

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

If you have sold or otherwise transferred all of your Ordinary Shares in Catalyst Media Group plc, you should immediately send this document, together with the accompanying form of proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, these documents should not be forwarded or transmitted into the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan or their respective territories or possessions or into any jurisdiction if to do so would constitute a violation of the relevant laws of such other jurisdiction.

With the consent of the London Stock Exchange, this document is drawn up in compliance with the AIM Rules as they were in force immediately prior to 1 July 2005 and the Public Offers of Securities Regulations 1995 (as amended) (the "Regulations"). A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration pursuant to Regulation 4(2) of the Regulations. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in it is in accordance with the facts, and it makes no omission likely to affect the import of such information. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission. The Directors, whose names are set out on page 4, accept responsibility for the contents of this document accordingly.

Application will be made for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Existing Ordinary Shares and the New Ordinary Shares will commence on 2 September 2005. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. In addition, the rules of AIM are less demanding than those of the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List. Neither the London Stock Exchange nor the UK Listing Authority have examined or approved the contents of this document. The Existing Ordinary Shares and the New Ordinary Shares are not dealt in on any other recognised investment exchange and no other such applications have been made.

# Catalyst Media Group plc

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with Registered No. 3955206)

## Proposed Acquisition of Alternatport Limited

**Proposed Placing of 425,000,000 new ordinary shares of 1p each at 4p per share**

**Unaudited interim results for the six months ended 30 April 2005**

**Admission to trading on AIM**

**Notice of Extraordinary General Meeting**

Nominated Adviser		Broker	
Strand Partners Limited		Evolution Securities Limited	
Authorised Number	£	Share Capital	Issued and fully paid Number
		Current	
200,000,000	2,000,000	(Ordinary Shares)	190,430,597 1,904,305.97
		Immediately following Admission	
950,000,000	9,500,000	(Ordinary Shares)	624,180,597 6,241,805.97

Strand Partners Limited ("Strand Partners"), which is the Company's nominated adviser for the purposes of the AIM Rules, is regulated by the Financial Services Authority and is a member of the London Stock Exchange and is acting exclusively for the Company in connection with the matters set out in this document. Evolution Securities Limited ("Evolution"), which is regulated by the Financial Services Authority, is acting as broker to the Company in connection with the matters set out in this document. Neither Strand Partners nor Evolution will be responsible to anyone other than the Company for providing the protections afforded to customers of Strand Partners or Evolution nor for advising any other person on the Placing and the contents of or arrangements described in this document. Neither Strand Partners nor Evolution has authorised the contents of any part of this document for the purposes of Regulation 13(1) (9)(g) of the Regulations. The responsibilities of Strand Partners as the Company's nominated adviser for the purposes of the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Strand Partners or Evolution as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

The Placing is conditional, *inter alia*, on Admission taking place on or before 9 September 2005 (or such later date as the Company, Strand Partners and Evolution may agree being not later than 16 September 2005). The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the Ordinary Shares and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

Notice of an Extraordinary General Meeting of Catalyst Media Group plc to be held at 5th Floor, Portland House, 4 Great Portland Street, London W1W 8QJ at 10.05 a.m. (or as soon thereafter as the Annual General Meeting convened for 10.00 a.m. has been concluded or adjourned) on 30 August 2005, is set out at the end of this document. Shareholders are requested to complete and return the enclosed blue form of proxy, whether or not they intend to be present at the Extraordinary General Meeting, as soon as possible and, in any event, in order to be valid, so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not later than 10.05 a.m. on 28 August 2005 (or 48 hours before any adjournment of that meeting). Completion and return of the blue form of proxy will not preclude shareholders from attending and voting at the Extraordinary General Meeting should they wish to do so.

The whole text of this document should be read. Your attention is drawn to the section entitled "Risk factors" set out in Part III of this document, which prospective investors should carefully consider before taking any action.

## CONTENTS

	<i>Page</i>
<b>Expected timetable of principal events</b>	3
<b>Placing statistics</b>	3
<b>Directors, secretary and advisers</b>	4
<b>PART I Letter from the Chief Executive of Catalyst</b>	5
<b>PART II Information on SIS and Alternatport</b>	14
<b>PART III Risk factors</b>	19
<b>PART IV Accountants' report on Catalyst</b>	21
<b>PART V Catalyst's unaudited interim results for the six months ended 30 April 2005 and Chairman's statement and Chief Executive's review in respect of the financial year ended 31 October 2004</b>	44
<b>PART VI Accountants' report on Alternatport</b>	57
<b>PART VII Unaudited pro forma statement of net assets of the Enlarged Group</b>	63
<b>PART VIII Additional information</b>	64
<b>PART IX Definitions</b>	87
<b>Notice of Extraordinary General Meeting</b>	90

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2005

Publication date of this document	5 August
Latest time and date for receipt of forms of proxy	10.05 a.m. on 28 August
Extraordinary General Meeting	10.05 a.m. on 30 August*
Payment to be received from Placees in cleared funds	1 September
Completion of the Acquisition	2 September
Admission to trading on AIM of the Existing Ordinary Shares and the New Ordinary Shares	2 September
CREST stock accounts credited in respect of the Placing Shares (as applicable)	2 September
Certificates in respect of the Placing Shares (as applicable) despatched by	9 September

\* or as soon thereafter as the Annual General Meeting convened for 10.00 a.m. has been concluded or adjourned.

---

## PLACING STATISTICS

Number of Ordinary Shares being placed	425,000,000
Placing Price per Placing Share	4 pence
Number of Ordinary Shares currently in issue	190,430,597
Number of Ordinary Shares being placed as a percentage of the Enlarged Share Capital	68.1 per cent.
Number of Ordinary Shares being placed as a percentage of the Fully Diluted Share Capital	61.6 per cent.
Number of Ordinary Shares in issue immediately after Admission	624,180,597
Market capitalisation at the Placing Price on Admission	£25.0 million
Gross proceeds of the Placing	£17.0 million
Net proceeds of the Placing	£14.8 million

