Company's Registered Number: 3955206

CATALYST MEDIA GROUP PLC

Group report and accounts for the year ended

31 March 2007

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael Rosenberg OBE	*Executive Chairman*
Anna Prestwich	*Chief Finance Officer*
Mark Hawtin	*Non-executive Director*
Melvin Lawson	*Non-executive Director*
Christopher Mills	*Non-executive Director*

SECRETARY
Anna Prestwich

REGISTERED OFFICE
Portland House
4 Great Portland Street
London W1W 8QJ

BANKERS
National Westminster Bank Plc
Hammersmith Branch
22 Kings Mall
London W6 0QD

SOLICITORS

Lewis Silkin LLP	Berwin Leighton Paisner LLP
5 Chancery Lane	Adelaide House
Clifford's Inn	London Bridge
London EC4A 1BL	London EC4R 9HA

NOMINATED ADVISER & BROKER
Strand Partners Limited
26 Mount Row
London
W1K 3SQ

REGISTRARS
Capita IRG Plc
34 Beckenham Road
Beckenham
Kent BR3 4TU

AUDITORS
Nexia Smith and Williamson
25 Moorgate
London
EC2R 6AY

CHAIRMAN'S STATEMENT

Historical Review

The principal trading activity of Catalyst Media Group plc and its subsidiaries ("CMG" or "the Company") during the period under review was the exploitation of rights and/or licenses to cultural and historical video content and the marketing of those rights to business, educational and consumer audiences. CMG is also developing an on-line gaming platform with a suite of fixed odds and exclusive head to head games. At 31 March 2007, CMG owned a 20.51 per cent. stake in Satellite Information Services (Holdings) Limited ("SIS").

There has been significant corporate activity during the period under review and beyond.

In September 2006, CMG acquired the remaining 20 per cent. stake in Catalyst Media Holdings Limited ("CMHL"), a subsidiary company that indirectly holds the Group's stake in SIS, for £5.5 million. In order to finance the purchase of this stake and to refinance its existing facilities with The Eureka Interactive Fund Ltd, CMG drew down £17.3 million of a new £18.6 million facility with Investec Bank (UK) Limited ("Investec").

On 29 March 2007, SIS's five principal shareholders sold 7.5 per cent. of SIS to Fred Done of BetFred Bookmakers *pro rata* to their current shareholdings. CMG therefore sold 1.67 per cent. of SIS's issued share capital for £1.9 million to Fred Done, resulting in a share holding of 20.51 per cent. in SIS. The proceeds of the sale were applied to reduce the facility with Investec.

At the time of entering into the facility with Investec in September 2006, SIS historically had a practice of declaring a substantial "super" dividend every four or five years and consequently, in line with this practice, and based upon SIS board discussions, the directors of CMG ("Directors") at that time believed that a significant dividend from SIS would be paid by 31 March 2007. In January 2007, CMG announced that the SIS board had decided that it was no longer its intention to pay a dividend by 31 March 2007 and that SIS's dividend policy would be the payment of regular annual dividends consistent with annual profits instead of "super" dividend payments. In line with this policy, on 2 August 2007, a dividend of £10 million was declared by the board of SIS and paid on 20 August 2007.

Under the terms of the Investec Facility, in the event that the outstanding debt and accrued interest due to Investec was in excess of £10 million at any time after 31 March 2007, then Investec could exercise a warrant to acquire an effective 10 per cent. out of the 22.19 per cent. holding in SIS then held by CMG at a nominal price, giving CMG a resultant holding of 12.19 per cent. in SIS. This term reflected the belief by the Directors at that time that a substantial dividend would be paid by SIS prior to 31 March 2007. Investec subsequently extended this date to 10 April 2007.

By 10 April 2007, CMG had raised £10 million (after expenses) via a Placing and Open Offer at 0.5p per share, which allowed CMG to repay a significant proportion of the facility with Investec so as to safeguard its existing interest in SIS which, following a share buy back by SIS in May 2007 is now 20.54 per cent.

In addition to the proceeds of the Placing and Open Offer, on 10 April 2007, CMG borrowed £3.5 million from North Atlantic Smaller Companies Investment Trust ("NASCIT") and Oryx International Growth Fund Limited to further reduce the loan from Investec to below £5 million. On 24 August 2007, CMG borrowed £3.91 million from National Westminster Bank plc to repay in full the remaining debt that the Company had in place with Investec including a £0.93 million early redemption fee. As a consequence, under the terms of the facility with Investec, Investec is no longer entitled to exercise any warrant in respect of the Company's wholly owned subsidiary, CMHL.

In June 2006, CMG made an investment in the development of an on-line gaming platform together with a suite of fixed odds and head to head games. CMG is partnering with YooMedia plc with regard to these games and the Spoof and Tringo head to head games are now entering their testing and pre-marketing phase. We expect to bring these games to market in the near future with an appropriate partner.

CHAIRMAN'S STATEMENT (continued)

Following the end of the period under review, on 27 April 2007, CMG completed the sale of NPG Inc, the Company's US-based on-line portal for sourcing stock footage from multiple libraries. The one remaining asset held by the Company in the USA is the entitlement to royalties on income from Global Media Services Inc until 31 December 2009.

During the period under review substantial reductions have been achieved in annual overheads which are now running at less than half the level incurred for the financial period ended 31 March 2006. Gearing has been reduced by the equity placing and has now reduced further as a result of the receipt of the dividend from SIS paid in August 2007.

SIS

The SIS board has adopted a formal dividend policy to pay out not less than 50 per cent. of distributable earnings each year subject to cash flow considerations. In line with this policy, we were pleased to announce on 2 August 2007 that, SIS approved a £10 million dividend in respect of the retained earnings brought forward balance as at 31 March 2007, which was paid on 20 August 2007 and resulted in a £2.05 million contribution to the group. These monies were used to reduce a proportion of the then outstanding debt with Investec. For the financial year ended 31 March 2007, SIS generated revenue of £135.4 million (2006: £127.6 million) and £16.8 million profit after tax (2006: £14.6 million). Long term contractual agreements are now in place with the majority of SIS's customers. From 1 April 2007, SIS has four year contracts with in excess of 8,000 bookmakers representing over 75 per cent. of its total UK and Ireland bookmaker clients. The remainder of SIS's UK and Irish bookmakers clients are on either existing fixed term or rolling contracts, which give it high visibility on future earnings.

These long term contracts underpin revenues from the licensed betting outlets full audio captions and television service ("LBO FACTS") for the next four years. There is new competition from an alliance between Alphameric plc and 31 of the 59 UK racecourses (known as AMRAC). SIS has long term deals with the remaining 46 per cent. of the racecourses and is currently negotiating with the remaining 2 per cent. for the relaying of pictures from those courses. The content provided exclusively by the 31 racecourses via AMRAC only represents approximately 12 per cent. of SIS's entire picture content offering which it distributes to its bookmakers.

The SIS business is much wider than the LBO FACTS service, which now accounts for 33 per cent. of the profitability of the SIS Group. The SISLink business which is Europe's largest independent satellite uplink provider, is the single largest contributor to SIS Group profitability, with about 35 per cent. of profits attributable to this business sector. Much of this business is covered by long-term contracts. In addition, SIS has thriving production, data and international businesses, which contribute almost one third of SIS Group profits.

SIS management see no reason to revise their expectations for the financial year to 31 March 2008 despite this additional competition from AMRAC and as such anticipate a further year of growth.

Financial

CMHL is now a wholly owned subsidiary of CMG. As Alternateport is a shareholder of SIS it is entitled to appoint a director and alternate director to the SIS board. These positions are now both held by directors of CMG, who play an active role in the strategic decision making of SIS. From 29 September 2006, following the purchase of the 20 per cent. minority stake in CMHL, the Directors consider that they were continuing to exert significant influence over the policies of SIS and now that in excess of 20 per cent. is owned by CMHL, the Directors have accordingly, treated their investment as an associate from that date. As a result CMG is reporting a 20.51 per cent. share of SIS retained profit for the period from 29 September 2006 to 31 March 2007 representing income of £1.73 million in the Company's profit and loss statement.

