

interactiveworld

mobile content solutions

INTERACTIVE WORLD PLC

8 March 2007

Interim results for the six months ended 31 January 2007

Interactive World plc (AIM: ITW), the mobile content technology company, announces its interim results for the six months ended 31 January 2007.

Financial and business highlights:

- Turnover of £5.1 million, an increase of 28% (2006: £3.9m)
- Like-for-like turnover (pre-acquisitions) up by 20%
- Profits before tax rose by 18% to £2.1 million (2006: £1.8m)
- Interim dividend of 3p per share in line with stated dividend policy
- Mobile related turnover up 13% to £3.8 million (2006: £3.3m)
- Earnings per share of 3.70p (2006: 3.53p)
- Strong net cash position of £2.1 million
- Strictly Broadband acquisition bedding in well and now beginning to deliver profits

Simon Hume-Kendall, Chairman, said:

“I am delighted to present such a positive set of interim results, which show a further improvement in revenues and profits from the mobile content delivery business, and an increase in profitability from our internet services.

“Particularly pleasing is the Company’s ability to pay a generous dividend which means that our shares currently yield around 10% on an annualised basis.

“Looking forward, we anticipate an increase in revenues through mobile searches as mobile network operators benefit from customers browsing ‘off-portal’ more extensively. We also expect to see a steady improvement in the profitability of our internet-based billing and content services. We are confident of achieving market expectations for the full year from, in particular, new revenue opportunities currently in deployment. This is despite our overseas expansion being slower than originally forecast in terms of full year contribution, notwithstanding that it is now starting to show real potential in the United States.”

For press enquiries, please contact:

Interactive World plc

Rob Johnson

Andy Fletcher

020 8507 6920

Daniel Stewart & Company plc

Lindsay Mair

020 7776 6550

Gresham PR Ltd.

Neil Boom

Laura Black

020 7404 9000

Interactive World PLC CHAIRMAN'S STATEMENT

Interactive World plc is pleased to report a strong set of interim results for the half year ended 31 January 2007. In the six months under review we are delighted to have substantially increased both revenues and profits from mobile content delivery, and the profitability of our internet services.

Financial Review

We are pleased to announce that the Group achieved considerable growth during the period, helping us report a significant rise in pre-tax profits, which rose by 18% to £ 2.1 million (2006: £1.8m). Turnover also rose substantially, increasing by 28% to £5.1 million (2006: £3.9m). Group net cash balances were healthy at the half year end at £2.1 million after the payment of a final dividend of £1.5m relating to the year ended 31 July 2006. The highly cash-generative and profitable nature of our business, and by being debt free and not having to meet interest or overdraft charges, allows us to pay out around 80% of earnings in dividends.

Operating Review

Group growth has been aided by a couple of advantageous developments in our market; namely the increased availability and reduced costs of wireless bandwidth, and the ever-increasing sophistication of mobile handsets, both of which enable us to offer an improved customer experience.

In short, the changes in the mobile content market, along with our expertise at creating fresh and appealing content, have helped Interactive World to continue to strengthen the business.

Our technology and experience in the complex world of digital content delivery lie at the heart of the business. In the six months reported, we have continued to invest in our products, and in the IT systems that deliver the current services. We are now working on a number of new products, including a new DVD which has PIN access technology which we have recently introduced with very promising results.

It is worth reiterating the importance of our relationship with the Sport Newspapers group. Our five-year rolling relationship remains an essential element in our success and provides us with an exclusive source of fresh content. Through a combination of editorial and advertising, the Sport's newspapers constantly refresh our database and create demand from both new and existing customers

At present, we have over five million age-verified individuals on our database. Approximately one in five is a regular customer, having used our services at least once in the last 12 months.

The rate of overseas expansion has been slower than originally forecast, due primarily to delays in local markets in terms of the development of necessary infrastructure items such as age verification safeguards. We are nevertheless pleased that in the United States we are now achieving traction with mobile products, and believe that the medium terms prospects are very promising.

Acquisition Progress

During the period the Company acquired a controlling stake by increasing its equity holding from 16% to 55.5% in Strictly Broadband Ltd - a profitable Video-on-Demand (VoD) specialist that has a database of over 200,000 registered users.

