

Press Release 27 October 2009

SPORT MEDIA GROUP PLC

("Sport Media", "SPMG", "the Group" or "the Company")

Interim results for the twelve months to 31 July 2009 and Board Appointment

Sport Media Group plc (AIM: SPMG.L), the integrated multi-media group that publishes the Sunday and Daily Sport newspapers, numerous magazines and digital content for internet and mobile channels, publishes its interim results for the twelve months ended 31 July 2009.

Interim Period Trading Summary

- Turnover down 22% to £22.9 million (2008: £29.4 million)
- Underlying operating profit £0.3 million (2008: £6.4 million)
- Underlying pre-tax loss £(0.4) million (2008: profit £6.0 million)
- Adjusted EPS loss 0.63p (2008: profit 5.72p)

Commenting on the Interim results, Andrew Fickling, Chief Executive Officer, said:

"With significant re-financing and re-structuring now completed, and the management team able to focus all of their attention on the Group's future strategy, we are well positioned to build on our current profitability and deliver the potential that this group of companies has always promised – to become creator, owner and multi-platform distributor of exclusive content in the men's lifestyle sector."

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Notes to Editors:

Formed by a reverse takeover of Sport Newspapers Limited by Interactive World plc, SPMG combines an established national newspaper brand with recognised experience in the delivery of content through digital channels, including both broadband and mobile.

CHAIRMAN'S STATEMENT

Overview

In the 12-month period to July 31st 2009, incorporating the second six months of our 17 month reporting period to 31st December 2009, the Company has seen a substantial change in fortunes as it underwent a significant re-structuring and re-financing process. Revenues were £23m (2008: £29.4m), Pre-exceptional Operating Profit was £300k (2008 £6.4m), and adjusted earnings per share were (0.63)p (2008 5.72p).

Decisive and focussed management action during the period saw the Group re-negotiate its banking facilities, secure additional financing from Gold Group International and David Sullivan and return Sport Newspapers to sustainable profitability. Front magazine was sold to re-focus the management on the Group's core publishing and digital businesses, enabling us to implement further cost reductions and more effective cost management practices across all divisions, which included securing a material improvement in the terms of the newspaper's print contract.

As a result of these initiatives, and a provision against the outstanding debtor claim against the newspaper distribution arm of Dawson Holdings (£200k), we have borne some significant exceptional costs, amounting to £2.4m in the period. We are bearing additional interest costs, as a consequence of the bank re-negotiation and the additional finance provision, but the Board is now confident of the survival of the business, and the Group is achieving consistent monthly profitability and positive cash generation.

David Sullivan has made a positive impact as Honorary Publisher of the newspaper and circulation of the titles has risen over 10% from the nadir in March. Improvements in the newspaper supply chain have ensured that the previously experienced declines in retailers have been arrested, and total retailer numbers remain steady at c. 40,000. The Digital Division suffered the loss of a significant hosting and web development contract in the period (c. £2m), and while some revenue lines have declined, others are showing signs of growth. In particular, the Digital Division was able to take advantage of the liquidation of a former service provider to establish in August 2009, Telecom2, an ISP and Tier-2 telecoms business that will have significant impact on margins across the Group, as well as providing it with general telecoms and hosting services. Both sides of the Group rely on the discretionary spending power of our consumers, but although the sales and advertising markets remain difficult in both sectors, we are optimistic for the future.

Andrew Fletcher left the business in August, and we have appointed Neil Robertson, who has been the Financial Director of the Newspaper for the last 1½ years, to the Board with immediate effect. We continue to make progress with our search for a new Chairman and are hopeful of making an announcement on this matter in the near future.

We continue to seek strategic opportunities to develop the business, and to find ways of reducing group debt which stood at £12.7m as at 31st July (2008 £9.9m). The focus of the Board is on building shareholder value through the reduction of the long term debt, and therefore there will be no dividends until a significant proportion of the Group debt is repaid. The Group expects to show enhanced underlying profitability in the remaining months of the year.