For the year ended 31 March 2007, the Group made a loss after tax and minority interest of £2.67 million (2006 restated: loss £6.2 million). The Directors have continued to reduce costs in the Group and these are now running at a level nearly 50 per cent. lower level than this time last year. In April 2007, the Company completed the sale of its US subsidiary NPG Inc. The Directors have also reviewed the carrying value of its investments in the on line gaming products and have concluded in order to reflect the uncertain revenue stream that may be generated in future years it would be prudent to write down the book costs. This results in a one off impairment charge of £1.84 million.

Following the Placing and Open Offer referred to above and the refinancing arrangements the total debt outstanding at the end of August 2007 for the CMG group was less than £7.6 million (31 March 2007: £18 million) and the net assets have increased to approximately £25.6 million (31 March 2007: £12.5 million). As a result of the placing and open offer the number of issued ordinary shares of 1 pence per share has increased from 714,319,736 to 2,814,319,736 ordinary shares of 0.1 pence per share and 714,319,736 deferred shares of 0.9 pence per share.

Board Changes

Paul Duffen resigned as Chief Executive Officer in December 2006 to concentrate on new ventures. As a result I was appointed executive chairman at that time. Following the successful Placing and Open Offer I am delighted to welcome Mark Hawtin, Melvin Lawson and Christopher Mills as non executive directors to the board of Catalyst. They bring with them additional experience that will enable CMG to move forward confidently. On 31 May 2007, Sir David Frost O.B.E stepped down from the Board after more than 5 years as a non executive director. The Board would like to record their thanks for Sir David's insurmountable support and commitment over recent years, and wish him well in all his current and future endeavours.

AGM

The notice of AGM includes two items of special business. The first is a proposed consolidation of the Company's ordinary shares on a 100 for 1 basis to create ordinary shares of 10p each thus reducing the number of ordinary shares in issue from 2.81 billion to a more manageable 28.1 million.

Fractions arising on the consolidation will be aggregated and sold in the market for the benefit of the Company. New share certificates will not be issued and share certificates in respect of existing ordinary shares will continue to be valid.

The Company proposes to change its name from Catalyst Media Group plc to CMG plc. This is to reflect that the business has strategically developed in a different direction to its origins of being a digital content provider.

CONCLUSION

The board is focused on reducing the debt costs of ownership of the stake in SIS. The debt is already substantially lower following the Placing and Open Offer but with the anticipated receipt of dividends and potentially some further restructuring of the remaining debt we hope to bring this down even further. With a forward formal dividend policy now in place at SIS and a much reduced overhead within CMG we can now positively examine the best way to enhance shareholder value for the future.

Michael Rosenberg OBE
Chairman

21 September 2007

CORPORATE GOVERNANCE STATEMENT

In July 2005, the Quoted Companies Alliance (QCA) published Corporate Governance Guidelines for AIM Companies. The Company's Board apply these guidelines under which it has been in full compliance throughout the year except as stated below.

Directors

There is a board of directors, which is set up to control the Company and Group and at 31 March 2007 this consisted of two executive and one non-executive director. Michael Rosenberg OBE is Executive Chairman of the Board. The Board meets on a regular basis, approximately once every month, to discuss a range of significant matters including strategic decisions and performance. A procedure to enable directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

Produced at each Board meeting is the latest financial information available, which consists of detailed management accounts with the relevant comparisons to budget. The Executive Directors give a current trading appraisal.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken. Due to the size of the Group, no Nomination Committee has been established.

The Directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits. The Directors meet on a regular basis and deal with any number of decisions that do not require full Board approval.

Audit and Remuneration Committees

The Audit Committee, which consists of Mark Hawtin (Chairman of the Committee), Melvin Lawson and Christopher Mills, will be responsible for the relationship with the Group's auditors, the in-depth review of the Group's financial reports, internal controls and any other reports that the Group may circularise. The terms of reference include a review of the cost effectiveness of the audit and non-audit services provided to the Group. The Committee meet twice a year, prior to the announcement of interim and annual results and, should it be necessary, would convene at other times.

The Remuneration Committee which consists of Mark Hawtin (Chairman of the Committee), Melvin Lawson and Christopher Mills meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each Executive Director. The Executive Director's remuneration consists of a package of basic salary, bonuses and share options, which are linked to corporate and individual performance achievements and the levels of each will be determined by the Remuneration Committee.

The Audit and Remuneration Committees were constituted on 30 May 2000 and now consists solely of Non-Executive Directors. Melvin Lawson, a non Executive Director, is a significant shareholder in the company and this relationship could materially interfere with the exercise of his independent judgement. Christopher Mills, a Non Executive Director, has related party transactions (See Note 31) that could materially interfere with the exercise of his independent judgement. Therefore they each do not meet with the independent criteria set out in the combined code. The Chairman, Mark Hawtin is not judged to be an independent director by virtue of his position.

Communication with shareholders

The annual report and accounts and the interim statement at each half year are the primary vehicles for communication with shareholders. These documents are also distributed to other parties who have expressed an interest in the Group's performance. Company results can be viewed on the website (www.CMG-plc.com).

Shareholders who have any queries relating to their shareholdings or to the affairs of the Company generally are invited to contact the Company Secretary at the Company's registered address.

Internal financial control

The Group operates an appropriate system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board. The Board has responsibility for the effectiveness of the internal financial control framework. Such a system can only provide reasonable and not absolute assurance against material misstatement. The Group does not currently have, nor considers there is currently a need for, an internal audit function.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The directors can report that based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

By order of the Board

Anna Prestwich
Company Secretary

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2007.

PRINCIPAL ACTIVITY

The principal trading activity of the Company and its subsidiaries includes exploitation of rights and/or licenses to cultural and historical video content and marketing them to business, educational and consumer audiences.

CMG receives royalties from Global Media Services Inc ("GMS") which represent the deferred consideration for the disposal of CMG's interest in that business. GMS provides a range of technical services to enable the online distribution of audio-visual content.

The Company is developing an on-line gaming platform complete with a suite of fixed odds and exclusive head to head games. It is anticipated that these games will be available for marketing in the near future. The offerings also include head to head Tringo, Spoof and fixed odds games such as Roulette, Keno and Dice games.

CMG owns a 20.54 per cent. stake in Satellite Information Services (Holdings) Limited ("SIS"). SIS provides bookmakers with live television pictures, data display systems and broadcast services. SIS produces live coverage of over 8,000 horse races and 22,500 greyhound races, seven days a week, every week of the year. SIS also produces the 'At The Races' channel on the Sky satellite platform and is Europe's largest independent satellite uplink service provider through its SISLink operation.

REVIEW OF BUSINESS

A full review of the business is included within the Chairman's Statement.

RISKS AND UNCERTAINTIES

A number of risks and uncertainties exist which could adversely impact the group's businesses. These include:

Control of the business and affairs of SIS

CMG currently holds a 20.54 per cent. stake in SIS and is entitled to appoint 1 director to the board of SIS which currently consists of a board of 10 directors, of which 5 are appointed by shareholders, 4 are independent and 1 is the chief executive. Although it can influence the board on strategic decisions, CMG will not be in a position to control in any way the day-to-day business and affairs of SIS other than with the support of other directors and a majority of shareholders of SIS.

SIS dividend policy

SIS has adopted a formal dividend policy to pay out no less than 50 per cent. of distributable earnings subject to cashflow considerations. However any future dividends paid by SIS are, inter alia, dependent on the profitability of SIS and the resolutions of the board of SIS (on which the Group will have only a minority representation) to declare such dividends.