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	David Kenneth Holdgate ( <i>Non-executive Chairman</i> ) Paul Jeremy Duffen ( <i>Chief Executive Officer</i> ) Barry John Llewellyn ( <i>Marketing Director</i> ) Sir David Paradine Frost, OBE ( <i>Non-executive Director</i> ) Michael Samuel Rosenberg, OBE ( <i>Non-executive Director and proposed Chairman</i> )
<b>Proposed Director</b>	Anna Marie Goodsell ( <i>Finance Director</i> )  all of 5th Floor Portland House 4 Great Portland Street London W1W 8QJ
<b>Secretary and Registered Office</b>	Anna Marie Goodsell 12 Gough Square London EC4A 3DW
<b>Nominated Adviser</b>	Strand Partners Limited 26 Mount Row London W1K 3SQ
<b>Broker</b>	Evolution Securities Limited 100 Wood Street London EC2V 7AN
<b>Solicitors to the Company</b>	Lewis Silkin 12 Gough Square London EC4A 3DW
<b>Solicitors to the Placing</b>	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
<b>Auditors and Reporting Accountants</b>	Nexia Audit Limited 1 Riding House Street London W1A 3AS
<b>Accountants</b>	Smith & Williamson Limited 1 Riding House Street London W1A 3AS
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## PART I

### LETTER FROM THE CHIEF EXECUTIVE OF CATALYST

*(Incorporated in England and Wales under the Companies Act 1985 (as amended) with Registered No. 3955206)*

*Directors:*

David Kenneth Holdgate (*Non-executive Chairman*)  
Paul Jeremy Duffen (*Chief Executive Officer*)  
Barry John Llewellyn (*Marketing Director*)  
Sir David Paradine Frost, OBE (*Non-executive Director*)  
Michael Samuel Rosenberg, OBE (*Non-executive Director and proposed Chairman*)

*Registered Office:*

12 Gough Square  
London EC4A 3DW

5 August 2005

*To the Shareholders and, for information purposes only, to the holders of options under the Share Option Plan, the holders of the Notes under the Loan Note Instrument and the holders of warrants.*

Dear Sir or Madam,

**Proposed acquisition of Alternateport  
Proposed placing of 425,000,000 Placing Shares at 4p per share  
Unaudited interim results for the six months ended 30 April 2005  
Admission to trading on AIM**

**Introduction**

The Board announced today that the Company, through its subsidiary, Catalyst Media Holdings, has conditionally agreed to acquire the entire issued share capital of Alternateport, a company whose sole asset is 20 per cent. of the issued share capital of Satellite Information Services, for £23 million payable in cash on Completion.

In order to provide the necessary finance for the Acquisition and working capital for the Enlarged Group, the Company is raising £17.0 million through the Placing. Accordingly, the Company has also announced today that it proposes to raise £14.8 million (net of expenses) through the issue of 425,000,000 Placing Shares at 4p per share (which will represent 68.1 per cent. of the Enlarged Share Capital and 61.6 per cent. of the Fully Diluted Share Capital upon Admission). As agent for the Company, Evolution has, subject to the terms of the Placing Agreement, conditionally placed all of the Placing Shares with institutional and other investors. The balance of the finance for the Acquisition will be provided by the proceeds of the issue by Catalyst Media Holdings of the Deep Discounted Bond to Eureka who will subscribe £11.75 million for secured bonds. Following Completion the issued share capital of Catalyst Media Holdings will be owned as to 80 per cent. by Catalyst and 20 per cent. by Eureka.

In view of its size, the Acquisition constitutes a Reverse Takeover and is conditional, *inter alia*, on the approval of shareholders, which is to be sought at the Extraordinary General Meeting, notice of which is set out at the end of this document. **Shareholders should be in no doubt as to the importance of the Proposals to the future of the Group. The Company has been reliant on the continuing support of its substantial shareholders since November 2004. Accordingly, the Directors believe that the Placing is an essential step towards restoring the Company to a secure financial position. The Acquisition and the Placing are conditional upon the other proceeding. If the Acquisition and Placing do not proceed for whatever reason, the Company would need to attempt to raise further funds on account of both its existing indebtedness and its further working capital requirements. However, the Board does not believe that such funds could be raised on acceptable terms, if they could be raised at all. If such funds could not be raised, the Board would have to consider urgently alternative courses of action, such as cessation of trading by the Group or the initiation of insolvency procedures, in which event the Company will be delisted from trading on AIM.**

The purpose of this document is to provide you with further information on the Proposals and to explain why your Directors believe that the Proposals are in the best interests of the Company and the shareholders as a whole.

The Board also announced today the Company's audited results for the financial year ended 31 October 2004, which are being posted to shareholders today and the Company's unaudited interim results for the six months ended 30 April 2005. The full text of the unaudited interim results, together with the Chairman's statement and Chief Executive's review in respect of the financial year ended 31 October 2004, is set out in Part V of this document.

### **Background to and reasons for the Acquisition**

Catalyst is a media company which exploits rights and licences to moving image content and markets it to business, educational and consumer audiences. Its subsidiary, Global Media Services, provides technology which enables both Catalyst and third parties to exploit video intellectual property rights owned both by third parties and by Catalyst. GMS's expertise includes encoding, digital rights management, content management, messaging, transaction processing and clearing. Another of Catalyst's subsidiaries, Betelgeuse, is an independent programme maker and post production facilities company. GMS and BPI were acquired by Catalyst in September 2003 and March 2004 respectively and together allow the Group to develop digital solutions for content management, storage and distribution.

SIS's primary business is that of transmitting live video, audio and data from 58 of the UK's 59 race courses and many overseas courses to most of the UK's and Ireland's licensed betting offices ("LBOs"). SIS has entered into agreements whereby it has the right to transmit live horseracing to LBOs. Races in the UK are transmitted by SIS via a satellite feed to LBOs as part of a fully integrated service providing betting opportunities for the customers of the LBO. SIS also transmits other sporting data, such as greyhound racing.

As a content enabler and rights owner, the Directors believe that Catalyst is well positioned to take advantage of the growth in digital distribution, in particular via broadband. The Directors believe that the acquisition of Alternateport, with its 20 per cent. interest in SIS, should provide the Company with the opportunity to apply its digital distribution expertise to the major markets of horse and greyhound racing.

The Directors believe that significant opportunities exist for Catalyst to work with SIS to introduce broadband distribution in conjunction with SIS's existing satellite distribution infrastructure.

In addition to the benefits that may arise by applying Catalyst's technological expertise to SIS, the Directors consider that SIS itself is well-positioned in the licensed betting market. The UK currently has approximately 8,200 LBOs and the total value of bets placed in LBOs in the UK in the year ended 31 December 2003 was estimated to be £8.4 billion. Following completion of the Acquisition, as a 20 per cent. shareholder in SIS, the Directors believe that Catalyst will be set to benefit from any growth in the licensed betting market.

### **Information on Catalyst**

Catalyst is a media company with a broad range of activities focused on the distribution of audio-visual content using Internet Protocol technology.