David Bailey

Chairman

26 October 2009

CONSOLIDATED INTERIM INCOME STATEMENT

Unaudited Results for the twelve months ended 31st July 2009

		12 months to 31 July 2009	12 months to 31 July 2008
	Note	Unaudited £'000s	Audited £'000s
Revenue		22,898	29,394
Cost of sales		<u>(17,729)</u>	<u>(16,095)</u>
Gross profit		5,169	13,299
Administrative costs		<u>(4,906)</u>	<u>(6,865)</u>
Underlying operating profit*		263	6,434
Depreciation		(128)	(225)
Finance income		44	103
Finance costs		<u>(550)</u>	<u>(309)</u>
Underlying profit before tax **		(371)	6,003
Share based payment charges		(1,315)	(1,026)
Re-organisation and re-launch charges		(1,741)	(1,489)
Exceptional charges		(615)	
Negative goodwill on acquisitions		-	279
Amortisation of intangibles		(2,053)	(1,316)
Impairment of goodwill and other intangibles		<u>(1,631)</u>	<u>(20,676)</u>
(Loss)/profit before tax		(7,726)	(18,225)
Taxation credit/(charge)		<u>1,437</u>	<u>191</u>
(Loss)/profit for the period from continuing operations		(6,289)	(18,034)
Minority interest		<u>(39)</u>	<u>(65)</u>
(Loss)/profit for the period attributable to equity holders of the parent		<u>(6,328)</u>	<u>(18,099)</u>
Earnings per share for profit attributable to the equity holders of the Company during the period:			
Basic (loss)/earnings per share	4	<u>(6.53)p</u>	(19.87)p
Adjusted (loss)/earnings per share	4	<u>(0.63)p</u>	5.72p
Diluted (loss)/earnings per share	4	<u>(6.53)p</u>	(19.87)p

* Operating profit before non-recurring items, amortisation and impairment of intangibles, share based payment charges, interest and taxation.

** Profit before tax and non-recurring items, amortisation and impairment of intangibles, and share based payment charges.

CONSOLIDATED INTERIM BALANCE SHEET**Unaudited Results as at 31st July 2009**

	31 July 2009 Unaudited £'000s	31 July 2008 Audited £'000s
Non-current assets		
Property, plant and equipment	173	286
Indefinite lived assets	10,911	11,452
Customer relationships and contracts	2,129	3,102
Goodwill	18,194	18,194
Other intangible assets	2,946	3,390
Investments	-	3
Deferred tax assets	1,746	430
	36,099	36,857
Current assets		
Inventories	64	102
Trade and other receivables	4,961	6,812
Cash and cash equivalents	216	534
	5,241	7,448
Total assets	41,339	44,305
Current liabilities		
Trade and other payables	4,196	4,066
Short-term borrowings	12,696	10,430
Current tax payable	-	-
	16,892	14,496
Non-current liabilities		
Deferred tax	4,682	4,986
	4,682	4,986

Total liabilities	21,574	19,482
Total net assets	19,765	24,823
Equity attributable to equity holders of the parent		
Share capital	242	242
Share premium account	41,537	41,537
Other reserves	100	100
Share award and option reserve	2,409	1,094
Retained earnings	(24,574)	(18,246)
Equity shareholders' funds	19,714	24,727
Minority interest	51	96
Total shareholders' funds	19,765	24,823

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Other reserves	Share option reserve	Retained earnings	Total equity
Note	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 August 2007	96	1,187	100	68	3,333	4,784
Adjustment to IFRS transaction estimates (1)	-	-	-	-	131	131
Profit for the period	-	-	-	-	(18,230)	(18,230)
Charge for share based Payments	-	-	-	1,026	-	1,026
Dividends	-	-	-	-	(3,480)	(3,480)
Issue of share capital	146	43,554	-	-	-	43,700
Cost of shares issued	-	(3,204)	-	-	-	(3,204)
Balance at 31 July 2008	242	41,537	100	1,094	(18,246)	24,727
Loss for the period	-	-	-	-	(6,328)	(6,328)
Charge for share based Payments	-	-	-	1,315	-	1,315
Balance at 31 July 2009	242	41,537	100	2,409	(24,574)	19,714