Exclusivity of SIS content

The majority of the rights that SIS has to content are exclusive apart from 31 of the 59 racecourses in the UK, thus there are other companies operating in competition with SIS. However, the capital cost of establishing a rival service, alongside the extent of SIS's existing customer contracts and space constraints in Licenced Betting Outlets (LBO's) all represent significant barriers to entry. In addition, due to the exclusive content that SIS owns and the contracts that it has with LBO's, the SIS directors believe that if an LBO takes any new service it will be in addition to and not in place of SIS's service.

KEY PERFORMANCE INDICATORS

The Company is undergoing an operational and debt restructuring review and as such investors and prospective investors should note that the key performance indicators (KPIs) used by the Board in monitoring performance at the moment are under review.

FINANCIAL RISK MANAGEMENT

The Group's financial risk management policy is set out within note 19.

RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 12 of the financial statements and shows loss for the period after tax and minority interest as £2,668,311 (restated 2006 – loss of £6,229,609).

The directors do not recommend a dividend in respect of the ordinary shares (2006 – £nil).

POST BALANCE SHEET EVENTS

Details of significant events occurring after the period end are given in note 32 to the accounts.

PAYMENT OF SUPPLIERS

The policy of the Group is to settle supplier invoices within the terms of trade agreed with individual suppliers. At the period end the group had an average of 85 days (2006 – 43 days) purchases outstanding.

DIRECTORS

The Directors of the Company at the year end were:

Michael Rosenberg OBE	*Executive Director*
Anna Prestwich	*Chief Financial Officer*
Sir David Frost OBE	*Non-executive Director* (resigned 31 May 2007)

Mark Hawtin, Melvin Lawson and Christopher Mills were appointed non-executive directors on 1 June 2007.

Paul Duffen resigned as a director of the Company on 19 December 2006.

POLITICAL AND CHARITABLE DONATIONS

The Company made charitable donations totalling £2,500 during the period (2006 – £1,200).

DIRECTORS' AUDIT RESPONSIBILITY

Each Director has confirmed that in fulfilling their duties as a director, they have:

- taken all necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

AUDITORS

A resolution to reappoint Nexia Smith & Williamson will be proposed at the forthcoming Annual General Meeting (notice of which is set out on page 38).

Approved by the board of Directors and signed on behalf of the Board

Anna Prestwich
Company Secretary

Nexia Smith & Williamson

Independent auditors' report to the shareholders of Catalyst Media Group plc

We have audited the group and parent company accounts ('the accounts') of Catalyst Media Group plc for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 32. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson

Nexia Smith & Williamson	25 Moorgate
Chartered Accountants	London
Registered Auditors	EC2R 6AY

Date 21 September 2007

The maintenance and integrity of the Catalyst Media Group plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

CATALYST MEDIA GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	*Year ended 31 March 2007* £	*17 month period ended 31 March 2006 (restated)* £
TURNOVER			
Continuing operations	2	283,818	391,003
Discontinued operations		–	2,488,937
		283,818	2,879,940
Cost of sales	3	(16,674)	(2,237,219)
GROSS PROFIT		267,144	642,721
Operating expenses			
– goodwill impairment-continuing		(1,840,614)	(2,457,021)
– share based payments		83,920	(304,468)
– other operating expenses		(1,991,035)	(4,238,600)
– development expenditure		(1,060,097)	–
Total operating expenses		(4,807,826)	(7,000,089)
Dividend income		–	2,205,403
OPERATING LOSS			
Continuing operations		(4,540,682)	(2,635,509)
Discontinued operations		–	(1,516,456)
	2,5,6	(4,540,682)	(4,151,965)
Share of operating profit in associate		2,395,000	–
Loss on disposal of subsidiary – discontinued		–	(1,946,513)
Profit on disposal of share in associate		151,705	–
Interest receivable	7	7,666	99,704
Interest receivable associate		95,000	–
Interest payable	8	(1,227,128)	(710,334)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,118,439)	(6,709,108)
Taxation	10	252,757	699,249
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR		(2,865,682)	(6,009,859)
Dividends (associate)		(1,000)	–
Minority interest		198,371	(219,750)
LOSS FOR THE YEAR	21	(2,668,311)	(6,229,609)
Basic and diluted loss per ordinary share	11	(0.39p)	(1.27p)
Basic and diluted loss per ordinary share: continuing operations	11	(0.39p)	(1.00p)
Basic and diluted loss per ordinary share: discontinued operations	11	–	(0.27p)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2007

	Year ended 31 March 2007	*17 month period ended 31 March 2006 (restated)*
	£	£
Loss for the period	(2,668,311)	(6,229,609)
Currency translation difference	(30,998)	(69,746)
Total recognised losses relating to the year	(2,699,309)	(6,299,355)
Prior year adjustment as explained in note 1	(472,446)	–
Total losses recognised since last annual report	(3,171,755)	

CONSOLIDATED BALANCE SHEET 31 MARCH 2007

	Note	*31 March 2007* £	*31 March 2006 (restated)* £
FIXED ASSETS			
Intangible assets	12	7,158,452	3,067,352
Tangible assets	13	54,893	89,367
Investments	14	–	22,193,670
Investment in Associate	15	21,729,985	–
		28,943,330	25,350,389
CURRENT ASSETS			
Debtors	16	1,401,669	472,438
Cash at bank		1,948,586	634,250
		3,350,255	1,106,688
CREDITORS: amounts falling due within one year	17a	(2,008,429)	(4,022,475)
NET CURRENT ASSETS/(LIABILITIES)		1,341,826	(2,915,787)
TOTAL ASSETS LESS CURRENT LIABILITIES		30,285,156	22,434,602
CREDITORS: amounts falling due in more than one year	17b	(18,009,390)	(9,049,491)
TOTAL NET ASSETS		12,275,766	13,385,111
CAPITAL AND RESERVES			
Called up share capital	20	7,143,197	6,272,361
Shares to be issued	21	388,526	472,446
Share premium account	21	30,896,287	27,928,193
Merger reserve	21	2,402,674	2,402,674
Profit and loss account	21	(28,554,918)	(25,938,983)
EQUITY SHAREHOLDERS' FUNDS		12,275,766	11,136,691
Minority interest		–	2,248,420
		12,275,766	13,385,111

The board of Directors approved these financial statements on 21 September 2007

Signed on behalf of the board of Directors

Michael Rosenberg OBE
Director

COMPANY BALANCE SHEET 31 MARCH 2007

	Note	*31 March 2007* £	*31 March 2006 (restated)* £
FIXED ASSETS			
Intangible fixed assets	12	77,602	–
Tangible fixed assets	13	580	1,016
Investments	14	17,203,552	11,760,394
		17,281,734	11,761,410
CURRENT ASSETS			
Debtors	16	1,918,460	4,276,747
Cash at bank		1,904,344	616,387
		3,822,804	4,893,134
CREDITORS: amounts falling due within one year	17a	(1,485,709)	(2,629,943)
NET CURRENT ASSETS		2,337,095	2,263,191
TOTAL ASSETS LESS CURRENT LIABILITIES		19,618,829	14,024,601
CREDITORS: amounts falling due in more than one year	17b	(7,991,258)	–
NET ASSETS		11,627,571	14,024,601
CAPITAL AND RESERVES			
Called up share capital	20	7,143,197	6,272,361
Shares to be issued	21	388,526	472,446
Share premium account	21	30,896,287	27,928,193
Merger reserve	21	2,912,060	2,912,060
Profit and loss account	21	(29,712,499)	(23,560,459)
EQUITY SHAREHOLDERS' FUNDS	27	11,627,571	14,024,601

The board of Directors approved these financial statements on 21 September 2007

Signed on behalf of the board of Directors

Michael Rosenberg OBE
Director

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2007

	Note	*Year ended 31 March 2007* £	*17 month period ended 31 March 2006 (restated)* £
Net cash outflow from operating activities	24	(2,262,282)	(2,236,529)
Returns on investments and servicing of finance	25	(1,219,462)	(610,630)
Taxation		1,010,757	334,249
Capital expenditure and financial investment	25	(951,982)	(20,482)
Acquisition	25	(3,742,926)	(23,115,000)
Net cash outflow before financing		(7,165,895)	(25,648,392)
Financing	25	8,480,231	25,855,482
Increase in cash in the year	22	1,314,336	207,090

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. All the accounting policies have been applied consistently throughout the period and the preceding period, except as stated below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Going concern

The Directors have prepared the financial statements on basis that the Group is a going concern as the forecasts the Directors have prepared indicate that the Group will have sufficient cash resources to satisfy liabilities as they fall due for a period of at least 12 months from the date of approval of the accounts.

