Press Release

28 August 2008

SMG plc Interim Results 2008 – A transforming business

Financial Highlights

	stv Continuing		Group	
	H1 2008	**H1 2007**	**H1 2008**	**H1 2007**
Revenue	**£56.0m**	£56.0m	**£75.6m**	£88.9m
Operating profit *	**£4.9m**	£3.9m	**£5.4m**	£6.9m
Profit Before Tax *			**£4.2m**	£1.0m
Earnings per Share*			**0.40p**	0.28p
Net debt			**£15.1m**	£189.4m

** Pre-exceptionals and IFRS5 benefits*

Trading for the first half of 2008 has met Board expectations and despite difficult market conditions, the business is on track to meet full year 2008 targets.

- EPS increased 43%
- Continuing to deliver double-digit growth with Scottish advertisers at 14%
- Broadcast margin up by 380 basis points to 11.2%, due to significant cost reduction
- Debt reduced by over 90% to £15.1m ensuring comfortable debt position
- On track to deliver or over-deliver on 2008 KPI targets, with some upward adjustment in KPIs to reflect over-achievement. 2009 KPI targets announced.

Strategic Developments

- Virgin Radio sold for £53.2m to TIML in June
- £30.0m return to shareholders by way of proposed Tender Offer
- Proposed 1 for 20 Share consolidation following Tender Offer completion
- Proposed name change to stv group plc to reflect focus on TV business
- New stv.tv website launched with full ITV Network online and local content. Includes best-in-class video player based on Brightcove's technology platform.
- New 2-year deal with Setanta
- Benefits to ITV plc from federal channel 3 structure estimated to be in excess of £75.0m

Richard Findlay, Chairman, commented: "We have made great progress on our 2008 targets and despite challenging market conditions we remain confident of our ability to achieve the goals we set out and that our core television business will continue to move forward in line with our growth strategy"

Rob Woodward, Chief Executive, said: "SMG is now operationally lean, commercially focussed and creatively successful. We are outperforming in difficult market conditions and well positioned to deliver the Broadcasting, Content and Ventures growth we have promised."

28 August 2008

There will be a presentation for analysts at the offices of RBS Hoare Govett, 250 Bishopsgate, London EC2 today at 9.30am.

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OPERATIONAL REVIEW

Overview

SMG is a very different business from a year ago. We have transformed the group into an operationally lean, commercially focussed and creatively successful broadcasting business. We reduced debt and sold Outdoor and Radio assets early in the cycle. We initiated a complete restructuring of the core TV business in March 2007, well ahead of media peers, and controllable costs to date have been reduced by over 20% (£5.0m) and net headcount by 23%. We plan a further £1.5m of annualised cost reduction by year-end.

Clearly, the economic environment has become significantly more challenging during 2008. However, the execution of our growth strategy has provided strong resilience in this adverse climate. A combination of cost efficiency initiatives, designed to 'de-risk' the business, and successful growth in regional advertising, content and ventures means that we have been able to deliver on H1 2008 targets, and the Board's expectations for the full year remain unchanged. Similarly, we are on track to deliver all of our 2008 Key Performance Indicators (KPIs) and we have no cause to revise these targets for the second half. We are also releasing today our 2009 KPI targets for the first time, and we will report progress against these throughout next year.

The business is in a strong financial position following the disposal of Virgin Radio and the successful internal cost reduction programme. Continuing efficiency improvements and a growing share in regional advertising provide the TV business with margin improvement opportunities, despite the market outlook. Content and Ventures growth strategies launched in 2007 are delivering on 2008 targets, with significant further growth expected in 2009 and 2010. There is no doubt that the next 6 months will be a tough environment for our business; however, we have the people, resources and strategy we need to continue to deliver and out-perform.

ITV

Earlier this month, ITV reported at its interim results a £25.0m benefit to the three franchises of stv, UTV and Channel which form the Channel 3 network. We strongly refute this position. It is our intention to reduce our dependence on ITV generated revenue from 70% in 2007 to some 50% by 2010. Much has been made in recent weeks of the dependence of the three independently owned television licences (stv, UTV and Channel TV) upon ITV but we believe it should be clearly understood that in the case of stv at least, ITV derives significant benefits from our custom and direct financial support. We make a substantial contribution to the ITV network programme costs, which they in turn can exploit on their other channels and online, as we can do in the case of our own online service, and as our national advertising sales agent, they are able to offer advertisers a UK footprint against the growing competition, something that should never be underestimated. We estimate the benefits to ITV plc from the federal channel 3 structure to be in excess of £75.0m. We will engage an independent third party to validate this position.