CONSOLIDATED INTERIM CASH FLOW STATEMENTS

	12 months to 31 July 2009	12 months to 31 July 2008
	Unaudited £'000s	Audited £'000s
Cash flows from operating activities		
Underlying operating profit	263	6,434
Adjustments for:		
Decrease/(increase) in trade and other Receivables	1,587	2,484
(Increase)/decrease in inventories	38	(62)
(Decrease)/increase in trade & other payables	186	(1,806)
Profit on disposal of investments	-	(106)
	<hr/>	<hr/>
Cash generated from operations before nonrecurring Costs	2,074	6,944
Re-organisation and re-launch costs	(1,741)	(1,489)
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Cash generated from operations	333	5,455
Interest received	44	103
Interest paid	(542)	(309)
Income taxes paid	-	(1,015)
	<hr/>	<hr/>
Net cash from operating activities	(165)	4,234
	<hr/>	<hr/>
Cash flows from investing activities		
Acquisitions of subsidiaries net of cash acquired	-	(47,256)
Purchase of property, plant and equipment	(16)	(83)
Purchase of intangible assets	(1,097)	(2,063)
Capitalised development expenditure	(966)	(1,304)
Sale/(purchase) of investments	-	356
	<hr/>	<hr/>
Net cash used in investing activities	(2,079)	(50,350)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issue of share capital	-	41,100
Share issue costs settled in cash	-	(604)
Proceeds from new borrowings	1,927	8,500
Repayment of borrowings	-	(570)
Payment of equity dividends	-	(3,480)
	<hr/>	<hr/>
Net cash from financing activities	1,927	44,946
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(317)	(1,170)
Cash and cash equivalents at beginning of Period	534	1,704
	<hr/>	<hr/>
Cash and cash equivalents at end of period	217	534
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

Sport Media Group Plc and its subsidiaries (“the Group”) sell digital media content through mobile telephones via the internet to mobile customers of major UK network operators and users of leading UK internet key search engines. Since September 2007 the Group has been the publisher of two national newspapers in the UK under the titles of the Daily Sport and the Sunday Sport.

SPMG, the Group’s ultimate parent company, is incorporated and domiciled in Great Britain. Its registered office is at 19, Great Ancoats Street, Manchester, M60 4BT, and its principal places of business are 26 Thames Road, Barking, Essex IG11 0JA and 19 Great Ancoats Street, Manchester M60 4BT. SPMG’s ordinary shares are listed on the AIM market of the London Stock Exchange.

2. Basis of preparation

The interim financial information has been prepared in accordance with IAS 34 'Interim financial reporting' and on the basis of the accounting policies set out in the July 2008 annual report and accounts, which are prepared in accordance with International Financial Reporting Standards. The interim financial information is unaudited, has not been reviewed by the Group’s auditors and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The last statutory accounts for the Company and the Group, for the financial year ended 31 July 2008, upon which the auditors issued a disclaimer of view opinion, have been delivered to the registrar of companies.

As announced on 7 January 2009, on 6 January 2009 the Group was notified by its bankers that SPMG was in breach of one of its banking covenants. The bank initially informed the Board that the Group would be provided with a two month extension to its current facility, expiring on 6 March 2009. That extension period was later extended to enable the Group continue to negotiate in relation to the breach and the Group has subsequently reached agreement with its bankers for an extension of its current banking facilities for a period of 18 months. In addition, the Group has reached agreement with David Sullivan and Gold Group International Limited for the provision of loans of £1.68 million. The interim financial information has therefore been prepared on a going concern basis.

