



Press Release

6 November 2007

SPORT MEDIA GROUP PLC

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

Preliminary results for the year ended 31 July 2007

Sport Media Group plc (AIM: SPMG.L and SPMR.L), the integrated multi-media group that publishes the Sunday and Daily Sport newspapers and digital content for internet and mobile channels, announces its preliminary results for the year ended 31 July 2007. These results are for the original business known formerly as Interactive World plc, and cover the period preceding the acquisition of Sport Newspapers Ltd on 5 September 2007.

Financial and business highlights:

- Turnover up by 24% to **£11.3 million** (2006: £9.1 million)
- Profit before tax before amortisation and share based payments rose by 25% to **£5.4 million** (2006: £4.3 million)
- Mobile related turnover reached record levels of **£7.7 million** (2006: £6.8 million)
- Final dividend of **4.0p** per share (to the holders of SPMG.L only), making full year total dividend of 7.0p per share (yield of **9.3%** on recent placing price of 75p)
- New product development including the successful roll out of Locked and Pay DVD

Post year end highlights:

- Acquisition of Sport Newspapers Ltd on 5 September 2007 for £50 million to create broad based media group
- First six weeks have shown an encouraging trend in newspaper circulation and the Directors fully expect this to continue as further restructuring takes affect.
- Advertising yield up 10% to £6.60 since acquisition
- New mass-market advertisers now being signed up including Setanta and Dial-a-phone with further sign ups expected before the end of the calendar year. Also an expanding recruitment section including recruitment advertising for Tesco
- Significant new retailers on board including Somerfield – overall retailer universe has increased by approximately 700 retailers in last quarter with penetration of target sales universe up by 7%
- Appointment of James Brown as consultant Editor-in-Chief of Sport Newspapers

Commenting on the results Simon Hume-Kendall, Chairman, said: "This has been a period of significant transformation for the Group. Our existing mobile and internet businesses have continued to perform well and are now benefiting from cross-selling opportunities following the acquisition of Sport Newspapers. This acquisition was a significant development for the Group and we have also already seen positive changes in the newspaper business since the completion. We are currently trading in line with our expectations for the enlarged group, and believe that the cross platform media model we are developing has significant potential. Our dividend payout for the full year provides shareholders with an attractive yield, and we intend to continue this policy in the future."

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CHAIRMAN'S STATEMENT

We are delighted to present the preliminary results for the year ended 31 July 2007. Our strong results show a further increase in revenues from the mobile content delivery business and an improvement in profitability from our internet services.

Financial Review

We are pleased to report that the Group achieved considerable growth during the year. The reported figures only refer to the period preceding the acquisition of Sport Newspapers Ltd. Turnover has grown to **£11.3 million** from £9.1 million the previous year, whilst we have been able to maintain strong operating margins of **46.4%** (2006: 46.7%). This has helped the Company to report another significant rise in pre-tax profits which, before amortisation of intangibles and share based payments and on a comparable basis with 2006, are up by 25% to **£5.4 million** (2006: £4.3 million).

The Group's mobile phone and internet operations, known by the trading name of Netcollex, and what was the constituent parts of Interactive World, performed well in the financial year and trading for the current year is in line with Board expectations. The business has developed its core offerings and rolled out enhanced versions of key products such as "Chat" as well as enhancing the user experience across all of its products to reflect improved handsets and connection speeds.

New product development has led to the successful roll out of Locked and Pay DVD. This technology encourages viewers to pay to unlock further content on DVDs and is proving an increasing success, as the models for design and distribution are further refined. Further new offerings, particularly in the area of user generated content, are being evaluated and the possibility of a joint venture or acquisition of IP in this area is being considered.

The Board continues to explore opportunities for overseas expansion, in particular with new European prospects. The Group is also making progress with regard to monetizing the growing opportunities of IPTV (Internet Protocol TV).

Operating Review

Since the acquisition of Sport Newspapers, the group has taken a number of very positive steps forward. In line with our strategy, the number of mass-market advertisers is increasing quickly, with brands such as 'Setanta' and 'Dial-a-phone' committing to regular advertising plans., and we have seen continued progress in educating media buyers of the benefits of working with the Sport Newspapers Ltd's publications with the introduction of an agency representation house in London.

New retailers are being brought on board at a pleasing pace and we have added 700 outlets in the last quarter. The successful conclusion of negotiations with Somerfield brought stocking commitment back from a major UK retailer and this will have a knock on effect in terms of promoting the titles' credibility among other major retail groups who are currently considering restocking the papers. Our total retail reach now extends to around 37,500 outlets, which represents 81% of our potential market. We continue to aggressively pursue further retail partners.

Editorial changes, under the guidance of our newly-appointed consultant, Editor-In-Chief James Brown, have been well received by the retailer community and feedback from initial customer research is equally supportive. James Brown was the deputy features editor at NME magazine before leading the team that founded Loaded in 1994. He subsequently edited GQ and then later launched his own company which published Viz and Jack magazines.