Return of Cash to Shareholders

On 2 June 2008, the Board announced its intention to return £30.0m to Shareholders following completion of the sale of Virgin Radio Holdings Limited. The Board confirms its intention to implement the return of cash by way of a tender offer. In connection with, but separate from, the tender offer, the Board intends to repurchase SMG Shares with a value of approximately £60,000 to simplify tax treatment of the tender offer for Shareholders pursuant to the authority granted by Shareholders at the annual general meeting on 16 May 2008. In addition, once the tender offer has completed, the Board proposes to effect a 1 for 20 share consolidation. The Board also proposes that SMG changes its name to stv group plc. A Circular containing details of the tender offer, the share consolidation and the change of name (along with a proposed timetable for implementation) will be sent to Shareholders shortly.

Business Performance

In the continuing television business, the first half of 2008 saw revenue remain flat at **£56.0m** (2007: £56.0m) with operating profit up by **26%** at **£4.9m** (2007: £3.9m) Overall the Group's pre-tax profit has grown to **£4.2m** (2007: £1.0m) reflecting cost initiatives implemented in the business. The statutory loss attributable to equity holders was **£11.9m** (2007: £41.6m).

H1 2008 Trading performance (in £m) is shown below:

	Revenue		**Operating Profit**	
	2008	**2007**	**2008**	**2007**
Television:				
Broadcasting	46.6	47.0	5.2	3.5
Content	5.7	5.9	-	0.7
Ventures	3.7	3.1	(0.3)	(0.3)
	56.0	56.0	4.9	3.9
Radio	11.3	12.1	1.0	2.5
Cinema	8.3	9.3	(0.5)	(0.3)
Outdoor (to Oct)	-	11.5	-	0.8
Total	75.6	88.9	5.4	6.9

Within the television business, Broadcasting saw growth in operating profit of **49%** to **£5.2m** (2007: £3.5m) and the profit margin improved by 380 basis points to **11.2%** (2007: 7.4%). National airtime revenue was flat, outperforming the ITV network, whilst self-promotion revenues reduced by **£1.7m**. These were offset by stv's exceptionally strong performance in regional airtime which is showing continued double digit growth of **14%**. As a result, NAR share rose to **6.85%** from **6.75%** in H1 2007.

As usual, our Content business is second half weighted as programmes (including *Taggart*) are delivered in time for the Autumn/Winter schedule. Revenue was marginally down to **£5.7m** (2007: £5.9m) with lower profits due to the mix of deliveries. In Ventures we saw growth in revenue of **19%** to **£3.7m** (2007: £3.1m) reflecting growth in PRTS revenues with profits held back by the legacy of the Setanta contract which finished in July. A new 2-year contract with Setanta is now in place.

The reduction of the group's debt has been a major priority for the business. Net debt at 30 June has been reduced by over **90%** to **£15.1m** (2007: £189.4m) with the proceeds of the sale of Virgin Radio enabling a **£30.0m** return to our shareholders. Our net interest costs have reduced by **£4.7m** to **£1.2m** (2007:£5.9m) mainly due to the lower debt levels.

Earnings per share have increased **43%** to **0.40p** (2007: 0.28p) based on the increased PBT of **£4.2m** (2007: £1.0m) and a tax rate of **10%** (2007: 20%) which is now expected to be the rate for the full year. This rate is slightly lower than the rate anticipated earlier in the year.

Non-core businesses

Cinema

In our cinema business, Pearl & Dean's revenue was affected due to the seasonal nature of this business, a weak first four months of films and the hiatus in the marketplace due to the sale of Carlton Screen Advertising. Revenue was **£8.3m** (2007: £9.3m) due to a reduction of 1.7% in UK cinema admissions. Operating losses amounted to **£0.5m** (2007: £**0.3m**).

Radio

Virgin Radio was sold to TIML for £53.2m and was completed on 30 June. Its full results for this period are included in the Group results. Revenue was down to **£11.3m** (2007: £12.1m) and operating profit amounted to **£1.0m** (2007: £2.5m) as increased costs and lower revenues impacted the business. The disposal resulted in a non-cash loss on disposal of **£15.0m** being recognised in H1.

Dividend

The Board has previously said that no dividend will be declared for 2008 and that dividend payments will only recommence when there is sustained evidence of the success of the Group's growth plan. We will revisit this position in 2009.

Efficiency Initiatives

We continue to de-risk the business through targeted efficiency savings throughout the business. We delivered **£5.0m** in annualised operating cost savings in H1 2008 and we have set an additional target of **£1.5m** annualised savings by December 2008 which will benefit 2009.

stv – delivering growth

In June 2007, we announced twelve Key Performance Indicators (KPIs) on which we have been regularly reporting progress and which form the growth strategy for the broadcasting business. We provided an update on these KPIs in June this year and we have now included 2009 targets for each of the KPIs as highlighted in the table below. Our 2010 KPI targets remain unchanged.