The Group's revenues come from consumers as well as the professional and corporate markets. The Group is a rights holder in television, music and film content, which it distributes via broadband and wireless platforms. The Group distributes programming both directly to consumers via one of its six video-on-demand ("VOD") streaming channels or indirectly via distribution partners, Internet Service Providers ("ISPs"), VOD service providers or content aggregators.

In addition to distributing its own licensed content, the Group provides the technical and marketing services to enable media partners to earn revenues from the online distribution of proprietary programming.

In the professional video clips re-licensing market, Catalyst uses interactivity to add value to the marketing and distribution of clips for use in new television, film and advertising productions. A number of the world's leading media companies are Catalyst's partners in its re-licensing activities.

Through GMS, the Group provides an extensive range of technical services to enable the online distribution of audio-visual content. GMS's clients include not just media companies but organisations in private industry reflecting the increasing use of video streaming and download technology for marketing and corporate communications.

In more "traditional" media, the Group is a producer of television programmes and provider of post-production services to television networks. This follows the acquisition of New York-based BPI in March 2004.

Further information on Catalyst is contained in the accountants' report set out in Part IV of this document and in the unaudited interim results for the six months ended 30 April 2005 and the Chairman's Statement and Chief Executive's review in respect of the financial year ended 31 October 2004 set out in Part V of this document.

Following Completion, the current financial year of Catalyst will be extended to 31 March 2006.

### **Information on SIS and Alternateport**

SIS provides bookmakers with live television pictures, data display systems and broadcast services. SIS has over 18 years of expertise in the industry and now provides its services to the majority of LBOs in the UK and Ireland, as well as in many territories in Europe, the Caribbean, South Africa, the Middle East and Sri Lanka. SIS has the right to distribute live coverage of approximately 28,000 horse and greyhound races a year. SIS also produces *At The Races*, a channel on the Sky digital platform.

In the year ended 31 March 2004, SIS achieved a turnover of £110.4 million, a profit before tax of £14.9 million and a net profit after taxation of £10.3 million. SIS has, in the recent past, had a policy of declaring a dividend every four years. The most recent dividend declared in respect of the financial year ended 31 March 2003, was £29.9 million. At 31 March 2004, SIS had net assets of £7.7 million.

Alternateport, a subsidiary of UBM, is a company which does not trade and whose sole asset is 20 per cent. of the issued ordinary share capital of SIS.

In the year ended 31 December 2004, no income arose on Alternateport's investment in SIS as no dividend was declared by SIS during the period and Alternateport recorded a retained loss of £6.0 million, having distributed, by way of dividend, £6.0 million of retained profits, reflecting the dividends received from SIS in the prior year. At 31 December 2004, its net assets stood at £6.7 million.

Further details on SIS and Alternateport are set out in Part II of this document and on Alternateport only in Part VI of this document.

### **Information on Catalyst Media Holdings**

Catalyst Media Holdings is a new subsidiary established solely for the purposes of the Acquisition and is wholly owned by Catalyst. Under the terms of the Shareholders' Agreement, details of which are contained in paragraph 8 of Part VIII of this document, Catalyst will subscribe £11.25 million for 79 A shares in Catalyst Media Holdings the proceeds of which will provide finance for the Acquisition. The A shares will represent 80 per cent. of the issued share capital of Catalyst Media Holdings. Eureka will subscribe £20 for 20 B shares in Catalyst Media Holdings which will represent 20 per cent. of the issued share capital of Catalyst Media Holdings.

Catalyst has the right, at any time, to buy out Eureka's B shares in Catalyst Media Holdings on the bases set out in paragraph 8.1.10 of Part VIII of this document for a consideration calculated by reference to a multiple of SIS's EBITDA, subject to a minimum consideration of £4.6 million.

The Shareholders' Agreement provides that if the aggregate amount of all dividends declared or paid by SIS during the period of 18 months from Completion is less than £50 million then Catalyst has an option to place Catalyst Media Holdings in funds so as to enable it to repay all outstanding amounts under the DDB. If such dividend is £50 million or more but amounts are still outstanding pursuant to the DDB on the fifth anniversary of Completion then Eureka may require that Catalyst place Catalyst Media Holdings in funds so as to enable it to repay all outstanding amounts under the DDB.

If Catalyst fails to provide the funding referred to above or does not exercise its buy-out option within five years and three months of Completion, then Eureka shall be entitled to market for sale either of Alternateport or Alternateport's shares in SIS.

The Shareholders' Agreement provides that any dividends received from SIS are to be applied in repayment of the bonds issued under the DDB until all such bonds have been repaid in full.

Eureka is an investment company registered in the Cayman Islands, the assets of which are managed by Marshall Wace LLP, a UK authorised and regulated investment manager.

### **Principal terms of the Acquisition**

Pursuant to the Acquisition Agreement, the Company, through its subsidiary, Catalyst Media Holdings has conditionally agreed to acquire the entire issued share capital of Alternateport from a subsidiary of United Business Media plc for a consideration of £23 million payable in cash on Completion.

The Acquisition Agreement is conditional, *inter alia*, upon the existing shareholders of SIS (other than Alternateport) waiving their pre-emption rights arising as a result of the Acquisition, the passing of resolution 1 to be proposed at the Extraordinary General Meeting, both the Placing Agreement and the DDB becoming unconditional in all respects (save as to Admission) and Admission itself. It is expected that Admission will take place on 2 September 2005.

Further details of the Acquisition Agreement are contained in paragraph 8 of Part VIII of this document.

### **Details of the Placing**

The Company proposes to raise approximately £14.8 million (net of expenses) by way of the issue of 425,000,000 Placing Shares at the Placing Price. The proceeds of the Placing, together with the proceeds from the issue of the bonds under the DDB, will be applied to provide the financing for the Acquisition, to provide working capital for the Enlarged Group, to repay the Reef Securities Loan and to meet the costs associated with the Acquisition and the Placing. As agent for the Company, Evolution has, subject to the terms of the Placing Agreement, agreed to use reasonable endeavours to procure subscribers for the Placing Shares.

The Placing Agreement, details of which are set out in paragraph 8 of Part VIII of this document, is conditional, *inter alia*, on the Acquisition Agreement and the DDB having become unconditional in all respects subject only to the payment of the consideration due on Completion and to Admission.

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

Under the terms of the Placing Agreement, Strand Partners will be issued with the Strand Warrant over one per cent. of the then entire issued share capital of the Company following the exercise of the Strand Warrant and will also receive, credited as fully paid, 8,750,000 new Ordinary Shares at the Placing Price in satisfaction of the £350,000 payable to Strand Partners as a fee for services rendered in connection with the Proposals.