The accounting policies adopted by the Group and set out in its last statutory accounts have been applied consistently throughout the Group for the purposes of preparation of this consolidated interim financial information.

This consolidated interim financial information has been approved for issue by the Board of Directors on 29 April 2009.

3. Segment analysis

Prior to the acquisition of Sport Newspapers the Group was organised for management purposes into a single operating division delivering digital content to mobile telephony and internet based platforms. Following the acquisition of Sport Newspapers the group is organised into two operating divisions for management purposes – Digital and Print.

Digital Division - digital content delivery

For internal reporting purposes the group records and monitors digital content revenues and cost of sales according to the delivery platform to which content is delivered and through which services are provided, differentiating its key business segments between mobile telephony and internet. Administrative expenses of the digital content delivery business are shared overheads of that business and cannot meaningfully be allocated by revenue stream. The principal tangible fixed assets utilised in the digital content delivery business consist of computer equipment and servers, which are utilised in the delivery of content and services through both platforms. All of the group's digital content delivery activities are currently carried out in the United Kingdom.

Print Division – publication of newspapers, magazines and related periodicals

For internal reporting purposes the group records and monitors revenues of the Print Division according to the nature of the revenues – from the wholesale distribution of newspaper and magazine titles and from advertising, differentiating its advertising revenues between classified and display. The Group does not differentiate cost of sales in the Print Division between wholesale and advertising revenue streams as the overwhelming majority of such costs represent shared costs of producing, printing and distributing its newspaper titles. Similarly, administrative expenses of the print business are shared overheads of that business and cannot meaningfully be allocated by revenue stream. Excluding goodwill and other intangible assets arising on consolidation, the principal tangible fixed assets utilised in the print business consist of computer equipment and fixtures and fittings, which are utilised in the production of the titles. All of the group's print activities are currently carried out in the United Kingdom.

Group overheads

Group overheads consist of the costs of retaining the Company's AIM listing, investor relations activities and some central functions which are not recharged to the operating divisions.

The segment analysis presented in this interim financial information differs in presentation from that presented in the Group's 2008 annual report in that the component elements of the Print Division, in so far as they were previously separately disclosed, are now aggregated.

The directors do not consider the interim financial information to be subject to significant seasonal or cyclical fluctuations.

Segment information about these businesses is presented below.

12m to 31 July 2009	Digital	Print	Group & eliminations	Consolidated
	£'000	£'000	£'000	£'000
Gross revenues	4,008	19,110	(220)	22,898
Intra-segment sales	-	(220)	220	-
Net revenues	4,008	18,890	-	22,898
Underlying operating profit	76	187	-	263
Depreciation	(109)	(20)	-	(129)
Impairment and amortisation of intangibles	(1,507)	(2,177)	-	(3,684)
Share based payment charges	-	-	(1,090)	(1,090)
Re-organisation and re-launch charges	-	(884)	(857)	(1,741)
Exceptional charges	(272)	(343)	-	(615)
Profit/(loss) before interest and tax	76	(794)	(858)	(6,995)
Finance costs – net				(973)
Loss before tax				(7,968)
Taxation credit				1,437
Loss for the period				(6,531)

Balance sheet

Assets	7,029	41,395	(8,831)	39,593
Liabilities	8,428	4,325	(8,557)	4,196

Capital expenditure

Property, plant and equipment	-	16	-	16
Goodwill – business combinations	-	-	-	-

Segment assets and liabilities are reconciled to Group assets and liabilities as follows:

	Assets	Liabilities
	£'000	£'000
Segment assets / liabilities	39,593	4,196
Borrowings	-	12,696
Deferred tax	1,746	4,682
Total	41,339	21,574