KPI	2008 Status	2009 Target	2010 Target
Broadcasting			
1. increase regional advertising market share	On track to reach **21%** by end 2008	**23%** by end 2009	**25%** by 2010
2. grow sponsorship revenues	On track to reach **30%** by end 2008.	**40%** by end 2009	**50%** by 2010
3. increase margins through better cost control and commercial management	On track for **10%+** by end of 2008.	**12.5%** by end 2009	**14%** by 2010
Content			
4. grow produced hours	2008 target exceeded and upgraded to **70** hours (from 60 hours) in 2008.	**90** hours by end 2009	**130+** hours by 2010
5. exploit the extensive content library	On track to achieve **40%** by end 2008.	**50%** by end 2009	**60%** growth by 2010
6. grow rights exploitation business	On track	**10%** by end 2009	**40%** by 2010
7. maintain margins	On track to maintain margins above **10%**	Maintain **10%** by end 2009	Maintain **10%** by 2010
Ventures			
8. develop our online presence through stv.tv by delivering compelling online content to target	On track to deliver **30,000** visitors a day by end 2008.	**90,000** visitors a day by end 2009	**200,000** visitors a day by 2010
9. increase online advertising revenue to	KPI rebased with target to achieve **£0.6m** by end 2008.	**£0.9m** by end 2009	**£1.5m** by 2010

10. focus on regional transaction based consumer opportunities to build revenues	KPI rebased with target to achieve **£3.0m** by end 2008.	**£4.5m** by end 2009	**£7.0m** in 2010
11. expand into the Scottish classified advertising market to capture from a zero starting point	Target to deliver **0.5%** by end 2008	**1%** by end 2009	**3%** by 2010
12. increase margins	Target to achieve **10%** by end 2008.	**15%** by end 2009	**30%** by 2010

Broadcasting

Even with ITV's reported downturn in national advertising revenue (NAR), our broadcasting KPIs all remain unchanged and on track for H2 2008. We continue to increase our share of the regional advertising market and expect to reach 21% by the end of 2008. This has been led by David Connolly who has restructured the sales team; improved the agency and advertiser services; targeted press and radio revenues and introduced new sales and product initiatives. The strategy of maximising the potential of our micro-regions offering in Scotland, focussing more on bespoke rather than generic opportunities for advertisers, and creating new and innovative solutions, is delivering strong regional growth.

Sponsorship revenues also remain on track to reach their target of 60% growth by 2010. The sales team are aligning opportunities for advertisers with new content, for example, the introduction of new 1-minute slots during the peak-time *five thirty show*. Improvements in internal efficiencies and strict cost control, has seen margins in the Broadcasting business also remain on track to reach over 10% by the end of 2008.

stv's brand position in Scotland is strong, with around four million people watching stv every week. We continue to deliver high quality news content each day with our flagship news programmes *Scotland Today* and *North Tonight* continuing to outperform their rivals with a 26% audience share. Online news content on stv.tv has been enhanced with the appointment of a dedicated online news content team. New innovative commercial models for regional content are being delivered for audiences with shows including the fully funded weekly quiz show *Postcode Challenge* and *The Merchant Navy* which airs in the autumn. We are currently in productive talks with our Dutch partners, The People's Postcode Lottery, for future collaboration in 2008/09.

Content

Our Content business is Scotland's largest 'independent' producer and is now one of the UK's top ten with a growth plan to reach the top five by 2010. Content KPIs for 2008 have been exceeded, and thus we have set a new targets set for produced hours in 2008 (70 hours increased from 60 hours).

We wholly own three global brands – *Taggart*, *Rebus* and *Jack Osbourne Adrenaline Junkie* - which have seen success in over 100 territories around the world. *Taggart* celebrates its 25th year in 2008 and is currently in production with its largest ever commission of 10 episodes for ITV1. *Jack Osbourne*, produced by our London-based company Ginger Productions, is now in its fourth series with a spin-off celebrity edition in production for ITV2. We continue to grow our brand diversity with new series including *DNA Stories* with Lorraine Kelly for Sky and *Shooting Britney* for Channel 4 as well as *Taggart* and *Jack Osbourne*.

Our content team will be further strengthened with the appointment of Alan Clements who joins us on 15 September. Alan will be responsible for our accelerated growth plans for Content.

Regulatory update

We continue to seek Independent Status for our content business. We have mounted a legal challenge, supported by the AVMS European directive, and are currently in constructive dialogue with the DCMS and Ofcom about this. We are also working with Ofcom as it prepares its review of Public Service Broadcasting (PSB). stv is committed to PSB provision to ensure plurality in Scotland with the BBC and we are seeking financial support to provide the current level of news and current affairs. And finally, the Scottish Broadcasting Commission has been conducting an independent consultation, which stv has been part of, as they prepare their report due out in September 2008.

Ventures

Our high growth business, Ventures, manages all our online and resource based activities. Since his appointment as Head of New Media in February, Alistair Brown has put in place a team with a strong track record who are already delivering results. In June we announced the new digital strategy and soft-launched a beta version of the new stv video player, which can be viewed at **www.stv.tv/video**. The new video site includes a video player offering a best-in-class video experience for simulcast, catch-up and archive viewing through our technology partnership with Brightcove. It was created in less than 9 weeks in an extremely cost-effective manner.