### **Orderly market arrangements**

On Admission, the Board and persons connected with them will be interested in an aggregate of 22,091,453 Ordinary Shares representing 3.5 per cent. of the Enlarged Share Capital. Details of these shareholdings are set out in paragraph 5.1.1 of Part VIII of this document. Each of Paul Duffen, Barry Llewellyn, Sir David Frost and Michael Rosenberg has agreed that he will not, and will use all reasonable endeavours to procure that no person who is a connected person (as defined in section 346 of the Act) will dispose of any interest in Ordinary Shares held by any of them on the date of Admission for a period expiring on the earlier of the date upon which SIS next pays a dividend on its shares and 30 November 2006 without the consent of Evolution. Evolution may only withhold its consent if it considers, acting reasonably, that such disposal would render Evolution (or the broker of the Company at such time) unable to maintain an orderly market in the Ordinary Shares, subject to certain limited exceptions, including the acceptance of a general offer for the share capital of the Company made in accordance with The City Code on Takeovers and Mergers or the signing of an irrevocable undertaking to accept such an offer.

Orderly market undertakings on similar terms have been entered into by Strand Partners and Reef, in the case of Strand Partners, in relation to the Ordinary Shares held by them at the date of Admission and in relation to any Ordinary Shares they subsequently own pursuant to the exercise of the Strand Warrant and in the case of Reef, in respect of any Ordinary Shares acquired on exercise of the warrants under the Reef Warrant Instrument.

### **Deep Discounted Bond**

Under the Deep Discounted Bond, Eureka has conditionally agreed to subscribe £11.75 million for secured deep discounted bonds issued by Catalyst Media Holdings. The 2008 bonds are redeemable as to approximately £10.60 million in 2008 and £6.0 million in 2010, provided that Catalyst Media Holdings may repay all or any part of the bonds at any time.

The DDB will be secured on the assets of Catalyst Media Holdings and Alternatport, including Alternatport's shareholding in SIS.

Further details of the Deep Discount Bond are set out in paragraph 8 of Part VIII of this document.

### **Board**

At Completion, due to his role as chief executive of SIS, David Holdgate will resign from the Board and Michael Rosenberg will become Chairman. In addition, Anna Goodsell will be appointed as Finance Director of the Company at Completion. Immediately following Completion, the Board will comprise:

*Michael Samuel Rosenberg, OBE (Non-executive Director and Chairman), aged 66*

Michael started his career at Samuel Montagu & Co. Limited, the merchant bank, in 1957 before joining its board in 1971. In 1974 he co-founded Allied Investments Limited, an international healthcare group. He was a founding director and shareholder of TVam, the breakfast channel and has been a director of David Paradine Limited, the holding company for Sir David Frost's business interests, since 1974. Between 1989 and 1999, Michael was a director and subsequently the chairman of Raphael Zorn Hemsley Holdings plc, now Numis Corporation plc. He has been the chairman of Pilat Media Global plc, a media software company quoted on AIM, since 2002. Michael is the former chairman of the UK Trade and Investment's Committee on Trade with Hong Kong and is a member of the China Britain Business Council. He is a founding shareholder and the chairman of Umedco (Far East) Limited and SRK Ventures Limited, both involved in trade with Hong Kong and China. He is also a non-executive director of Dori Media Group Ltd, a TV production company based in Israel and listed on AIM.

*Paul Jeremy Duffen (Chief Executive Officer), aged 47*

Paul co-founded Catalyst in October 1999 with Barry Llewellyn. Paul started his career with Procter and Gamble in 1976 in a sales and marketing role and subsequently joined distribution company P J Holloway (Sales) Ltd (1981 to 1988), where he was appointed Marketing Director and played a key role in the sale of the business in 1985 to Browne and Tawse plc. He has since held the position of Managing Director of two private companies and started his own consultancy business in 1993. In 1998 he joined forces with Barry Llewellyn to concentrate on the internet and broadcast sectors.

*Barry John Llewellyn (Marketing Director), aged 44*

Barry is a co-founder of Catalyst with Paul Duffen. He is a non-executive director of Blink TV, a joint venture he established with Trinity Mirror plc. He worked for 16 years in the television industry, including eight years with MTV, where he specialised in advertising and sponsorship. In 1993, he was part of the launch team of VH-1 in the UK and subsequently became a founder member of Capital Media Inc., a NASDAQ quoted company.

*Anna Marie Goodsell (Finance Director), aged 30*

Anna joined the Company in June 2004 as Financial Controller having previously been Group Finance Manager for Starbucks Coffee Company UK Limited. Anna qualified with Arthur Andersen in 2000.

*Sir David Paradine Frost, OBE (Non-executive Director), aged 66*

Sir David is a renowned worldwide broadcaster and interviewer. Sir David Frost's awards include an Emmy for The David Frost Show, two Royal Television Society Silver Medals, a Richard Dimbleby Award and a Golden Rose of Montreux as well as a BAFTA Fellowship in May 2005. His experience in the broadcasting world is a major asset for the Company.

Details of the Directors' terms of appointment are set out in paragraph 5.3 of Part VIII of this document. The Remuneration Committee have approved, conditional on Completion, an increase in the annual remuneration of Sir David Frost to £25,000 and of Michael Rosenberg to £40,000.

It is proposed that following Completion, Paul Duffen will join the board of SIS as a non-executive director. Catalyst Media Holdings will receive £20,000 per annum in respect of Paul Duffen's appointment.

### **Corporate Governance**

Whilst the Company is not formally required to comply with the Combined Code, the Board supports that code and also the recommendations of the City Group for Smaller Companies (CISCO) in its bulletin 'The Financial Aspects of Corporate Governance: Guidance for Smaller Companies' in so far as is practicable and appropriate for a public company of the Company's size.

As permitted by the Combined Code, due to the Board being small, it is considered inappropriate to establish a Nomination Committee.

The Audit Committee, which following Completion will consist of Sir David Frost (chairman of the Audit Committee) and Michael Rosenberg, 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 will be reviewed on an annual basis, thus ensuring that the Audit Committee's duties adequately cover all those specific areas that are identified by the Combined Code, which includes a review of the cost effectiveness of the audit and non-audit services provided to the Group. The Audit Committee meets at least twice a year, prior to the announcement of the Company's interim and annual results and, should it be necessary, would convene at other times.