Basis of consolidation

The group financial statements consolidate the financial statements of Catalyst Media Group Plc and all of its subsidiaries at the period end.

The interest in Satellite Information Services (Holdings) Limited ("SIS) was held as a fixed asset investment until 29 September 2006. From this date, the shareholding in SIS is treated as an associate and accounted for under the equity accounting rules, where the profit attributable to CMG plc is included in the profit and loss statement and the share of the net assets and the associated goodwill are shown on the consolidated balance sheet.

Prior year adjustment and Share-based payments

The year ended 31 March 2006 figures have been restated to comply with the provisions of FRS20 to recognise the expense, measured at fair value, in respect of the share-based payments made by the company. The Directors have calculated the fair value of all employee share options which has resulted in the prior year loss increasing by £472,446.

Intangible fixed assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between 10 years to 20 years. Provision is made for any impairment in value.

Goodwill arising on acquisition of an associate, representing the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and deemed to have an economic life greater than 20 years and as such is not written off. Provision is made for any impairment in value, and that is reviewed on an annual basis.

Intangible fixed assets – intellectual property rights

Intellectual property rights acquired are amortised over the period of the licence to exploit such rights, typically five to ten years. Provision is made for any impairment in value, and that is reviewed on an annual basis.

Licenses

Licence rights acquired are amortised over the period of the licence to exploit such rights, typically five to ten years. Licences acquired during the year do not start to run until the products to which they relate to are used. At 31 March 2007, as such, none of the licences had been amortised.

NOTES TO THE ACCOUNTS (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Development expenditure

Development expenditure is written off in the year it is incurred unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Group is expected to benefit.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The useful economic lives of the assets are as follows: Fixtures, fittings and computer equipment, 4 years to 5 years.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Deep discounted bonds

In accordance with Financial Reporting Standard 4: Capital Instruments, the estimated finance costs, being the difference between the net proceeds and the total expected payments are allocated over the expected period of the bonds at a constant rate on the carrying amount.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when the liability crystallises based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Assets held under finance leases and related lease obligations are recorded in the balance sheet at the fair value of the leased asset at the inception of the lease. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Foreign currency

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Revenue recognition and turnover

Revenue is recognised under an exchange transaction with a customer, when, and to the extent that, the Group obtains the right to consideration in exchange for its performance.

Turnover represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax.

Those provision of services included internet web design, website administration and revenues from streamed advertising.

NOTES TO THE ACCOUNTS (continued)

2. SEGMENTAL INFORMATION

The Group's net assets, turnover and loss before tax, are all attributable to internet services and website administration.

Analysis by geographical destination

	2007 £	2006 £
North America	180,747	2,734,676
Europe	103,071	145,264
Turnover	283,818	2,879,940

Analysis by operation

	2007 £	2006 £
Website & distribution	103,071	392,003
TV production	–	1,879,132
Internet professional services	180,747	608,805
Turnover	283,818	2,879,940

Analysis by operation

	2007 £	2006 (restated) £
Website & distribution	4,504,107	4,160,777
TV production	–	2,059,593
Internet professional services	36,575	136,998
Dividend income	–	(2,205,403)
Operating loss	4,540,682	4,151,965

Analysis by operation

	2007 £	2006 (restated) £
Website & distribution	4,057,038	1,991,424
Investment in SIS	25,622,156	23,115,000
TV production	–	(504,458)
Internet professional services	61,572	29,712
Assets	29,740,766	24,631,678
Interest bearing liabilities	(17,465,000)	(10,975,237)
Net Assets	12,275,766	13,656,441

NOTES TO THE ACCOUNTS (continued)

3. COST OF SALES

	2007	*2006*
	£	*£*
Continuing operations	16,674	428,418
Discontinued operations	–	1,808,801
	16,674	2,237,219

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration

Directors' emoluments for the period that each individual served as a Director were as follows:

	Salary/ fees	*Benefits in kind*	*Bonus*	*31 March 2007*	*17 months ended 31 March 2006*
	£	*£*	*£*	*£*	*£*
Total Directors emoluments	472,755	22,564	100,000	595,319	378,051

Emoluments payable to the highest paid director were:

	2007	*2006*
	£	*£*
Salary and Bonus	384,422	267,623
Benefits in Kind	15,888	7,925
	400,310	275,548

Included within salary and fees is £191,666 paid as compensation for loss of office.

	2007	*2006*
	£	*£*
Employees		
Wages and salaries (including Executive Directors)	676,085	2,326,788
Social security costs	72,220	188,329
	748,305	2,515,117

	No.	No.
The average number of employees (including Executive Directors) employed by the Group during the period:		
Sales and marketing	2	4
Administration	4	26
	6	30

NOTES TO THE ACCOUNTS (continued)

5. OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007	*2006*
	£	*£*
Operating loss is stated after charging:		
Depreciation	22,967	185,301
Amortisation of goodwill	18,779	677,334
Impairment of goodwill charge	1,840,614	2,457,021
Rentals under operating leases		
– other assets	50,000	390,268

6. AUDITORS REMUNERATION

	2007	*2006*
	£	*£*
The auditors remuneration in the year consisted of:		
Audit services	40,000	29,000
Other services supplied pursuant to such legislation	7,000	5,000
Services relating to corporate finance transactions entered into by or on behalf of the Company or any of its associates	55,000	80,000
All other services	12,750	15,164

7. INTEREST RECEIVABLE

	2007	*2006*
	£	*£*
Rent receivable	–	85,050
Bank interest	7,666	14,654
	7,666	99,704

8. INTEREST PAYABLE

	2007	*2006*
	£	*£*
Interest on loans	1,227,128	710,334

9. LOSS OF PARENT COMPANY

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these accounts. The parent Company's loss for the financial period amounted to £6,152,040 (restated 2006: loss of £6,872,348).

NOTES TO THE ACCOUNTS (continued)

10. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) ***Analysis of tax charge on ordinary activities***

	2007	*2006*
	£	*£*
Current tax		
UK corporation tax on loss for the period	–	–
Consortium relief	1,016,757	700,000
UK corporation tax: associate	(747,000)	–
Deferred tax: associate	(16,000)	–
Overseas tax	(1,000)	–
Under provision in respect of prior years	–	(751)
Tax credit for the period	252,757	699,249

(b) ***Factors affecting tax charge for the year***

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent.).

The differences are explained below:

	2007	*2006*
	£	*£*
Loss on ordinary activities before taxation	(3,118,439)	(6,404,640)
Taxation on loss at standard rate of 30 per cent. (2006: 30 per cent.)	(935,532)	(1,921,391)
Effects of:		
Expenses not deductible for tax purposes	910,363	2,121,341
Income not taxable	(45,512)	(661,620)
Other timing differences	–	228,031
Capital allowances in excess of depreciation	(8,109)	214
(Utilised)/unutilised tax losses	(127,210)	(466,575)
Under provision in respect of prior periods	(63,757)	751
Overseas tax	1,000	–
Current tax (credit)/charge for the period	(268,757)	(699,249)

(c) ***Factors that may affect the future tax charge***

Deferred tax has not been provided in respect of timing differences relating primarily to revenue losses and management expenses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £2,954,400 (2006: £3,012,950). After 31 March 2007, a change in UK corporation tax rates was announced. The above deferred tax asset has been calculated based on a UK tax rate of 30 per cent. as applicable at 31 March 2007.