Earlier this week, the team commenced a major marketing campaign which will drive traffic to the new video player, which offers rich local content and key programmes from across the ITV network. Visitors to www.stv.tv continue to grow and we are expecting to see this accelerate rapidly as we promote our new stv video player and www.stv.tv this month.

As announced in June, total online revenue and margin KPIs for the Ventures business remain on track. We have upgraded regional transactional based revenues from £2.0m to £3.0m for 2008 and from £5.5m to £7.0m in 2010. The online display advertising KPI has been adjusted from £0.75m to

£0.6m in 2008 and from £2.0m to £1.5m for 2010. The net impact of these adjustments on operating profit is neutral.

In PRTS, our revenues have more than doubled in H1 as our weekly onscreen interactive service '*Watch to Win'* outperforms the national trend. In stv Bingo, a new onscreen and online advertising campaign has seen rising registrations resulting in a 22% increase in H1 revenues.

In July our solutions business announced a new 2-year deal with satellite sports broadcaster Setanta, which is a continuation of the partnership started in 2004. The deal provides Setanta with studio, transmission and post production services from our headquarters in Glasgow. We are also seeking other opportunities to work with Setanta in the future.

Trading Outlook 2008

Q3 Trading in each business – revenue growth YoY			
	Q3 2008	**Q3 YTD**	**Oct 2008**
stv airtime			
regional	+16%	+15%	par
national	-15%	-5%	low double digit decline
Cinema	-10%	- 11%	low single digit decline

September National Airtime revenues were impacted by the rugby world cup and the broader macro environment. This impact is also expected to affect the October figures. Regional airtime sales remain strong for October with growth expected in November and December. In Cinema despite better film products, the outlook for the market is weak. We remain on track for the full year 2008, with no revision to our targets. The Board is confident that we will continue to execute our growth strategy successfully, and continue to outperform in 2009.

Richard Findlay
Chairman

Rob Woodward
Chief Executive

28 August 2008

Risks and uncertainties

The SMG plc 2007 Annual Report sent to shareholders in April sets out the most significant risk factors relating to the operations in the Company's judgement at the time of that report. SMG does not consider that these principal risks and uncertainties have changed since that date. However, additional risks and uncertainties not currently known to SMG, or that SMG does not currently deem material, may also have an adverse effect on its business. With respect to the risks and uncertainties identified within the 2007 Annual Report, the Chief Financial Officer's statement highlights any risks and uncertainties that will have significant impact throughout 2008.

Consolidated income statement
for the six months ended 30 June 2008

	Note	**6 months 2008** Underlying results £m	**6 months 2008** Exceptional items £m	**6 months 2008** Results for period £m	6 months 2007 Underlying results £m	6 months 2007 Exceptional items £m	6 months 2007 Results for period £m
CONTINUING OPERATIONS							
Revenue	2	**56.0**	**-**	**56.0**	56.0	-	56.0
Net operating expenses before exceptional costs		**(51.1)**	**-**	**(51.1)**	(52.1)	-	(52.1)
Cost of change	4	**-**	**(1.0)**	**(1.0)**	-	(1.6)	(1.6)
Net operating expenses		**(51.1)**	**(1.0)**	**(52.1)**	(52.1)	(1.6)	(53.7)
Operating profit		**4.9**	**(1.0)**	**3.9**	3.9	(1.6)	2.3
Interest income		**-**			0.2	-	0.2
Finance costs	4,5	**(1.2)**	**-**	**(1.2)**	(6.1)	(5.0)	(11.1)
Profit/(loss) before tax		**3.7**	**(1.0)**	**2.7**	(2.0)	(6.6)	(8.6)
Tax (charge)/credit	7	**(0.2)**	**-**	**(0.2)**	1.0	0.5	1.5
Profit/(loss) for the period from continuing operations		**3.5**	**(1.0)**	**2.5**	(1.0)	(6.1)	(7.1)
DISCONTINUED OPERATIONS							
Profit/(loss) for the period from discontinued operations	6	**0.6**	**(15.0)**	**(14.4)**	3.5	(38.0)	(34.5)
Profit/(loss) for the period		**4.1**	**(16.0)**	**(11.9)**	2.5	(44.1)	(41.6)
Attributable to:							
Equity holders of the parent		**4.1**	**(16.0)**	**(11.9)**	2.5	(44.1)	(41.6)
Minority interest		**-**	**-**	**-**	-	-	-
		4.1	**(16.0)**	**(11.9)**	2.5	(44.1)	(41.6)
Earnings per ordinary share							
- basic and diluted	9	**0.43p**		**(1.25p)**	0.79p		(13.13p)
Earnings per ordinary share from continuing operations							
- basic and diluted	9	**0.37p**		**0.26p**	(0.32p)		(2.24p)

Underlying (pre IFRS 5)	**Note**		
Operating profit	17	**5.4**	6.9
Profit before tax	17	**4.2**	1.0
Earnings per share - basic	17	**0.40p**	0.28p