Following Completion, the Remuneration Committee will consist of Sir David Frost OBE and Michael Rosenberg (chairman of the Remuneration Committee). The Remuneration Committee is responsible for the performance measurement of the executive directors and the determination of their annual remuneration package. The remuneration of the non-executive directors is determined by the full Board.

The Company has formally adopted the principles for dealing in securities for AIM companies set out in Rule 21 of the AIM Rules and will take proper steps to ensure compliance by the Board.

### **Admission, settlement and dealings**

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings on AIM in the Existing Ordinary Shares and the New Ordinary Shares will commence on 2 September 2005.

The Existing Ordinary Shares settle through CREST. Accordingly, settlement of transactions in the Enlarged Share Capital following Admission will take place within CREST.

It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the Placees subscribing for them and issued either:

- (a) in certificated form, where the Placee so elects, with the relevant share certificate expected to be despatched by post, at the Placee's risk, by 9 September 2005; or
- (b) in CREST, where the Placee so elects and only if the Placee is a 'system member' (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for expected to take place on 2 September 2005.

Notwithstanding the election by Placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to a Placee, or as he may direct, will be sent through the post at his own risk.

Pending the despatch of definitive share certificates (as applicable), instruments of transfer will be certified against the register. Should shareholders wish to hold their Ordinary Shares in CREST they will need to follow the requisite CREST procedures for dematerialisation of their shareholding.

### **Share Option Plan and EMI Scheme**

The Company adopted a share option scheme on 22 May 2000, a summary of the principal provisions of which is set out in paragraph 6 of Part VIII of this document.

The Company adopted the EMI Scheme on 4 August 2005 so as to provide a more tax efficient incentive plan for its senior management and employees. A summary of the principal provisions of the EMI Scheme is set out in paragraph 7 of Part VIII of this document.

Options over Ordinary Shares under the EMI Scheme have been granted at the Placing Price, conditional on Completion, as follows:

Paul Duffen	15,604,515
Barry Llewellyn	1,560,451
Anna Goodsell	3,120,903

Vesting of certain of these options is subject to satisfaction of performance criteria related to an increase in the share price of Catalyst, details of which are set out in sub-paragraph 5.1.2 of Part VIII of this document.

In addition, in recognition of the time and effort that have been devoted to the Company over the year, Sir David Frost and Michael Rosenberg have been granted 1,248,361 and 2,496,722 options respectively under the Share Option Plan, in each case at the Placing Price. Further details of outstanding options are set out in paragraphs 5, 6 and 7 of Part VIII of this document.

### **Dividend Policy**

The Company's dividend policy will be under review in light of the progress of the Enlarged Group and the availability of distributable reserves.

### **Current Trading and Prospects**

The Company today announced its audited results for the financial year ended 31 October 2004 and its unaudited interim results for the six months ended 30 April 2005.

In the financial year ended 31 October 2004, Catalyst reported a loss after tax of £5.41 million on increased turnover of £7.04 million, compared with a loss after tax in the prior year of £6.32 million on turnover of £0.26 million. The significant increase in turnover was primarily as a result of the acquisition of Betelgeuse which contributed £6.25 million of revenues.

During the six month period ended 30 April 2005 Catalyst achieved a turnover of £1.87 million (six months ended 30 April 2004: £1.66 million) and a loss after tax of £1.43 million (six months ended 30 April 2004: £0.71 million). As at 30 April 2005 Catalyst had net liabilities of £0.01 million.

Further information on Catalyst's current trading and prospects is contained in the statement accompanying the unaudited interim results for the six months ended 30 April 2005 and the Chairman's statement and Chief Executive's review in respect of the financial year ended 31 October 2004 set out in Part V of this document.

## Extraordinary General Meeting

Set out at the end of this document is a notice convening the Extraordinary General Meeting to be held at 5th Floor, Portland House, 4 Great Portland Street, London W1W 8QJ at 10.05 a.m. (or as soon thereafter as the Annual General Meeting convened for 10.00 a.m. has been concluded or adjourned) on 30 August 2005, at which special resolutions will be proposed (in the case of resolution 1, conditional upon Admission) to:

- (1) (A) approve the Acquisition;
  - (B) increase the authorised share capital of the Company by £7,500,000 from £2,000,000 to £9,500,000 by the creation of 750,000,000 new Ordinary Shares;
  - (C) confer on the Directors authority under section 80 of the Act to allot (i) the Placing Shares (ii) relevant securities up to an aggregate nominal amount of £180,000 pursuant to the Reef Warrant Instrument and (iii) other than the Placing Shares and shares pursuant to the exercise of the Reef Warrant Instrument, relevant securities up to an aggregate nominal value of £2,059,796 (representing approximately 33 per cent. of the Enlarged Share Capital); and
  - (D) empower the Directors to allot equity securities for cash other than *pro rata* to shareholders provided that the power is limited to (i) the Placing Shares, (ii) equity securities up to an aggregate nominal amount of £180,000 pursuant to the Reef Warrant Instrument (iii) the allotment of equity securities for cash in connection with a rights issue or any other pre-emptive offer in favour of holders of ordinary shares where the equity securities respectively attribute to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them and (iv) the allotment (other than pursuant to (i) to (iii) above) of equity securities up to a maximum aggregate nominal amount of £624,181 (representing approximately 10 per cent. of the Enlarged Share Capital); and
- (2) confer on the Directors authority under sections 80 and 95 of the Act to allot relevant securities up to an aggregate nominal value of £575,628 pursuant to the settlement agreement referred to in paragraph 8.1.11 of Part VIII of this document.

Following Completion, the Company will have authorised but unissued share capital comprising 325,819,403 Ordinary Shares of which 66,249,163 Ordinary Shares will be reserved to satisfy existing options, shares to be issued in lieu of royalty payments, the warrants under the Reef Warrant Instrument, the Investec Warrant Instrument, the Strand Warrant and conversion of the Notes under the Loan Note Instrument.

## Action to be taken

Shareholders will find enclosed with this document a blue form of proxy for use at the Extraordinary General Meeting. **Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete, sign and return your form of proxy to the Company's registrars, Capita Registrars, as soon as possible but, in any event, so as to arrive no later than 10.05 a.m. on 28 August 2005.** The completion and return of a form of proxy will not preclude you from attending the Extraordinary General Meeting and voting in person should you wish to do so.

## Taxation

Your attention is drawn to paragraph 9 of Part VIII of this document, which provides a summary of UK taxation in respect of the Placing Shares.