11. EARNINGS PER ORDINARY SHARE

The calculation of the basic loss per share is based on the weighted average number of issued ordinary shares being 686,217,802 (2006: 488,640,167) and on the loss attributable to ordinary shareholders of £2,668,311 (2006: loss £6,229,609).

The diluted loss per share calculation is identical to that used for basic earnings per share as the exercise of share options would have the effect of reducing the loss per ordinary share and therefore is not dilutive under the terms of Financial Reporting Standard 22 “Earnings per share”.

NOTES TO THE ACCOUNTS (continued)

12. INTANGIBLE FIXED ASSETS

Group	*Development expenditure* £	*Licences* £	*Goodwill* £	*Intellectual property rights* £	*Total* £
Cost					
At 1 April 2006	94,951	–	8,267,498	4,213,834	12,576,283
Additions	–	950,000	4,860,389	152,748	5,963,137
Foreign exchange adjustment	–	–	(23,182)	–	(23,182)
At 31 March 2007	94,951	950,000	13,104,705	4,366,582	18,516,238
Amortisation					
At 1 April 2006	(94,951)	–	(5,200,146)	(4,213,834)	(9,508,931)
Charge for the period	–	–	(18,779)	–	(18,779)
Impairment	–	(872,398)	(968,216)	–	(1,840,614)
Foreign exchange adjustment	–	–	10,538	–	10,538
At 31 March 2007	(94,951)	(872,398)	(6,176,603)	(4,213,834)	(11,357,786)
Net book value					
At 31 March 2007	–	77,602	6,928,102	152,748	7,158,452
At 31 March 2006	–	–	3,067,352	–	3,067,352

The Company	*Development expenditure* £	*Licences* £	*Intellectual property rights* £	*Total* £
Cost				
At 31 March 2006	94,951	–	1,056,621	1,151,572
Additions	–	950,000	–	950,000
At 31 March 2007	94,951	950,000	1,056,621	2,101,572
Amortisation				
At 31 March 2006 and at 31 March 2007	(94,951)	–	(1,056,621)	(1,151,572)
Impairment	–	(873,398)	–	(873,398)
At 31 March 2007	(94,951)	(873,398)	(1,056,621)	(2,024,970)
Net book value				
At 31 March 2007	–	77,602	–	77,602
At 31 March 2006	–	–	–	–

Licences acquired during the year do not start to run until the products to which they relate to are used. At 31 March 2007, none of the licences had been amortised.

NOTES TO THE ACCOUNTS (continued)

13. TANGIBLE FIXED ASSETS

	Fixtures, fittings and computer equipment
	£
The Group	
Cost	
At 1 April 2006	454,681
Additions	3,399
Disposals	(1,700)
Foreign exchange adjustment	(13,489)
At 31 March 2007	442,891
Accumulated depreciation	
At 1 April 2006	(365,314)
Charge for the period	(22,967)
Disposals	283
At 31 March 2007	387,998
Net book value	
At 31 March 2007	54,893
At 31 March 2006	89,367

The depreciation charge includes £nil (2006: £101,335) in respect of finance leases with net book value of £nil (2006: £nil).

	Fixtures, fittings and computer equipment
	£
Company	
Cost	
At 31 March 2006 and 31 March 2007	90,357
Accumulated depreciation	
At 31 March 2006	(89,341)
Charge for the period	(436)
At 31 March 2007	(89,777)
Net book value	
At 31 March 2007	580
At 31 March 2006	1,016

NOTES TO THE ACCOUNTS (continued)

14. FIXED ASSET INVESTMENTS

	Investment £
Group	
Cost	
At 31 March 2006	22,193,670
Transfer to Associate	(20,165,000)
Disposal	(2,028,670)
At 31 March 2007	–
Net book value	
31 March 2007	–
31 March 2006	22,193,670

On 29 September 2006, CMG acquired the remaining 20 per cent. shareholding in its subsidiary CMHL. As a result of this, CMHL became a wholly owned subsidiary and there is no longer a minority interest. Following the acquisition the effective stake held in SIS by CMG at 31 March 2007 was 20.51 per cent. which has led to CMG accounting for the shareholding in SIS as an associate rather than an investment.

Company	*Shares in subsidiaries* £
Cost	
At 31 March 2006	19,692,661
Additions	6,661,375
Reduction in estimated cost of acquisition	(463,394)
At 31 March 2007	25,890,642
Provision for impairment	
At 31 March 2006	7,932,267
Write back in the period	(463,394)
Impairment	1,218,217
At 31 March 2007	8,687,090
Net book value	
31 March 2007	17,203,552
31 March 2006	11,760,394

NOTES TO THE ACCOUNTS (continued)

14. FIXED ASSET INVESTMENTS (continued)

The above investments relate to the companies below.

	Country of Incorporation and operation	*Activity*	*Percentage of ordinary shares held*
Newsplayer Limited	Great Britain	Technical and marketing services	100
Newsplayer International Limited	Guernsey	Website administration and finance	100
Spoof.com Limited	Great Britain	Skilled Games	100
NPG Inc	United States	Website services	100
Betelgeuse Productions Inc	United States	Not trading	100
Alternateport Limited*	Great Britain	Investment Company	100
Catalyst Media Holdings Limited	Great Britain	Investment Company	100
Satellite Information Services (Holdings) Limited**	Great Britain	Provision of integrated television and information services to licensed betting offices	20.51
Newsplayer Group Limited	Great Britain	Holding Company	100
VideoTV Plc	Great Britain	Dormant	100
Catalyst Media Services Limited	Great Britain	Dormant	100
Stable Technology Investment Limited	Great Britain	Dormant	100

* A subsidiary of Catalyst Media Holdings Limited

** An associate of Catalyst Media Group plc

Analysis of acquisitions

On 29 September 2006, Catalyst Media Group plc purchased the remaining 20 per cent. stake in Catalyst Media Holdings Limited for a cash consideration of £5.5 million.

The book value and fair value of the net assets acquired were:

	£	£
Fixed asset investments		28,615,000
Creditors		(18,707,171)
Net assets		9,907,829
Goodwill previously recognised on acquisition of 80 per cent. interest		2,950,000
Goodwill on acquisition of remaining 20 per cent. interest		3,892,171
– Consideration paid on acquisition of 80 per cent. interest	11,250,000	
– Consideration paid for remaining 20 per cent. interest	5,500,000	
Total consideration (excluding professional costs)		16,750,000

On 22 August 2006, the Company purchased the entire share capital of Spoof.com Limited through the issue of 25,252,776 ordinary shares at a price of 4.5p per share. Including costs, the total consideration totalled £1,161,375. Up to a further 30,303,331 new ordinary shares at 4.5p per share are to be issued over three years, dependant on Spoof.com Limited achieving specified target revenues over that period. The Directors have not provided for this deferred consideration in the accounts as they believe due to the prevailing gaming market conditions it is unlikely that these targets will be achieved within the three years. Although they intend to use best endeavours in line with the agreement with the vendors of that company to maximise revenues from the site. The book value and fair value of the net assets acquired were:

NOTES TO THE ACCOUNTS (continued)

14. FIXED ASSET INVESTMENTS (continued)

	£
Fixed assets	152,748
Current assets	40,410
Net assets	193,158
Goodwill	968,217
Consideration	1,161,375

The acquisition of Spoof.com Limited did not make a contribution to the Group's net operating cash flows or operating results.