Consolidated statement of recognised income and expense
for the six months ended 30 June 2008

	6 months 2008 **£m**	6 months 2007 £m
Loss for the period	**(11.9)**	(41.6)
Actuarial (loss)/gain recognised in the pension schemes	**(31.0)**	19.1
Deferred tax credit/(charge) to equity	**8.7**	(6.1)
Net (loss)/profit recognised directly in equity	**(22.3)**	13.0
Total recognised expense for the period	**(34.2)**	(28.6)
Attributable to:		
Equity holders of the parent	**(34.2)**	(28.6)
Minority interest	-	-
	(34.2)	(28.6)

Consolidated balance sheet
at 30 June 2008

	Note	**30 June 2008 £m**	31 December 2007 £m	30 June 2007 £m
ASSETS				
Non-current assets				
Goodwill and other intangible assets		**8.1**	8.3	8.7
Property, plant and equipment	10	**15.0**	15.3	14.7
Deferred tax asset		**12.2**	4.9	8.6
		35.3	28.5	32.0
Current assets				
Inventory		**43.7**	40.3	41.1
Trade and other receivables		**30.9**	35.7	40.2
Cash and cash equivalents		**57.9**	10.8	-
Short-term bank deposit		**1.4**	1.4	-
Derivative financial instruments		**-**	-	0.3
		133.9	88.2	81.6
Non-current assets classified as held for sale	6	**24.5**	79.6	173.8
Total assets		**193.7**	196.3	287.4
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	12	**23.8**	23.8	7.9
Share premium	12	**136.4**	136.3	61.0
Merger reserve		**173.4**	173.4	173.4
Equity reserve	13	**-**	2.5	2.5
Other reserve	13	**1.1**	1.2	2.0
Hedging reserve	13	**-**	-	0.3
Minority interest	13	**-**	(0.2)	-
Retained earnings	13	**(305.4)**	(273.3)	(234.7)
Total equity		**29.3**	63.7	12.4
LIABILITIES				
Non-current liabilities				
Borrowings	11	**77.4**	62.0	170.6
Trade and other payables		**-**	0.3	-
Provisions		**-**	2.2	-
Other financial liabilities		**-**	-	0.3
Retirement benefit obligation	15	**40.0**	14.0	20.5
		117.4	78.5	191.4
Current Liabilities				
Trade and other payables		**29.0**	30.7	32.0
Borrowings		**-**	-	2.4
Convertible unsecured loan stock		**-**	-	22.4
Other financial liabilities		**-**	-	0.7
Tax liabilities		**1.1**	-	-
Provisions		**3.6**	3.9	0.8
		33.7	34.6	58.3
Liabilities directly associated with non-current assets classified as held for sale	6	**13.3**	19.5	25.3
Total liabilities		**164.4**	132.6	275.0
Total equity and liabilities		**193.7**	196.3	287.4

Consolidated cash flow statement
for the six months ended 30 June 2008

	Note	**6 months 2008 £m**	6 months 2007 £m
OPERATING ACTIVITIES			
Cash used by operations	14	**(16.1)**	(7.9)
Taxes received		**2.0**	-
Interest paid		**(2.4)**	(12.5)
Pension deficit funding		**(3.9)**	(5.8)
Net cash used by operating activities		**(20.4)**	(26.2)
INVESTING ACTIVITIES			
Interest received		**-**	0.2
Disposal of discontinued operations		**53.2**	-
Purchase of property, plant and equipment		**(0.8)**	(2.0)
Net cash generated/(used) by investing activities		**52.4**	(1.8)
FINANCING ACTIVITIES			
Dividends paid		**-**	(3.8)
Net borrowings drawn		**15.4**	20.9
Net repayment of loan notes		**-**	(0.1)
Release of cash on deposit		**-**	2.5
Net cash generated by financing activities		**15.4**	19.5
Movement in cash and cash equivalents		**47.4**	(8.5)
Net cash and cash equivalents at beginning of period		**13.5**	13.1
Net cash and cash equivalents at end of period		**60.9**	4.6

Reconciliation of movement in net debt

	6 months 2008 £m	6 months 2007 £m
Opening net debt	**(47.1)**	(157.3)
Movement in cash and cash equivalents in the period	**47.4**	(8.5)
Net cash inflow from increase in debt financing	**(15.4)**	(21.3)
Net movement in Escrow cash	**-**	(2.5)
Decrease in CULS liability	**-**	0.1
Movement in loan note liabilities	**-**	0.1
Closing net debt	**(15.1)**	(189.4)

Notes to the interim statement
for the six months ended 30 June 2008

1. Basis of preparation

This condensed consolidated interim financial information comprises the unaudited interim results for the six months to 30 June 2008 and 30 June 2007, together with the audited consolidated balance sheet for the year ended 31 December 2007 (hereinafter referred to as "financial information").

This financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008, but are not currently relevant for the Group.