## Additional information

Your attention is drawn to the additional information set out in Parts II to VIII of this document. Shareholders are advised to read the whole of this document and not rely solely on the summary information presented in this letter.

**Recommendation**

The Directors (other than David Holdgate) believe the Proposals to be in the best interests of the Company and its shareholders as a whole. David Holdgate, who is also a director of SIS, has refrained from giving an opinion on the Acquisition. Accordingly, your Directors (other than David Holdgate) unanimously recommend shareholders to vote in favour of the resolutions, as they intend to do in respect of their beneficial shareholdings amounting to 22,091,453 Ordinary Shares (representing 11.6 per cent. of the Existing Ordinary Shares).

The Directors, together with certain institutional and other shareholders holding 122,920,001 Ordinary Shares (representing 64.67 per cent. of the Existing Ordinary Shares), have irrevocably undertaken to vote in favour of resolution 1 which, when aggregated with the Ordinary Shares held by the Directors, represents 76.27 per cent. of the Existing Ordinary Shares.

Yours faithfully

**Paul Duffen**

*Chief Executive*

## PART II

### INFORMATION ON SIS AND ALTERNATEPORT

#### A. SIS

##### **Introduction and background**

SIS is the leading provider of live television pictures, data display services and broadcast services for horse and greyhound racing to the licensed betting industry in the UK and Ireland. With over 18 years of expertise in the industry, SIS provides its services to the majority of LBOs in the UK and Ireland, which are its principal markets, and also provides its services in many other territories in Europe, the Caribbean, South Africa, the Middle East and Sri Lanka. SIS has the right to distribute live coverage of approximately 28,000 horse and greyhound races a year to approximately 9,500 LBOs in the UK, Ireland, the Isle of Man and the Channel Islands.

SIS currently operates six dedicated television channels: SIS Racing FACTS, the Irish Channel, At The Races and three International Service Channels. It transmits video and data to LBOs via a satellite feed. Races are currently filmed and recorded by the Racecourse Technical Services Limited, a company owned by the Racecourse Association Limited.

The SIS business employs over 350 personnel across Europe, including France, Belgium and Ireland.

SIS has contracts with the highstreet bookmakers to supply pictures and data. For approximately 8,200 of the 9,500 LBOs, these picture and data contracts expire on 30 April 2007; approximately 640 contracts expire on 30 April 2009.

##### **History**

SIS is best known as the supplier of televised racing to LBOs in the UK and Ireland. In 1987, following a change in the law that allowed television pictures to be shown in LBOs, SIS became the first broadcaster in the world to create a dedicated specialist sports channel for the betting industry.

SIS launched 'The Racing Channel' in 1995, the first television channel dedicated to a single sport in the UK. The programme was broadcast daily up until April 2002 and featured live coverage of over 800 race meetings each year. SIS also produced the successful BSkyB 'Racing News' and 'Winning Post' programmes, the latter featuring live horseracing coverage on over sixty evenings each summer.

##### **Services offered by SIS**

SIS currently offers the following services:

- Bookmaker Services;
- Data Services;
- FOBTs ("Fixed Odds Betting Terminals");
- Broadcast Services; and
- SISLink.

##### ***Bookmaker Services***

SIS's Bookmaker Services include:

##### ***Racing FACTS – Full Audio and Captions Television Service***

Racing FACTS is SIS's main service. It is a digital television service delivered over the Sirius satellite to LBOs in the UK and Ireland.

### *The Irish Channel*

A variant of the Racing FACTS service comprising coverage only of Irish horseracing events, delivered over the Sirius satellite to LBOs in the UK and Ireland.

### *The International Service*

Two versions of the Racing FACTS service are delivered to LBOs in the rest of Europe, the Caribbean, South Africa, the Middle East and Sri Lanka. In addition, SIS produces and transmits a thoroughbred racing only service on behalf of At The Races.

Almost all UK horseracing meetings are televised by SIS (excluding those races televised by the BBC or Channel 4), and over 1,500 greyhound meetings in any year.

### *iSIS, NexSIS and SISText*

iSIS, NexSIS and SISText are all data display solutions for LBOs. Based on a web-browser, iSIS is believed by the Directors to be the most advanced display solution available in the industry, enabling all sports data to be displayed on up to 16 screens, with a further 4 screens for use by staff or customers. Customers may choose which information to show, where they want it and how they want it to look.

The NexSIS system displays the data more like a computer graphic. The system also supports 6, 8, or 12 screens for the shop area, with up to a further 4 screens that are configurable for use by staff or customers, or as marketing displays.

SISText is not only a “pictures and audio” service but also provides display data based on teletext graphics. This system will support 6, 8, or 12 screens for the shop area, with up to a further 4 screens that are configurable for use by staff or customers, or as marketing displays.

## ***Data Services***

### *Raw Data*

SIS provides bookmakers with ‘raw’ data every day, providing live up to the minute betting information as it happens. This data feed contains information on racecard, shows, results, ancillary race data and numbers. The content is identical to the data feed that drives the text services, but is not pre-formatted.

### *Bet Settling*

SIS provides bookmakers with the facility to settle bets by providing raw data by satellite.

### *Bet Edit – Ante-post prices*

SIS provides a system and data feed that enables customers to subscribe to or provide true ante-post pricing data.

### *SD – Sports Data*

Sports Data is a new sports information feed which is an enhanced version of SIS’s Raw Data Service. It is also designed to providing betting opportunities for sports such as football, golf and rugby and includes horse and greyhound data.

### ***FOBTs (Fixed Odds Betting Terminals)***

SIS has a distribution deal with CyberView, one of the leading FOBT manufacturers, to supply FOBTs to the betting industry.

The Directors believe that the FOBT market is set to grow. The Directors understand that research has suggested that a new type of customer is using FOBTs, making them a likely way to increase trade within an outlet. This increase in customers is expected to provide a contribution to outlet overheads, which can be especially important during extended summer opening hours. An additional benefit expected by the

Directors is that these new customers will become increasingly familiar with the betting shop environment and may increase betting activity generally.

Although many bookmakers will be looking to install FOBTs for the first time, there are also a number of bookmakers who have had some experience of FOBTs. The Directors believe that there is, therefore, currently an ideal opportunity to replace their existing terminals with units from CyberView that the Directors understand are fully compliant with the Code of Conduct agreed with the UK Government by the Association of British Bookmakers.

### ***Broadcast Services***

#### *Transmission services*

At the centre of SIS's operations is its London TCR (Transmission Control Room) and Teleport. SIS provides an extensive range of outgoing and incoming circuits to BT Tower. SIS has approximately 45 satellite links units covering horseracing, greyhound racing and many other events. This facility has been designed to allow SIS to satisfy diverse, and often urgent, customer requirements.