15. INVESTMENT IN ASSOCIATE

Company	*Share of net assets* £	*Goodwill* £	*Total* £
Cost			
At 31 March 2006	–	–	–
Transfer to associate	6,624,116	16,879,713	23,503,829
Disposal	(499,925)	(1,273,919)	(1,773,844)
At 31 March 2007	6,124,191	15,605,794	21,729,985
Net book value			
31 March 2007	6,124,191	15,605,794	21,729,985
31 March 2006	–	–	–

On 29 September 2006, CMG acquired the remaining 20 per cent. shareholding in CMHL for £5.5 million (excluding professional costs) which owns 100 per cent. of Alternateport which in turn owned a 22.19 per cent. stake in SIS. The effective shareholding in SIS increased therefore from 17.73 per cent. up to 22.19 per cent. as at that date and at 31 March 2007 was 20.51 per cent.

CMHL is now a wholly owned subsidiary of CMG and entirely controlled by the directors of CMG. As Alternateport is a shareholder of SIS it has always been entitled to appoint a director and alternate director to the SIS board. These positions are both held by directors of CMG, who play an active role in the strategic decision making of SIS. From 29th September 2006, the Directors consider that they have continued to be able to exert significant influence over the policies and as a result of the increase in ownership to over 20 per cent. have, accordingly, treated their investment as an associate from that date.

Share of the operating profit of associate

	2007 *£'000*
Share of associates' operating profit	2,395
Interest receivable	95
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,490
Taxation	(758)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	1,732
Dividends	(1)
RETAINED PROFIT TRANSFERRED TO RESERVES	1,731

NOTES TO THE ACCOUNTS (continued)

15. INVESTMENT IN ASSOCIATE (continued)

Analysis by operation

	2007
	£'000
UK racing pictures	721
Uplink services	809
Other services	865
Share of the operating profit of associate	2,395

Share of net assets by operation of associate

	2007
	£'000
Fixed assets	5,001
Current assets	7,163
Creditors: amounts falling due within one year	(4,898)
Net current assets	7,266
Creditors: amounts falling due after more than one year	(2,373)
Share of net assets of associate on acquisition	4,893
Goodwill on acquisition of associate	16,880
Share of operating profit of associate in period	1,731
Total cost of investment in associate	23,504
Disposal of share of associate	(1,774)
Share of net assets of associate	21,730

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007		*2006*	
	Group	*Company*	*Group*	*Company*
	£	*£*	*£*	*£*
Trade debtors	114,949	7,923	112,547	36,285
Other debtors	774,467	721,089	201,478	201,478
Amounts due by group undertakings	–	760,535	–	3,950,931
Prepayments and accrued income	512,253	428,913	158,413	88,053
	1,401,669	1,918,460	472,438	4,276,747

Included within other debtors is £86,230 (2006: £136,157) falling due in greater than one year.

NOTES TO THE ACCOUNTS (continued)

17A. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007		*2006*	
	Group	*Company*	*Group*	*Company*
	£	*£*	*£*	*£*
Bank loans	–	–	121,028	–
Other loans (including convertible loan note)	160,000	160,000	1,640,612	1,640,612
Obligations under finance leases	–	–	285,134	–
Trade creditors	386,818	284,912	296,980	239,710
Taxation and social security	131,086	2,265	61,799	–
Other creditors	615,519	525,500	516,390	396,677
Accruals and deferred income	715,006	513,032	1,100,532	352,944
	2,008,429	1,485,709	4,022,475	2,629,943

Other loans

The £160,000 convertible loan note, unless previously repaid or converted, was due to be redeemed at par on 23 February 2006. Interest is payable at 6 per cent. per annum. The note may be converted at any time in multiples of £10,000 into ordinary 1p shares and the rate of conversion will be 20p nominal amount of ordinary shares for every £1 nominal of the notes converted. Conversion is at the option of the Noteholder. The Noteholder was repaid, including accrued interest, by the Company in full in May 2007.

17B. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2007		*2006*	
	Group	*Company*	*Group*	*Company*
	£	*£*	*£*	*£*
Loan	17,305,000	–	–	–
Deep discounted bonds	–	–	9,049,491	–
Amounts owed to group undertakings	–	7,991,258	–	–
Other creditors	704,390	–	–	–
	18,009,390	7,991,258	9,049,491	–

To facilitate the acquisition of Alternateport Limited in September 2005, Catalyst Media Holdings Limited ("CMHL"), a subsidiary of the Company, issued two deep discount bonds to Eureka Interactive Fund Ltd ("Eureka"). The balance of £9,049,491 was repaid in full on 29 September 2006.

To facilitate the repayment of the two deep discounted bonds to Eureka and to acquire the remaining 20 per cent. in its subsidiary CMHL from Eureka, CMHL, took a loan of £18,605,000 with Investec Bank (UK) Limited of which £17,305,000 has been drawn down ("the Investec Facility"). Interest during the period accrued at 2.5 per cent. above the bank base rate up to 31 December 2006 and 3.5 per cent. above the bank base rate up to 31 March 2007. The loan is repayable in full by 31 December 2010.

Attached to the loan is a warrant instrument pursuant to which Investec has been granted a warrant to subscribe for 'B' shares in CMHL in certain circumstances at a price of 1p per share.

The number of 'B' shares to be subscribed depends upon the maximum total amount outstanding under the Investec Facility (including accrued interest) at any time after 10 April 2007 and prior to the commencement of the subscription period as defined in the Investec Facility. The number to be subscribed is the number of 'B' shares which, when added to the number of shares in CMHL then in issue, results in the economic interest of those 'B' shares in the shares held by Alternateport in SIS being the percentage ranging from nil to 3 per cent., depending on the value outstanding. If the loan has not been repaid in full by 31 December 2010 then the economic interest of those 'B' shares will be 10 per cent.

NOTES TO THE ACCOUNTS (continued)

17B. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR (continued)

By 10 April 2007, the Company had raised £10 million (after expenses) via the Placing and Open Offer at 0.5p per share. On 10 April 2007, CMG borrowed a further £3.5 million from NASCIT and Oryx International Growth Fund Limited and on 24 August 2007, CMG borrowed a further £3.91m from National Westminster Bank plc ("NatWest") to repay in full the existing debt that the Company had in place with Investec. As a consequence of these transactions the existing debt to Investec was repaid in full, and under the terms of the facility with Investec, Investec is no longer entitled to exercise its warrant in respect of the Company's wholly owned subsidiary, CMHL.

18. DEBT MATURITY

	2007	*2006*
	£	*£*
Debt		
In one year or less, or on demand	160,000	1,651,774
Within two to five years	17,305,000	9,444,491
	17,465,000	11,096,265

19. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, other loans and convertible loan notes. The main purpose of the cash and convertible loan note is to provide working capital for the Group, with the other loans issued as consideration for the purchase of subsidiary companies. The Group's policy is to obtain the highest rate of return of its cash balances, subject to having sufficient resources to manage the business on a day to day basis and not exposing the Group to unnecessary risk of default, utilising instruments such as the convertible loan notes where the return is considered commensurate to the risk entered into.

Historically, the Group's exposure to foreign currency was predominantly to the US dollar. The Group's overall exposure to the US dollar at 31 March 2007 was immaterial due to its withdrawal from the US market.

Of the Group's financial instruments as at 31 March 2007, a total of £17,305,000 (2006: £516,028) attracted floating interest rates, the remaining debt of £160,000 (2006: £10,580,537) had fixed interest rates. All debt is subject to interest charges. The Directors believe the fair value of the Group's financial instruments is not materially different to their book value.