The Group has successfully implemented industry-standard EDI and data analysis techniques and has also improved newspaper wastage. The Board is confident that these initial improvements will provide the Group with even more significant benefits in the medium to long term.

The reformatting of the newspapers has now been completed, including a shift in editorial focus, which now includes sections such as a new twelve page feature on Championship football, published each week within the Sunday Sport. It is considered by the Board that the new overall look and feel of the papers reflects an extremely positive move, one which should assist in rebuilding circulation.

The Group recently undertook a significant promotion of the newspaper, utilising Locked and Pay DVD technology sourced from its own internal division. The promotion consisted of inserting a free DVD in each copy of an edition of the Sunday Sport (4 November 2007), which contained both free content and 'Locked' content. The 'Locked' content requires readers to pay for access to it via either Premium Rate SMS or Premium Rate telephony. Smaller scale trials have been very successful during the summer where we have seen circulation uplifts of more than 15% in conjunction with a return on investment of more than 200% on the DVD's used. This technique is currently unique in UK newspapers and reflects the cross platform skills of the enlarged group and the extremely effective fit of the businesses.

Dividends

During the year the Company paid its final dividend in respect of the year ended 31 July 2006, and also paid an interim dividend in respect of the period ended 31 January 2007. The Company today announces a final dividend of 4p per share for the year ended 31 July 2007 payable to

holders of SPMG.L only, making the total dividend for the year 7p per share. This represents a yield of 9.3% on the placing price of 75p per share relating to the acquisition of Sport Newspapers Ltd on 5 September 2007. The dividend reflects the strong cash generative nature of the Company and, given the low working capital needs of the business, the Board intends to maintain a progressive policy.

Holders of SPMG.L shares on the register at the close of business on 16th November 2007 (the "Record Date") will be entitled to the final dividend, which will be subject to approval by shareholders at the Company's Annual General Meeting (AGM) to be held on 21st December 2007. The SPMG.L shares will be marked ex dividend on 14th November 2007 and shareholders will be paid on 4 January 2008.

It is expected that on 19 November 2007, following the Record Date the two lines of stock, SPMG.L and SPMR.L, will merge into one line of stock and have the symbol SPMG.L.

Finally, I would like to take this opportunity to sincerely thank all the employees of Sport Media Group, without whose enthusiasm and commitment these pleasing results could not have been achieved.

Simon Hume-Kendall

Chairman

6 November 2007

Consolidated Profit & Loss Account
Year ended 31 July 2007

	Note	2007	2006									
		£'000	£'000									
Turnover	4	11,363	9,065									
Cost of sales		(4,505)	(3,949)									
Gross profit		6,858	5,116									
Administrative expenses		(1,658)	(882)									
Operating profit		5,200	4,234									
Interest receivable		109	87									
Interest payable		(2)	-									
Profit on ordinary activities before taxation analysed between: Profit before tax before amortisation of acquired intangibles and share based payments <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; width: 10%; border-right: 1px solid black;">5,424</td> <td style="text-align: right; width: 10%;">4,321</td> </tr> <tr> <td>Amortisation of acquired intangible assets</td> <td style="text-align: right; border-right: 1px solid black;">(49)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Share based payments</td> <td style="text-align: right; border-right: 1px solid black;">(68)</td> <td style="text-align: right;">-</td> </tr> </table>					5,424	4,321	Amortisation of acquired intangible assets	(49)	-	Share based payments	(68)	-
	5,424	4,321										
Amortisation of acquired intangible assets	(49)	-										
Share based payments	(68)	-										
Profit on ordinary activities before taxation		5,307	4,321									
Tax on profit on ordinary activities		(1,644)	(1,307)									
Profit after taxation		3,663	3,014									
Minority interest		(43)	-									
Profit for the year		3,620	3,014									
Basic earnings per share	3	9.50	8.32									
Diluted earnings per share	3	8.66	7.67									

The Group has no recognised gains or losses other than the profit for the period.

All amounts relate to continuing activities.

**Consolidated Balance Sheet
As at 31 July 2007**

	<u>2007</u>		<u>2006</u>	
	£'000	£'000	£'000	£'000
FIXED ASSETS				
Intangible fixed assets	801		-	
Tangible assets	126		106	
Investments	<u>3</u>		<u>32</u>	
		930		138
CURRENT ASSETS				
Stock	35		-	
Debtors	4,552		2,020	
Cash at bank and in hand	<u>1,704</u>		<u>3,421</u>	
	6,291		5,441	
CREDITORS				
Amounts falling due within one year	<u>(2,391)</u>		<u>(1,798)</u>	
NET CURRENT ASSETS		3,900		3,643
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,830</u>		<u>3,781</u>
CAPITAL AND RESERVES				
Called up share capital		96		96
Share premium account		1,187		1,161
Profit and loss account		3,416		2,424
Merger reserve		<u>100</u>		<u>100</u>
		4,799		3,781
Minority interest		31		-
SHAREHOLDERS' FUNDS		<u>4,830</u>		<u>3,781</u>