#### *Production*

SIS offers an extensive range of production facilities at its headquarters in Corsham Street, London. Production facilities include programme presentation (galleries, studios, voice-over booths, VTR (Video Tape Recording) and sound), editing and duplication.

### ***SISLink***

The Directors understand that SISLink is one of Europe's largest independent satellite uplink providers. With over a decade of experience in the broadcasting industry, it offers extensive expertise in both bespoke and contract client services.

### **SIS's horse and greyhound racing rights and contracts**

SIS is positioned between the primary source of the racing event and the end users who are principally the LBO operators. The individual racecourses hold the primary rights to the races. SIS licenses the rights to these races via two main channels. In relation to all overseas racecourses to which it has rights, SIS buys the rights directly from the racecourses or their representative organisations. Of the 59 British racecourses, 48 sell their rights to Bookmakers Afternoon Greyhound Services (BAGS), and 10 sell their rights to GG-Media Limited each of which have licensed SIS to cover and transmit coverage of these races in the Racing Facts service. The rights for the international service are obtained from GG-Media Limited in relation to 10 racecourses, Horse Racing Ireland for Irish racecourses and from At The Races (UK) Limited in relation to 18 racecourses.

A significant proportion of SIS's revenues are contracted. The Directors believe that a significant barrier to entry for potential competitors of SIS is that the agreements by which SIS is granted the various rights to horse and greyhound racing expire on different dates such that any competitor would not be able to acquire, at the same time, a similar range of rights to that presently held by SIS which would then be capable of being offered to LBOs, the majority of which are contracted to SIS until 30 April 2007.

### **SIS Shareholders and Rights attached to a 20 per cent. holding in SIS**

SIS's shareholders, following Completion, will be as follows:

<i>SIS Shareholder</i>	<i>% Stake Held</i>
Ladbroke	23%
Caledonia	22%
Catalyst Media Holdings (Alternateport assuming Completion)	20%
William Hill	19%
RCA (Racecourse Association)	10%
Tote	6%

The shares held by Alternatport in SIS rank *pari passu* as regards dividends and return on capital with the other existing issued shares in SIS. The 20 per cent. holding will also give Catalyst Media Holdings the right to appoint two directors to the board of SIS. Under the Shareholders' Agreement, Eureka has the right to appoint one of these directors.

### Benefits

The Directors believe that significant opportunities exist for Catalyst to work with SIS to introduce broadband distribution in conjunction with SIS's existing satellite distribution infrastructure.

### SIS growth prospects

There are a number of additional developments, which the Directors consider could make a significant contribution to its future profitability, including:

- Development of a second channel to bookmakers. The Directors believe that the growth in both the demand and supply of content for the licensed betting industry will continue, and as such a second channel to bookmakers could be supported;
- Growth of embryonic FOBT business. The Directors believe that the FOBT business will grow both due to the overall growth in the betting business and also because many bookmakers are looking to install FOBTs for the first time;
- Further geographical expansion. The Directors believe that SIS aims to expand its geographic reach into countries with good growth prospects and where demand for betting services is already strong;
- New At The Races channel has been re-launched supported by a long-term production contract with SIS until 2009;
- Expansion of satellite delivery to trains, supermarkets and bingo halls; and
- Development of uPOD. uPOD is an advanced portable satellite uplink hardware product. It is a hardware device which the Directors believe could have uses across many broadcast applications.

### Trading record and financial position

SIS's historical financial record is as follows:

	<i>Year Ended</i> <i>31 March</i> <i>2002</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2003</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2004</i> <i>£'000</i>
Turnover	96,618	102,441	110,373
Operating profit	25,750	11,342	15,887
Profit on ordinary activities before taxation	26,095	12,152	14,918
Profit for the financial year	18,435	9,004	10,329
Dividends	–	(29,867)	(2)
Transfer (from)/to reserves	18,435	(20,863)	10,327

On 30 April 2002 all of SIS's customer and supplier contracts in relation to its core UK business terminated. New long term contracts were negotiated which resulted in lower but more sustainable profit margins in relation to this business. The majority of the contracts with LBOs expire in April 2007, after which date they continue on a rolling basis terminable on a three month notice period.

	<i>As at</i> <i>31 March</i> <i>2002</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2003</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>£'000</i>
Fixed Assets	17,983	22,882	21,373
Current Assets	26,374	26,205	33,815
Creditors due within one year	(26,111)	(24,143)	(26,667)
Creditors due after more than one year	–	(27,561)	(20,811)
Net assets/liabilities	<u>18,246</u>	<u>(2,617)</u>	<u>7,710</u>

  

	<i>Year Ended</i> <i>31 March</i> <i>2002</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2003</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2004</i> <i>£'000</i>
Net cash inflow from operating activities	35,902	11,599	20,677
Capital expenditure and financial investment	(8,841)	(11,466)	(4,676)
Net cash (outflow)/inflow before financing	17,888	(367)	10,470
(Decrease) increase in net cash	2,888	(234)	7,970

*Source: SIS audited accounts*

## **B. Alternatport**

Alternatport is a company which does not trade and whose sole asset is 20 per cent. of the issued ordinary share capital of SIS.

For the three years ended 31 December 2004, Alternatport's profit and loss account can be summarised as follows:

	<i>Year Ended</i> <i>31 December</i> <i>2002</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2003</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2004</i> <i>£'000</i>
Income from fixed asset investment	3,000	3,000	–
Retained profit for the year	<u>3,000</u>	<u>3,000</u>	<u>(6,000)</u>

*Source: Alternatport audited accounts*

The income from fixed asset investment totalling £6.0 million in the 24 months ended 31 December 2003 represents a dividend paid by SIS to Alternatport in SIS's financial year ended 31 March 2003.

For the three years ended 31 December 2004, Alternatport's net assets can be summarised as follows:

	<i>Year Ended</i> <i>31 December</i> <i>2002</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2003</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2004</i> <i>£'000</i>
Fixed assets investments	6,700	6,700	6,700
Current assets	3,000	6,000	–
Net assets	<u>9,700</u>	<u>12,700</u>	<u>6,700</u>

*Source: Alternatport audited accounts*

Further information on Alternatport is set out in Part VI of this document.