12m to 31 July 2008

	Digital	Print	Group & eliminations	Consolidated
	£'000	£'000	£'000	£'000
Gross revenues	9,298	20,327	(231)	29,394
Intra-segment sales	-	(231)	231	-
Net revenues	9,298	20,096	-	29,394
Underlying operating profit	4,279	2,444	(289)	6,434
Depreciation	(69)	(156)	-	(225)
Impairment and amortisation of intangibles	(2,735)	(19,257)	-	(21,992)
Share based payment charges	-	-	(1,026)	(1,026)
Reorganisation and re-launch charges	-	(1,489)	-	(1,489)
Negative goodwill on acquisitions	-	279	-	279
Profit/(loss) before interest and tax	1,475	(18,179)	(1,315)	(18,019)
Finance costs – net				(206)
Loss before tax				(18,225)
Taxation				191
Loss for the period				(18,034)
Balance sheet				
Assets	7,645	44,318	(8,171)	43,792
Liabilities	8,418	4,099	(8,451)	4,066
Capital expenditure				
Property, plant and equipment	28	55	-	83
Goodwill – business combinations	-	36,073	-	36,073

Segment assets and liabilities are reconciled to Group assets and liabilities as follows:

	Assets	Liabilities
	£'000	£'000
Segment assets / liabilities	43,792	4,066
Borrowings	-	10,430
Corporation tax repayable	83	-
Deferred tax	430	4,986
Total	44,305	19,482

4. Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders of the Company divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares. Dilutive options and other dilutive potential ordinary shares are not considered dilutive where the effect of doing so would be to reduce a reported loss per share.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings £'000s	Weighted Average number of shares	Per share amount pence
12 months to 31 July 2009			
Continuing and total operations			
Loss after tax	(6,328)	96,851,547	
Earnings attributable to ordinary shareholders	(6,328)		
Weighted average number of shares (used for basic earnings per share)		96,851,547	
Dilutive effect of options	-	-	
Dilutive effect of share bonus schemes	-	-	
Diluted weighted average number of shares (used for diluted earnings per share)	(6,328)	96,851,547	
Basic earnings per share			(6.53)p
Diluted earnings per share			(6.53)p
Year to 31 July 2008			
Continuing and total operations			
Loss after tax	(18,099)		
Earnings attributable to ordinary shareholders	(18,099)		
Weighted average number of shares (used for basic earnings per share)		91,104,234	
Dilutive effect of options	-	-	
Dilutive effect of share bonus scheme	-	-	
Diluted weighted average number of shares (used for diluted earnings per share)	(18,099)	91,104,234	
Basic earnings per share			(19.87)p
Diluted earnings per share			(19.87)p

Adjusted basic and diluted earnings per share

In order to understand the underlying trading performance, the directors consider it appropriate to disclose earnings per share before and after amortisation of acquired intangible assets and the costs of share based payments. The calculation of adjusted earnings per share is set out below:

	12 months to 31st July 2009	12 months to 31st July 2008
	£'000s	£'000s
(Loss)/earnings attributable to ordinary shareholders	(6,328)	(18,099)
Post-tax impairment and amortisation of acquired intangible assets	2,652	21,333
Post-tax costs of re-organization and re-launch costs	1,253	1,072
Post-tax cost of share based payments	1,366	902
Post-tax cost of exceptional costs	443	-
Adjusted profit on ordinary activities after taxation	(614)	5,208
Weighted average number of shares in issue		
- basic	96,851,547	91,104,234
- diluted	96,851,547	91,104,234
Basic earnings/(loss) per share	(6.53)p	(19.87)p
Amortisation of acquired intangible assets	2.74p	23.42p
Costs of re-organization and re-launch	1.29p	1.18p
Cost of share based payments	1.41p	0.99p
Cost of exceptional payments	0.46p	
Adjusted earnings per share - basic	(0.63)p	5.72p

5. Dividends

	12 months to 31 July 2009	12 months to 31 July 2008
	Unaudited	Audited
2007 final dividend - 4.00 pence per share	-	1,544
2008 interim dividend – 2.00 pence per share	-	1,936
	-	3,480

6. Share issues

No new shares were issued during the period to 31 July 2009.