Approved by the board on 6 November 2007

Consolidated Cash Flow Statement
Year ended 31 July 2007

CASH FLOW STATEMENT	2007	2006
	£'000	£'000
Net cash flow from operating activities	3,062	3,887
Returns on investments and servicing of finance		
Interest received	109	87
Interest paid	<u>(2)</u>	<u>-</u>
Net cash flow from returns on investments and servicing of finance	107	87
Corporation tax paid	(1,429)	(777)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(500)	-
Purchase of tangible fixed assets	(85)	(102)
Purchase of fixed asset trade investments	<u>(3)</u>	<u>(12)</u>
Net cash flow from capital expenditure and financial investment	(588)	(114)
Acquisitions and disposals		
Purchase of subsidiary undertakings	(273)	-
Net cash acquired with subsidiaries	<u>181</u>	<u>-</u>
Net cash flow from acquisitions and disposals	(92)	-
Payment of equity dividends	<u>(2,696)</u>	<u>(3,487)</u>
Net cash flow before financing	(1,636)	(404)
Financing		
Issue of share capital	-	2,001
Costs of issue	(80)	(805)
Share capital repurchase	<u>-</u>	<u>(16)</u>
Net cash flow from financing	(80)	1,180
(Decrease)/increase in cash	<u>(1,716)</u>	<u>776</u>

Consolidated Cash Flow Statement
Year ended 31 July 2007

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Reconciliation of operating profit to cash flow from operating activities		
Operating profit	5,200	4,234
Depreciation and amortisation	133	67
(Increase) in stock	(35)	-
(Increase)/decrease in debtors	(2,292)	(830)
(Decrease)/(increase) in creditors	(12)	416
Share based payments	68	-
Net cash flow from operating activities	<u><u>3,062</u></u>	<u><u>3,887</u></u>

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in cash	(1,716)	776
Net funds brought forward	3,420	2,644
Net funds carried forward	1,704	3,420

Notes to the financial information
Year ended 31 July 2007

- 1 The financial information set out in this announcement does not constitute the company's statutory accounts for the years ended 31 July 2007 and 2006. Except as shown below, the financial information for the year ended 31 July 2007 has been prepared using the accounting policies which are consistent with those adopted in the audited accounts for the year ended 31 July 2006. The financial information for the year ended 31 July 2006 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors have reported on the 2006 accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The auditors have yet to sign their report on the 2007 accounts. The statutory accounts for the year ended 31 July 2007 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's Annual General Meeting. The financial information set out in this announcement was approved by the Board of Directors on 6 November 2007.

SMG has adopted FRS20 'Share based payment' in the current financial year ended 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 employees to acquire shares in SMG. 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 vested period.

There has been no material adjustment included in respect of options granted in prior periods. The adjustment to the current period in respect of options granted amounts to £68k.

2 DIVIDENDS

	<u>2007</u>	<u>2006</u>
	£'000	£'000
2005 final dividend paid (6.21 pence per share)	-	2,196
2006 interim dividend paid (3.65 pence per share)	-	1,291
2006 final dividend paid (4.00 pence per share)	1,538	-
2007 interim dividend paid (3.00 pence per share)	1,158	-
	<u>2,696</u>	<u>3,487</u>

Notes to the financial information
Year ended 31 July 2007

3 EARNINGS PER SHARE

The calculation of basic earnings per share is based on a profit of **£3.663m** (2006: **£3.014m**) and a weighted average of 38,540,066 (2006: 36,225,371) shares in issue.

	<u>2007</u>	2006
Basic earnings per share	9.50	8.32
Diluted earnings per share	8.66	7.67
Adjusted earnings per share	<u>9.72</u>	<u>8.32</u>

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

	<u>2007</u>		<u>2006</u>	
	Profit	Shares	Profit	Shares
	£'000	No. 000	£'000	No. 000
Basic earnings	3,663	38,540,066	3,014	36,225,371
Dilutive effects:				
- Options	<u>-</u>	<u>3,754,800</u>	<u>-</u>	<u>3,047,436</u>
Diluted earnings	<u>3,663</u>	<u>42,294,866</u>	<u>3,014</u>	<u>39,272,807</u>
Basic earnings	3,663	38,540,066	3,014	36,225,371
Post tax amortisation of acquired intangible assets	34	-	-	-
Post tax cost of share based payments	<u>49</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted earnings	<u>3,746</u>	<u>38,540,066</u>	<u>3,014</u>	<u>36,225,371</u>

4 TURNOVER AND SEGMENTAL ANALYSIS

The activities of the Group divide into two segments: the Mobile Entertainment Business and the Internet Content and Services Business. All of its activities are carried out in the UK.

	<u>2007</u>	2006
	£'000	£'000
<i>Turnover</i>		
Mobile	7,688	6,766
Internet	3,675	2,299
	<u> </u>	<u> </u>
TOTAL	<u>11,363</u>	<u>9,065</u>

-ENDS-