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 12, 'Service concession arrangements'.
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction

This financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 were approved by the Board of Directors on 3 April 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

2. Business segments

For management purposes the Group is currently organised into three operating divisions – Television, Cinema and Radio. These divisions are the basis on which the Group reports its primary segment information with the exception of Television which is further broken down in Broadcasting, Content and Ventures segments.

Principal activities in the period to 30 June 2008 were as follows:

Television – the production and broadcasting of television programmes and associated enterprises.
Cinema – the provision of advertising space within cinema complexes.
Radio – the operation of commercial radio in the UK.

The Group put its Cinema and Radio businesses up for sale on 13 September 2006 and 12 April 2007 respectively. Cinema continues to meet all the conditions to be classified as held for sale and is therefore classed as discontinued operations. The completion of the Radio disposal occurred on 30 June 2008.

The sale of the Outdoor division whose principal activity was the provision of advertising solutions across various outdoor media, completed on 30 October 2007.

Segment information about these businesses is presented below.

SEGMENT REVENUES

	External sales	
	6 months 2008 £m	6 months 2007 £m
Continuing operations		
Broadcasting	**46.6**	47.0
Content	**5.7**	5.9
Ventures	**3.7**	3.1
Television	**56.0**	56.0
Discontinued operations		
Cinema	**8.3**	9.3
Radio	**11.3**	12.1
Outdoor	**-**	11.5
	19.6	32.9
	75.6	88.9

The revenue for Ventures has been restated for 2007 to account for PRTS revenue gross. The impact has been to increase revenue in the six months to 30 June 2007 by £0.4m to £3.1m and to increase net operating expenses by £0.4m to £3.4m.

SEGMENT RESULTS

	Underlying segment result		Exceptional items		Segment result	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m
Continuing operations						
Broadcasting	**5.2**	3.5	**-**	(0.4)	**5.2**	3.1
Content	**-**	0.7	**-**	(0.3)	**-**	0.4
Ventures	**(0.3)**	(0.3)	**(1.0)**	(0.1)	**(1.3)**	(0.4)
Television	**4.9**	3.9	**(1.0)**	(0.8)	**3.9**	3.1
Exceptional cost of change attributable to Group					**-**	(0.8)
Operating profit					**3.9**	2.3
Financing					**(1.2)**	(5.9)
Exceptional financing costs					**-**	(5.0)
Profit/(loss) before tax					**2.7**	(8.6)
Tax (charge)/credit					**(0.2)**	1.5
Profit/(loss) for the period from continuing operations					**2.5**	(7.1)
Discontinued operations						
Cinema	**(0.5)**	(0.2)	**-**	(11.4)	**(0.5)**	(11.6)
Radio	**1.3**	2.7	**-**	(26.6)	**1.3**	(23.9)
Outdoor	**-**	2.6	**-**	-	**-**	2.6
	0.8	5.1	**-**	(38.0)	**0.8**	(32.9)
Tax (charge)	**(0.2)**	(1.6)	**-**	-	**(0.2)**	(1.6)
	0.6	3.5	**-**	(38.0)	**0.6**	(34.5)
Loss on disposal of discontinued operations					**(15.0)**	-
Loss for the period from discontinued operations					**(14.4)**	(34.5)
Net loss attributable to equity shareholders					**(11.9)**	(41.6)

The result of discontinued operations for the period to 30 June 2008 includes an IFRS 5 adjustment relating to depreciation of £0.3m (£2.1m at 30 June 2007) which ceased to be charged when the businesses were classified as held for sale.

The exceptional items in 2008 in Ventures and 2007 in Broadcasting, Content and Ventures relate to cost of change provision.

3. Operations in the interim period

In line with the UK advertising market as a whole, the autumn season provides the Group with the highest level of business and largest element of annual revenue, and as a result the full year results are expected to be more heavily weighted towards the second half of 2008.

4. Exceptional items

i) **Cost of change**
A provision of £1.0m has been recognised in the period in relation to restructuring within Ventures division with all balances relating to Peopleschampion.com and Smartycars.com being written off.
A provision of £1.6m was provided in the period to 30 June 2007 following the announcement of restructuring plans.

ii) **Financing costs**
Exceptional fees and costs of £5.0m incurred as a result of the amended banking agreement dated April 2007 were written off.

5. Finance costs

	6 months 2008 £m	6 months 2007 £m
Interest expense:		
Bank borrowings	**2.5**	6.7
CULS and loan note interest	**-**	0.8
	2.5	7.5
Pension finance credit	**(1.3)**	(1.4)
Finance costs excluding exceptional items	**1.2**	6.1
Exceptional financing costs (note 4)	**-**	5.0
Finance costs	**1.2**	11.1

6. Discontinued operations

On 30 June 2008, the disposal of the Group's Radio business was completed.

	6 months 2008 £m	6 months 2007 £m
Post tax results from discontinued operations	**(14.4)**	(34.5)

Exceptional items included within the results are as follows:

Loss on disposal of discontinued operations
On 30 June 2008, the Group completed the sale of its Radio business, Virgin, to TIML Golden Square Limited ("TIML") for a cash consideration of £53.2m resulting in a loss on disposal of £15.0m.