The integration of Strictly Broadband has gone very smoothly and it has shown some very positive early trading. Its full contribution to Group revenues will be included in our 2007 full year results.

We have also acquired the exclusive UK and European licensing rights and customer database of 'U.R. The Star', an established video technology that allows customers to make personalised DVDs

in which their children, family or friends can 'star' in their own animated adventures.

As noted at the time of acquisition, the U.R. The Star licensed rights are not expected to have a material impact on current year performance as the sales cycle for this product begins in late September each year with peak sales occurring around Christmas.

Dividends

During the period the Company paid its final dividend in respect of the year ended 31 July 2006. The Company is today pleased to announce an interim dividend of 3p per share for the period ended 31 January 2007, in line with its stated policy of distributing at least 80% of earnings under normal circumstances. This represents an annualized yield of 10% on the subscription price of the Company's shares at the date of the AIM admission, when added to the final dividend paid earlier in the year. The dividend reflects the strong cash generative nature of the Company and is part of a progressive payment policy. The Board believes that its cash resources are sufficient to allow it to pursue other suitable acquisitions.

Shareholders on the register at the close of business on 16 March 2007 will be entitled to the interim dividend.

Current Trading and Future Prospects

The second half of the year has started positively and in line with expectations. The Company is implementing a number of new revenue lines that can be successfully integrated with its current user base. We are also seeking out new content, particularly in music and sport.

We have sufficient cash to make potential future acquisitions but are mindful that they must deliver demonstrable value and must not expose the Company to unnecessary operational risk. However, changes in our marketplace show a trend for consolidation as the mobile content industry matures. We believe Interactive World is increasingly well placed to benefit from this.

Looking forward, we anticipate an increase in revenues through mobile searches as mobile network operators benefit from customers browsing 'off-portal' more extensively. We also expect to see a steady improvement in the profitability of our internet-based billing and content services. We look forward to the second half with confidence.

Simon Hume-Kendall
Chairman
8 March 2007

Interactive World PLC
Consolidated Profit & Loss Accounts
Six months ended 31 January 2007

	Note	Six months ended 31 January 2007	Six months ended 31 January 2006	Year ended 31 July 2006
		£'000	£'000	£'000
Turnover				
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		<u>(2,368)</u>	<u>(1,843)</u>	<u>(3,949)</u>
Gross profit		2,741	2,139	5,116
Administrative expenses		<u>(729)</u>	<u>(405)</u>	<u>(882)</u>
Operating profit				
Continuing operations		1,970	1,734	4,234
Acquisitions		42	-	-
		<u>2,012</u>	<u>1,734</u>	<u>4,234</u>
Interest receivable		<u>65</u>	<u>42</u>	<u>87</u>
Profit on ordinary activities before taxation		2,077	1,776	4,321
Tax on profit on ordinary activities		<u>(644)</u>	<u>(519)</u>	<u>(1,307)</u>
Profit after taxation		1,433	1,257	3,014
Equity minority interest		<u>(10)</u>	<u>-</u>	<u>-</u>
Profit for the period		<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.

Interactive World PLC
Consolidated Balance Sheets
As at 31 January 2007

	31 January 2007	31 January 2006	31 July 2006
	£'000	£'000	£'000
FIXED ASSETS			
Intangible assets	796	-	-
Tangible assets	122	95	106
Investments	-	20	32
	<u>918</u>	<u>115</u>	<u>138</u>
CURRENT ASSETS			
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>
CREDITORS			
Amounts falling due within one year	(1,959)	(1,115)	(1,798)
	<u>(1,959)</u>	<u>(1,115)</u>	<u>(1,798)</u>
NET CURRENT ASSETS	<u>2,863</u>	<u>2,031</u>	<u>3,643</u>
NET ASSETS	<u>3,781</u>	<u>2,146</u>	<u>3,781</u>
CAPITAL AND RESERVES			
Called up share capital	96	-	96
Share premium account	1,262	-	1,161
Profit and loss account	2,309	2,046	2,424
Merger reserve	100	100	100
	<u>3,767</u>	<u>2,146</u>	<u>3,781</u>
SHAREHOLDERS' FUNDS	<u>3,767</u>	<u>2,146</u>	<u>3,781</u>
Minority interest	14	-	-
	<u>14</u>	<u>-</u>	<u>-</u>
	<u>3,781</u>	<u>2,146</u>	<u>3,781</u>

