary or expedient to establish and carry each of the New Schemes into effect.

### **SPECIAL RESOLUTIONS**

- 8. THAT the directors of the Company be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities for cash under the authority conferred on them by Resolution 4 above as if section 89(1) of the Act did not apply to any such allotment provided that this power be limited to:
  - (i) the allotment of up to 58,266,667 Placing Shares (as defined in the Circular) in connection with the Placing (as defined in the Circular);
  - (ii) in connection with a rights issue, open offer or equivalent offer in favour of the holders of Ordinary Shares and such other equity securities of the Company as the directors may determine in which such holders are offered the right to participate in proportion (as nearly as may be) to their respective holdings or in accordance with the rights attached thereto but subject to such exclusion or other arrangements as the directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body in any territory; and

- (iii) otherwise than pursuant to paragraphs (i) and (ii) above up to an aggregate nominal amount of £24,212,

provided that this aggregate authority shall (unless previously revoked or varied by the Company in general meeting) expire on the earlier of 3 September 2008 and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may, before the expiry of this power, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if this power had not so expired and in this resolution the expression “equity securities” and references to the allotment of equity securities shall have the same respective meanings as given in section 94 of the Act.

9. THAT the name of the Company be changed to “Sport Media Group plc.”

DATED this 8th day of August 2007

By Order of the Board  
Andrew Fletcher ACA  
*Secretary*

*Registered Office:*

Ramilles House  
2 Ramilles Street  
London W1F 7LN

Notes:

1. **A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. Any such proxy need not be a member of the Company.**
2. A form of proxy is enclosed. The appointment of a proxy will not prevent you from subsequently attending and voting at the meeting in person.
3. To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the Company’s registered office not less than 48 hours before the time for holding the meeting.
4. In accordance with regulation 41 of the Uncertificated Securities Regulations 2001, only those ordinary shareholders registered in the register of members of the Company as at 12.00 noon on 1 September 2007, or in the event that the meeting is adjourned, in such register 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of securities after 12.00 noon on 1 September 2007, or in the event that the meeting is adjourned, in such register less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.