Onerous contract provision
A provision of £11.4m was made at 30 June 2007 to cover future losses expected from the Vue contract within Cinema division.

Goodwill impairment and asset writedown
A £26.6m goodwill impairment and asset writedown loss was made at 30 June 2007 on the carrying value of Virgin Radio to reflect the market value.

Cash flows from discontinued operations

	6 months 2008 £m	6 months 2007 £m
Net cash flows from operating activities	**0.8**	5.2
Net cash flows from investing activities	**-**	(0.7)
	0.8	4.5

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	June 2008 £m	December 2007 £m	June 2007 £m
Goodwill	-	55.8	110.8
Property, plant and equipment	0.2	3.6	24.4
Inventories	-	-	0.2
Trade and other receivables	19.7	17.5	31.4
Cash and cash equivalents	3.0	2.7	7.0
Tax	1.6	-	-
Total assets classified as held for sale	**24.5**	79.6	173.8
Trade and other payables	3.0	9.2	10.3
Provisions for liabilities and charges	10.3	10.3	11.4
Tax liabilities	-	-	3.6
Total liabilities associated with assets classified as held for sale	**13.3**	19.5	25.3
Net assets of disposal group	**11.2**	60.1	148.5

7. Tax

	6 months 2008 £m	6 months 2007 £m
The charge/(credit) for tax on continuing operations is as follows:		
Tax on profit on ordinary activities excluding exceptional items at 10% (30 June 2007: 20%)	**0.2**	(1.0)
Tax effect of exceptional items	**-**	(0.5)
	0.2	(1.5)

The effective tax rate for the Group excluding exceptional items is 10% (30 June 2007: 20%). The tax charge is lower than the standard rate of 28% due to adjustments for prior year provisions and certain tax planning initiatives.

8. Dividends

	6 months 2008 £m	6 months 2007 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2006 of 1.2p	**-**	3.8

9. Earnings per share

	6 months 2008 £m	6 months 2007 £m
Underlying EPS:		
Basic EPS		
Earnings attributable to ordinary shareholders	**4.1**	2.5
Weighted average number of shares in issue	**951.3m**	316.8m
EPS	**0.43p**	0.79p
EPS from continuing operations		
Basic earnings	**4.1**	2.5
Pre-tax (profit) from discontinued operations	**(0.8)**	(5.1)
Tax relating to discontinued operations	**0.2**	1.6
Basic underlying earnings from continuing operations	**3.5**	(1.0)
Weighted average number of shares in issue	**951.3m**	316.8m
EPS	**0.37p**	(0.32p)
EPS including exceptional items:		
Basic EPS		
Earnings attributable to ordinary shareholders (including exceptional items)	**(11.9)**	(41.6)
Weighted average number of shares in issue	**951.3m**	316.8m
EPS	**(1.25p)**	(13.13p)
EPS from continuing operations		
Basic earnings	**(11.9)**	(41.6)
Pre-tax loss/(profit) from discontinued operations	**14.2**	32.9
Tax relating to discontinued operations	**0.2**	1.6
Basic earnings from continuing operations	**2.5**	(7.1)
Weighted average number of shares in issue	**951.3m**	316.8m
EPS	**0.26p**	(2.24p)
EPS from discontinued operations:		
Basic EPS		
Pre-tax profit/(loss) from discontinued operations	**0.8**	5.1
Tax relating to discontinued operations	**(0.2)**	(1.6)
Basic earnings from discontinued operations	**0.6**	3.5
Weighted average number of shares in issue	**951.3m**	316.8m
EPS	**0.06p**	1.10p

There is no difference between basic and diluted EPS as there is no material impact from dilutive share options.

10. Property, plant and equipment

During the six months to 30 June 2008, the Group has incurred expenditure of £0.8m on fixed assets (£2.6m to 31 December 2007; £2.0m to 30 June 2007).

At 30 June 2008 the Group had no commitments outstanding in respect of contracted capital expenditure (£nil at 31 December 2007; £nil at 30 June 2007).

11. Borrowings and loans

At 30 June 2008, borrowings of £77.4m consisted of a £40.0m term facility and a net £37.4m revolving facility (£40.0m and £22.0m respectively at 31 December 2007; £170.6m old revolving facility under RBS at 30 June 2007). During the six months to 30 June 2008, borrowings peaked at £83.0m which was made up of a £40.0m term and £43.0m revolving facility. On 1 July 2008, the drawn balance of the revolving facility was completely repaid and £15.0m of the term facility was repaid leaving borrowings of £25.0m.

12. Share capital

During the six months to 30 June 2008, the Group issued 820,429 new ordinary shares of 2.5p each which has resulted in a £0.1m increase in share premium.