Interactive World PLC
Consolidated Cash Flow Statements
Six months ended 31 January 2007

	Six months ended 31 January 2007	Six months ended 31 January 2006	Year ended 31 July 2006
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net cash flow from operating activities	1,639	1,131	3,887
Returns on investments and servicing of finance			
Interest received	65	42	87
Net cash flow from returns on investments and servicing of finance	65	42	87
Corporation tax paid	(942)	(139)	(777)
Capital expenditure and financial investment			
Purchase of intangible fixed assets	(505)	-	-
Purchase of tangible fixed assets	(33)	(48)	(102)
Disposal of fixed asset trade investments	-	-	(12)
Net cash flow from capital expenditure and financial investment	(538)	(48)	(114)
Acquisitions and disposals			
Purchase of subsidiary undertaking (net of cash acquired)	(45)	-	-
Net cash outflow from acquisitions and disposals	(45)	-	-
Payment of equity dividends	(1,538)	(2,196)	(3,487)
Net cash flow before financing	(1,359)	(1,210)	(404)
Financing			
Issue of share capital	-	-	2,000
Costs of issue	-	-	(804)
Share capital repurchase	-	(16)	(16)
Net cash flow from financing	-	(16)	1,180
(Decrease)/increase in cash	<u><u>(1,359)</u></u>	<u><u>(1,226)</u></u>	<u><u>776</u></u>

Interactive World PLC
Six months ended 31 January 2007

Reconciliation of operating profit to cash flow from operating activities

	Six months ended 31 January 2007	Six months ended 31 January 2006	Year ended 31 July 2006
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Operating profit	2,012	1,734	4,234
Depreciation and amortisation	55	25	67
(Increase)/decrease in debtors	(171)	(498)	(830)
Increase/(decrease) in creditors	(257)	(130)	416
Net cash flow from operating activities	<u>1,639</u>	<u>1,131</u>	<u>3,887</u>

Reconciliation of net cash flow to movement in net funds

	Six months ended 31 January 2007	Six months ended 31 January 2006	Year ended 31 July 2006
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
(Decrease)/increase in cash	(1,359)	(1,226)	776
Net funds brought forward	<u>3,420</u>	<u>2,644</u>	<u>2,644</u>
Net funds carried forward	<u>2,061</u>	<u>1,418</u>	<u>3,420</u>

Interactive World PLC
Six months ended 31 January 2007

Reconciliation of movements in shareholders' funds

	Six months ended 31 January 2007	Six months ended 31 January 2006	Year ended 31 July 2006
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Profit for the period/year after taxation	1,423	1,257	3,014
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	<u>(14)</u>	<u>(955)</u>	<u>680</u>
Opening shareholders' funds	<u>3,781</u>	<u>3,101</u>	<u>3,101</u>
Closing shareholders funds carried forward	<u><u>3,767</u></u>	<u><u>2,146</u></u>	<u><u>3,781</u></u>

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 July 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:

Employee share schemes

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 July 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.

Interactive World PLC - Notes to the interim financial information
Period ended 31 January 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.

	Six months ended 31 January 2006	Six months ended 31 January 2006	Year ended 31 July 2006
	£'000	£'000	£'000
<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

	Six months ended 31 January 2007	Six months ended 31 January 2006	Year ended 31 July 2006
	£'000	£'000	£'000
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>

Interactive World PLC - Notes to the interim financial information
Period ended 31 January 2007

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:

	Six months ended 31 January 2007 Profit £'000	Six months ended 31 January 2007 Shares No.	Six months ended 31 January 2006 Profit £'000	Six months ended 31 January 2006 Shares No.	Year ended 31 July 2006 Profit £'000	Year ended 31 July 2006 Shares No.
Basic earnings	1,423	38,495,252	1,257	35,512,210	3,014	36,225,371
Dilutive effects: - Options	-	3,754,800	-	-	-	3,047,436
Diluted earnings	<u>1,423</u>	<u>42,250,052</u>	<u>1,257</u>	<u>35,512,210</u>	<u>3,014</u>	<u>39,272,807</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 31st July 2006.