7. Share options and share based payments

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

Outstanding 1 Aug 08	Granted during Period	Exercised during period	Outstanding 31 Jul 09	Exercise price	Date of grant	First date of exercise	Final date of exercise
463,972	-	-	463,972	73p	08.05.06	08.05.07	08.05.10
1,345,765	-	-	1,345,765	73p	08.05.06	08.05.06	08.05.11
1,237,699	-	-	1,237,699	73p	08.05.06	08.05.06	08.05.16
707,366	-	-	707,366	79.25p	01.11.06	01.11.09	01.11.16
-	9,684,800	-	9,684,800	3.5p	08.05.09	08.10.09	08.05.14
3,754,802	9,684,800	-	13,439,602				

A modified 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 periods.

The inputs into the model were as follows:

Granted	Unapproved	Other 2006	Other 2006	EMI 2007	Other 2009
Weighted average share price	73.00p	73.00p	73.00p	79.50p	6.5p
Weighted average exercise price	73.00p	73.00p	73.00p	79.50p	6.5p
Expected volatility	25%	25%	25%	46%	85%
Expected life	2 years	5 years	10 years	10 years	5 years
Risk-free rate	4%	4%	4%	4%	4%
Expected dividend yield	6%	6%	6%	6%	0%

Expected volatility was determined at the date of grant of the 2006 options based on the directors' estimates of volatility of similar quoted stocks. In respect of the 2007 grants the directors estimated the actual volatility at the date of grant by reference to the company's share price since admission to AIM to the date of the relevant grant and in respect of the 2009 grant, by reference to published market information.

During the year ended 31 July 2008 three directors and one senior employee of the group were granted rights to acquire new ordinary shares under new schemes as follows:

- the Executive Share Bonus Plan ('ESBP')
- the Executive Incentive Plan ('EIP')
- the Non Executive Share Bonus Plan ('NESBP')
- the Non Executive Incentive Plan ('NEIP')

The terms of the ESBP, EIP, NESBP and NEIP were set out in the Company's AIM admission document dated 8 August 2007. At 31 July 2009 the following rights to acquire shares had been granted under the schemes:

Scheme	Rights over shares	Vesting
	Awarded	period
ESBP	1,452,771	18 months
EIP	3,631,932	36 months
NESBP	484,257	18 months
NEIP	1,210,644	36 months
Total	6,779,604	

Shares awarded under the ESBP and the NESBP were subject to forfeit if the recipients ceased continuous employment with the group in the eighteen month period following grant of rights (see below). Shares awarded under the EIP and the NEIP are subject to continuous employment with the group and performance conditions which must be satisfied over a three year period from the date of grant of rights. Performance conditions are based on a target share price on a sliding scale between £1.20 and £1.60 with 2.5 per cent vesting for each penny increase in the share price. Subject to satisfaction of the defined performance criteria and to continuous employment awards will vest in equal instalments on the first, second and third anniversaries of the award.

The fair value of the share awards on the date of grant was determined by reference to the market value of shares at that date and the application of an appropriate discount factor to take into account the probability of the performance conditions being met. 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 inputs into the model were as follows:

Granted	ESBP	EIP	NESBP	NEIP
Weighted average share price	75.00p	75.00p	75.00p	75.00p
Weighted average exercise price	Nil	Nil	Nil	Nil
Discount rate applied to performance conditions	25%	75%	25%	75%
<u>Expected life</u>	<u>18 months</u>	<u>3 years</u>	<u>18months</u>	<u>3 years</u>

The charge for share based payments arising in the period ended 31 July 2009 of £1,315,000 included an additional charge of £343,000 to correct the discount applied to the performance contributions applicable for ESBP and NESBP because all four beneficiaries from these systems qualified for the full share awards after the balance sheet date.

These interim results will be available on the Company's website www.sportmediagroup.co.uk.

Further copies can be obtained from the registered office at:
19, Great Ancoats Street, Manchester, M60 4BT