13. Statement of changes in reserves

	Equity reserve £m	Other reserve £m	Hedging Reserve £m	Minority interest £m	Retained Earnings £m
At 1 January 2007	2.5	3.2	0.3	-	(202.0)
Net loss	-	-	-	-	(41.6)
Dividends	-	-	-	-	(3.8)
Movement in IFRS 2 reserve	-	(1.2)	-	-	-
Movement in own shares	-	-	-	-	(0.3)
Actuarial gain	-	-	-	-	19.1
Deferred tax thereon	-	-	-	-	(6.1)
At 30 June 2007	2.5	2.0	0.3	-	(234.7)
Net loss	-	-	-	-	(43.0)
Movement in minority interest	-	-	-	(0.2)	-
Movement in IFRS 2 reserve	-	(0.8)	-	-	-
Movement in own shares	-	-	-	-	0.1
Movement in hedging reserve	-	-	(0.3)	-	0.3
Actuarial gain	-	-	-	-	5.6
Deferred tax thereon	-	-	-	-	(1.6)
At 1 January 2008	2.5	1.2	-	(0.2)	(273.3)
Net loss	-	-	-	-	(11.9)
Movement in IFRS 2 reserve	-	(0.1)	-	-	-
Minority interest written off	-	-	-	0.2	-
Movement in own shares	-	-	-	-	(0.1)
Hedging reserve adjustment	-	-	-	-	(0.3)
Equity reserve release	(2.5)	-	-	-	2.5
Actuarial loss	-	-	-	-	(31.0)
Deferred tax thereon	-	-	-	-	8.7
At 30 June 2008	**-**	**1.1**	**-**	**-**	**(305.4)**

There has been no movement in the merger reserve during the six months ended 30 June 2008 (31 December 2007 £nil; 30 June 2007 £nil).

14. Notes to cash flow statement

	6 months 2008 £m	6 months 2007 £m
Continuing operations		
Operating profit (before exceptional items)	**4.9**	3.9
Depreciation and other non-cash items	**0.9**	0.5
Operating cash flows before movements in working capital	**5.8**	4.4
Increase in inventories	**(3.4)**	(5.0)
Decrease in trade and other receivables	**4.0**	4.7
Decrease in trade and other payables	**(6.6)**	(4.2)
Cost of change and onerous contract costs	**(1.8)**	(2.1)
Cash used by continuing operations	**(2.0)**	(2.2)
Discontinued operations		
Operating profit (before exceptional items)	**0.8**	5.1
Depreciation and other non-cash items	**-**	0.1
Operating cash flows before movements in working capital	**0.8**	5.2
Increase in trade and other receivables	**(12.2)**	(8.5)
Decrease in trade and other payables	**(1.6)**	(2.4)
Cost of change and onerous contract costs	**(1.1)**	-
Cash used by discontinued operations	**(14.1)**	(5.7)
Cash used by operations	**(16.1)**	(7.9)

15. Retirement benefit schemes

The fair value of the assets in the schemes, the present value of the liabilities in the schemes and the expected rate of return at each balance sheet date was:

		At 30 June 2008 £m		At 31 December 2007 £m		At 30 June 2007 £m
Equities	8.0%	**118.4**	8.0%	143.2	8.4%	148.1
Bonds	4.4%-6.1%	**120.6**	4.4%- 6.1%	121.9	4.6%- 5.2%	116.3
Fair value of schemes' assets		**239.0**		265.1		264.4
Present value of defined benefit obligations		**(279.0)**		(279.1)		(284.9)
Deficit in the schemes		**(40.0)**		(14.0)		(20.5)

A related offsetting deferred tax asset of £12.0m is shown under non-current assets. Therefore the net pension scheme deficit amounts to £28.0m at 30 June 2008 (£7.8m at 31 December 2007; £14.3m at 30 June 2007).

16. Transactions with related parties

There has been no change from the 2007 year end accounts and no transactions with any related parties in the period to 30 June 2008.

17. Reconciliation of underlying results pre IFRS 5

	Continuing		Discontinued		Group underlying results	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m
Operating profit	**4.9**	3.9	**0.5**	3.0	**5.4**	6.9
Profit/(loss) before tax	**3.7**	(2.0)	**0.5**	3.0	**4.2**	1.0
Earnings per share - basic					**0.40p**	0.28p

18. Availability

A copy of this statement is being sent to all shareholders by inclusion in the circular dated 5 September 2008 relating to the Proposed return of £30m to shareholders by way of tender offer and will be available for inspection by members of the public at the Company's registered office at Pacific Quay, Glasgow, G51 1PQ.

Statement of directors' responsibilities

The interim management report is the responsibility of, and has been approved by, the directors of SMG plc. Accordingly, the directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

- the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules:

DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

The directors of SMG plc are listed in the SMG Group Annual Report for 31 December 2007.

By order of the Board

Jane Tames
Company Secretary

28 August 2008

Independent review report to SMG plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008, which comprises the income statement, balance sheet, statement of recognised income and expense, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
28 August 2008