20. CALLED UP SHARE CAPITAL

	2007	*2006*
	£	*£*
Authorised: 2006		
950,000,000 (2004: 200,000,000) ordinary shares of 1 pence each	9,500,000	9,500,000
Called up, allotted and fully paid:		
714,319,736 (2006: 627,236,153) ordinary shares of 1 pence each	7,143,197	6,272,361

There have been the following changes in the issued share capital during the period:

In May 2006, 437,500 new 1p ordinary shares were issued to Paradine Productions Limited, a Company owned by Sir David Frost OBE at 4p per share, 3,100,264 new 1p ordinary shares at 3.39p per share and 97,222 new 1p ordinary shares at 18p per share.

In June 2006, 13,751,375 new 1p ordinary shares were issued at 4 pence per share to settle the sum of £1,085,612 payable to J. Servidio and S. Domenico under the Betelgeuse Stock Purchase Agreement.

NOTES TO THE ACCOUNTS (continued)

20. CALLED UP SHARE CAPITAL (continued)

In July and September 2006, 32,777,782 and 11,666,664 respectively, new 1p ordinary shares were issued at 4.5 pence per share to YooMedia plc.

In August 2006, 25,252,776 new 1p ordinary shares were issued at 4.5 pence per share for the acquisition of Spoof.com Limited.

At 31 March 2007, there were 5,500,000 (2006: 9,245,083) unapproved share options under the Executive Share Option Scheme and 24,470,501 (2006: 27,385,869) EMI share options. There were 18 million warrants in issue, exercisable at any time up to and including the 27 May 2010 and further warrants in issue for 1 per cent of the issued share capital of the Company at the time of exercise of the warrant exercisable at any time up to and including 4 August 2010.

21. STATEMENT OF MOVEMENTS ON RESERVES

Group	*Shares to be issued* £	*Share premium account* £	*Merger reserve* £	*Profit and loss account* £
At 1 April 2006 restated	472,446	27,928,193	2,402,674	(25,938,983)
Loss for the year	–	–	–	(2,668,311)
Exchange movement	–	–	–	30,997
Minority interest	–	–	–	21,379
Movement in share options	(83,920)	–	–	–
Share issue	–	2,968,094	–	–
At 31 March 2007	388,526	30,896,287	2,402,674	(28,554,918)

The Company	*Shares to be issued* £	*Share premium account* £	*Merger reserve* £	*Profit and loss account* £
At 1 April 2006 restated	472,446	27,928,193	2,912,060	(23,560,459)
Loss for the year	–	–	–	(6,152,040)
Movement in share options	(83,920)	–	–	–
Share issues	–	2,968,094	–	–
At 31 March 2007	388,526	30,896,287	2,912,060	(29,712,499)

NOTES TO THE ACCOUNTS (continued)

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007	*2006*
	£	*£*
Increase in cash in the year	1,314,336	207,090
Repayment of loan notes	1,085,612	–
Repayment of bank loan	107,271	699,301
Repayment of finance leases	102,226	44,161
Non cash movements of finance leases	153,803	–
Repayment of other loans	9,444,491	–
Increase in loans	(17,305,000)	(9,444,491)
Translation difference	42,862	(86,182)
Movement in net debt in the period	(5,054,399)	(8,580,121)
Net debt at start of period	(10,462,015)	(1,881,894)
Net debt at the end of period	(15,516,414)	(10,462,015)

23. ANALYSIS OF NET DEBT

	At 31 March 2006	*Cash flow*	*Non cash movements*	*Exchange Movement*	*At 31 March 2007*
	£	*£*	*£*	*£*	*£*
Cash at bank	634,250	1,314,336	–	–	1,948,586
Bank loan	(121,028)	107,271	–	13,757	–
Convertible loan note	(160,000)	–	–	–	(160,000)
Finance leases	(285,134)	102,226	153,803	29,105	–
Loan notes	(1,085,612)	–	1,085,612	–	–
Other loans	(9,444,491)	(7,860,509)	–	–	(17,305,000)
	(10,462,015)	(6,336,676)	1,239,415	42,862	(15,516,414)

In June 2006, 13,751,375 new 1p ordinary shares were issued at 4 pence per share to settle the sum of £1,085,612 payable to J. Servidio and S. Domenico under the Betelgeuse Stock Purchase Agreement.

24. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007	*2006*
	£	*£*
Operating loss	(4,540,682)	(3,847,497)
Impairment of intellectual property rights	–	2,457,021
Impairment of intangible assets	1,840,615	–
Depreciation	22,967	185,301
Amortisation of goodwill on acquisition	18,779	677,334
Decrease/(Increase) in debtors	(911,359)	1,314,051
(Decrease)/Increase in creditors	1,250,271	(2,919,925)
Exchange adjustment	57,127	(102,814)
Net cash outflow from operating activities	(2,262,282)	(2,236,529)

NOTES TO THE ACCOUNTS (continued)

25. ANALYSIS OF CASH FLOWS FOR HEADINGS IN THE CASH FLOW STATEMENT

	2007	*2006*
	£	*£*
Returns on investments and servicing of finance		
Interest received	7,666	99,704
Interest paid	(1,227,128)	(692,406)
Interest on finance leases	–	(17,928)
	(1,219,462)	(610,630)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(950,000)	(161,446)
Purchase of tangible fixed assets	(3,399)	(30,467)
Disposal of tangible fixed assets	1,417	171,431
	(951,982)	(20,482)
Acquisition		
Purchase of business	(2,460)	–
Purchase of investment	–	(23,115,000)
Increase in investment of subsidiary	(3,892,171)	–
Disposal of share of associate	151,705	–
	(3,742,926)	(23,115,000)
Financing		
Capital element of finance lease payments	(285,134)	(28,141)
Repayment of bank loan	(121,028)	(690,106)
Repayment of loans	(11,037,241)	(2,700,509)
Issue of ordinary share capital	2,618,634	17,068,272
New loans	17,305,000	12,205,966
	8,480,231	25,855,482

NOTES TO THE ACCOUNTS (continued)

26. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007	*2006 restated*
Group	*£*	*£*
Loss for the financial year	(2,668,311)	(6,229,609)
Issue of shares	870,836	4,867,262
Premium on issue of shares for acquisition	2,968,094	12,624,510
Translation differences	30,997	(69,746)
Minority interest	21,379	–
Finalisation of deferred consideration	–	(476,000)
Shares to be issued	(83,920)	304,468
Net addition to shareholders' funds	1,139,075	11,020,885
Opening shareholders' funds	11,136,691	115,806
Closing shareholders' funds	12,275,766	11,136,691

	2007	*2006 restated*
The Company	*£*	*£*
Loss for the financial year	(6,152,040)	(6,872,348)
Issue of shares	870,836	4,867,262
Premium on issue of shares for acquisition	2,968,094	12,624,510
Finalisation of deferred consideration	–	(476,000)
Shares to be issued	(83,920)	304,468
Net addition to shareholders' funds	(2,397,030)	10,146,987
Opening shareholders' funds	14,024,601	3,576,709
Closing shareholders' funds	11,627,571	14,024,601

27. OPERATING LEASE COMMITMENTS

The annual net commitments under operating leases are as follows:

	Land and buildings	
	2007	*2006*
	£	*£*
Leases which expire:		
Less than one year	–	73,587
Within two to five years	50,000	50,000
	50,000	123,587

28. FINANCE LEASE COMMITMENTS

	Capital equipment	
	2007	*2006*
	£	*£*
Leases which expire:		
Less than one year	–	285,134
	–	285,134

NOTES TO THE ACCOUNTS (continued)

29. CONTINGENT LIABILITIES

There are no contingent liabilities of which the Directors were aware of as at the date the accounts were signed.

30. SHARE BASED PAYMENTS

Equity settled share option scheme

The Company issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The Company operates two share option schemes: the Share Option Plan adopted in May 2000 and the Enterprise Management Incentive Plan adopted in August 2005.

Fair value of the Share Option Plan is measured by use of the Black Scholes model and the fair value of the Enterprise Management Incentive Plan is measured by use of the Monte Carlo model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability and exercise restrictions.

Under both the Company's share option schemes, options are exercisable after 3 years from the issue date at a price equal to the quoted market price of the Company's shares on the date of grant. Options are forfeited if the employee leaves the Group before the options vest after 6 months from the departure date of leaving the Group.

Details of the total share options outstanding during the period are as follows:

	31 March 2007		*31 March 2006*	
	Number of share options	*Weighted average exercise price (p)*	*Number of share options*	*Weighted average exercise price (p)*
Outstanding at beginning of period	29,970,501	4.83	11,640,000	10.40
Granted during the period	–	–	30,130,952	4.00
Lapsed during the period	–	–	(11,424,451)	(8.12)
Outstanding at the end of the period	29,970,501	4.83	29,970,501	4.83
Exercisable at the end of the period	1,000,000	20.00	–	–

No share options were exercised in the period.

The exercise price of the share options outstanding at 31 March 2007 ranged from 4p to 20p, with a weighted average contractual life of 3 years. The aggregate of the estimated fair value of the options at 31 March 2007 is £388,526 (31 March 2006 £472,446).

The input into the Black Scholes model for the Share Option Plan which was used to value options granted before 4 August 2005 are as follows:

	2003	*2004*
Weighted average share price	34p	34p
Weighted average exercise price	20p	20p
Expected volatility	52%-174%	73%-75%
Expected life	3 years	3 years
Risk free rate	4%	4%
Expected dividend yield	nil	nil

NOTES TO THE ACCOUNTS (continued)

30. SHARE BASED PAYMENTS (continued)

The input into the Monte Carlo model for the Enterprise Management Incentive plan which was used to value the remaining options are as follows:

	2006
Weighted average share price	4p
Weighted average exercise price	4p
Expected volatility	60%
Expected life	3 years
Risk free rate	4.3-4.6%
Expected dividend yield	nil

31. RELATED PARTY TRANSACTIONS

Royalty payments of £328,750 were due to David Paradine Productions Limited, a company controlled by Sir David Frost O.B.E of which £152,500 was settled in shares in May 2006 by the issue of new shares. The balance outstanding at the end of the period was £176,250 of which was settled in full in May 2007.

In May 2006, 437,500 new 1p ordinary shares were issued to Paradine Productions Limited, a company owned by Sir David Frost OBE at 4p per share, 3,100,264 new 1p ordinary shares at 3.79p per share and 97,222 new 1p ordinary shares at 18p per share.

NASCIT and Oryx International Growth Fund Limited (together known as "Northern Atlantic"), both of which Christopher Mills is a director, made a loan to the company of £4 million on 10 April 2007. Northern Atlantic also has an interest in 225,000,000 ordinary shares of 0.1p each.

Melvin Lawson and his associated companies ("Lawson") has an interest in 181,548,621 ordinary shares of 0.1p each in CMG.

32. POST BALANCE SHEET EVENTS

On 4 April 2007, the Company completed a capital reorganisation with each of the existing issued and unissued ordinary shares of 1p each being subdivided into one new ordinary share of 0.1p ("Ordinary Shares") and one deferred share of 0.9p.

Furthermore the Company raised approximately £10 million, net of expenses, by way of a placing of 801,236,844 new Ordinary Shares with institutional and other investors and an open offer of 1,298,763,156 new Ordinary Shares. The new issue Ordinary Shares rank *pari passu* with the old subdivided ordinary shares of 1p each.

On 10 April 2007, the Company took a £4 million loan facility (of which £3.5 million has been drawn down) from NASCIT and Oryx International Growth Fund Limited ("Facility"). The funds provided under the Facility were used to repay a proportion of the Investec Facility so as to reduce the outstanding borrowings to Investec to below £5 million. Interest is charged at a fixed rate of 13.25 per cent. per annum and the loan is repayable on or by 10 April 2009.

On 27 April 2007, the Company completed the sale of NPG Inc, the Company's US-based on-line portal for sourcing stock footage from multiple libraries. The consideration payable to Catalyst was US$325,000.

On 31 May 2007, Sir David Frost OBE stepped down from the Board as a Non Executive Director.

On 1 June 2007, the Company announced the appointment to the Board of Mark Hawtin, Melvin Lawson and Christopher Mills as Non Executive Directors with immediate effect. Mark Hawtin was a partner of Marshall Wace LLP until June 2007. Melvin Lawson is managing director of A Beckman plc, a company formerly listed on the London Stock Exchange and is a non-executive director of Telecom Plus plc. Christopher Mills is chief investment officer of J O Hambro Capital Management Limited.

NOTES TO THE ACCOUNTS (continued)

32. POST BALANCE SHEET EVENTS (continued)

On 7 August 2007, the Company settled a claim made after the financial year end by Champ Car World Series LLP ("Champ Car") on 14 May 2007 against the Company under a letter of agreement dated 15 December 2004 between Betelgeuse Productions Inc, the Company and Champ Car for US$400,000 which was provided for in the current year.

On 24 August 2007, the Company took a £4.825 million loan facility (of which £3.91 million has been drawn down) provided by NatWest. The funds provided under the facility were used to repay in full the existing debt that the Company has in place with Investec and an early redemption fee of £0.93m for doing so. As a consequence, under the terms of the facility with Investec, Investec is no longer entitled to exercise its warrant in respect of the Company's wholly owned subsidiary, CMHL. Interest is charged on the facility at a fixed margin of 2.75 per cent. per annum above NatWest's base rate, and is rolled up into the loan and repayable on the final repayment date. An arrangement fee was payable in connection with the Facility. The Facility is repayable on or by 31 December 2010 and is secured against the assets of CMHL and Alternateport Limited, a wholly owned subsidiary of CMHL. The existing £4 million debt (of which £3.5 million has been drawn down) provided by NASCIT and Oryx International Growth Fund Limited has now been amalgamated into NASCIT only and they have taken a second security position to NatWest.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventh Annual General Meeting of Catalyst Media Group Plc will be held at Lewis Silkin, 5 Chancery Lane, Clifford's Inn, London EC4A 1BL on Thursday 25th October 2007 at 11.00 a.m. for the following purposes:

1. To receive, consider and adopt the report of the Directors and the Audited Financial Statements for the period ended 31 March 2007.

2. To re-elect Mark Hawtin as a director of the Company.

3. To re-elect Melvin Lawson as a director of the Company.

4. To re-elect Christopher Mills as a director of the Company.

5. To re-elect Anna Prestwich as a director of the Company.

6. To re-appoint Nexia Smith & Williamson as auditors and to authorise the Directors to fix their remuneration.

7. To propose as an ordinary resolution that every one hundred issued and un-issued ordinary shares of 0.1p each in the capital of the Company be and are hereby consolidated into one ordinary share of 10 pence having the rights and being subject to the conditions as are set out in the articles of association of the Company, so that the authorised share capital of the Company immediately following the passing of this resolution shall be £13,000,000 divided into 65,711,223 ordinary shares of 10 pence each and 714,319,736 deferred shares of 0.9 pence each.

8. To propose as a special resolution that the name of the Company be changed to "CMG PLC".

NOTES

1. Only the holders of ordinary shares are entitled to attend the meeting and vote. A member entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy is provided. To be effective, a form of proxy must be completed, signed and lodged with the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR no later than 48 hours before the time of the meeting. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 11.00 a.m. on Tuesday 23rd October 2007.
4. Copies of the following documents will be available for inspection at the Company's registered office, during normal business hours, on any weekday (Saturdays and public holidays excepted) from the date of this notice until the day of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting.
   (a) the register of Directors' interests in shares of the Company kept in accordance with section 325 of the Companies Act 1985; and
   (b) copies of all service agreements under which Directors are employed by the Company or any subsidiaries.

BY ORDER OF THE BOARD

Anna Prestwich
Company Secretary

21 September 2007

Registered office:

Portland House
4 Great Portland Street
London W1W 8QJ