## **PART III**

### **RISK FACTORS**

The Company operates in a rapidly changing environment which involves significant risks and uncertainties, many of which are beyond its control and which could have a material adverse effect on its business, revenues, operating results and financial condition and the Board believes that an investment in the Placing Shares may be subject to a number of risks. Investors and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list nor are they set out in any particular order or priority. Investors and prospective investors should consider carefully whether investment in the Placing Shares is suitable for them in light of the information in this document and their personal circumstances and, if any reader of this document is considering making an investment in the Company or is in any doubt about the contents of this document, he is recommended to seek his own financial advice immediately from his stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if he is resident in the UK or, if not, from another appropriately authorised independent financial adviser.

#### **Future raising of additional funds**

The Enlarged Group's capital requirements will depend on numerous factors, including its ability to maintain and expand its penetration of the markets in which it operates. The Enlarged Group cannot predict accurately the timing and amount of its capital requirements. If its capital requirements vary materially from its plans, the Enlarged Group may require further financing in addition to the amount raised in the Placing sooner than anticipated. Further, market conditions may prevent additional funds from being raised which could restrict the development of the Enlarged Group.

#### **Liquidity of Ordinary Shares**

The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid and, therefore, the Ordinary Shares may be or may become difficult to sell. Admission to AIM does not imply that there will always be a liquid market for the Ordinary Shares.

#### **Stock market perception**

The market perception of securities related to the media, entertainment, bookmaking and related sectors may change and, accordingly, the value of the Ordinary Shares may fluctuate or decline.

#### **Competition**

Competition in the media, entertainment and related intellectual property marketplace may increase significantly and this may limit the ability of the Enlarged Group in the future to maintain market share or revenue levels. Competitors may have greater financial, marketing and technological resources than the Enlarged Group.

#### **Currency**

To the extent that the Company's revenues and costs are denominated in more than one currency, there is a risk from foreign exchange fluctuations.

#### **Control of the business and affairs of SIS**

Following Completion, the Group will hold a 20 per cent. stake in SIS and be entitled to appoint 2 directors (of which one will be a Eureka appointee) to the board of SIS which currently consists of a board of 14 directors. However, the Group will not be in a position to control in any way the day-to-day business and affairs of SIS other than with the rest of the board and the majority shareholders of SIS.

### **Intellectual property rights**

The Group regards its technology, details of which are set out in Part I of this document, as proprietary and seeks to protect its intellectual property rights by relying on copyright protection and confidentiality laws and contracts. However, there is no assurance that the Group, or SIS, can protect commercially their intellectual property rights. Furthermore, the Group and SIS may be subject to third party claims that they have infringed the copyright, trademarks, service marks or other intellectual property rights of a third party.

### **Rights to use content**

A number of agreements to which SIS is party include restrictions on what SIS can do with the content that it is licensed to use. These restrictions may curtail any future plans that SIS has to increase its revenue from such content.

### **Exploitation of intellectual property rights**

The returns derived from the exploitation of intellectual property rights depends on factors outside the Board's or the Company's control, such as changes in fashion and taste.

### **Relationships with clients and customers**

The establishment of trading relationships between the Group's businesses and SIS and its clients and customers cannot be guaranteed. The ability of SIS to renew its existing contracts once they expire both with its suppliers and customers upon their expiry cannot be guaranteed. In the event of any such expiry, there is a possibility that any renewal would be on less favourable commercial terms. The majority of contracts with LBO's expire in 2007 after which date they continue on a rolling basis terminable on a three month notice period.

### **Exclusivity**

A number of rights that SIS has to the content are non-exclusive. Accordingly, there is the potential for another company to operate in competition with SIS even whilst the current agreements continue.

### **SIS dividend policy**

SIS has not adopted a formal dividend policy. There can be no guarantee that SIS will continue to pay dividends of a similar quantum or with a similar frequency as it has done historically. Any future dividends paid by SIS are, *inter alia*, dependent on the profitability of SIS, the resolutions of the board of SIS (on which the Enlarged Group will have only a minority representation) to declare such dividends and the consent of SIS's bankers under the existing SIS banking arrangements.

### **Competition and Regulatory Issues**

The horse racing industry in general has been of interest to the Office of Fair Trading. If SIS was found to be in a dominant position in its market and that it was abusing such position, it could face significant sanctions that would have a material adverse impact upon SIS. Similarly, a change in the regulation of the betting industry or the broadcasting industry could have a material adverse impact on SIS.

### **Satellite Service Supplies**

SIS relies upon the provision of satellite transmission services by several satellite operators to provide its services to LBOs and other customers. In the event of a prolonged service failure of one of the controlled satellites, SIS's delivery of its service to customers would be interrupted which could have a material adverse impact upon SIS.

## PART IV

### ACCOUNTANTS' REPORT ON CATALYST MEDIA

# Nexia Audit

— · Limited · —

5 August 2005

The Directors  
Strand Partners Limited  
26 Mount Row  
London W1K 3SQ

The Directors  
Catalyst Media Group Plc  
Portland House  
4 Great Portland Street  
London W1W 8QJ

Dear Sirs

**Catalyst Media Group plc (formerly Newsplayer Group plc) and its subsidiaries (“Group”)**

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 5 August 2005.

**Basis of preparation**

The financial information set out on pages 21 to 43 is extracted without material adjustment from the audited consolidated financial statements of the Catalyst Media Group plc for each of the years ended 31 October 2002, 2003 and 2004. It has been drafted in accordance with accounting policies adopted by Catalyst Media Group plc and is presented in accordance with United Kingdom Generally Accepted Accounting Principles.

The financial statements for the year ended 31 October 2002 were audited by Deloitte & Touche LLP of Hill House, 1 Little New Street London, EC4A 3TR. The financial statements for the years ended 31 October 2003 and 2004 were audited by Nexia Audit Limited. In each case unqualified audit opinions were given on those financial statements.

**Responsibility**

Such financial information is the responsibility of the Directors of Catalyst Media Group plc, who approved their issue.

The Directors of Catalyst Media Group plc are responsible for the contents of the Admission Document dated 5 August 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by us relating to the audits of the financial statements for the years ended 31 October 2003 and 2004, and that recorded by the auditors, Deloitte & Touche LLP, who audited the financial statements for the year ended 31 October

2002. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial information set out below which explains that the company's ability to continue as a going concern is dependent upon its ability to raise additional working capital. In view of the significance of this uncertainty we consider this matter should be drawn to your attention, but our opinion is not qualified in this respect.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 5 August 2005, a true and fair view of the state of affairs of the Group as at the dates stated and of its losses and cash flows for the periods then ended.

### **Consent**

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<i>Year ended 31 October 2002 £</i>	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>
<b>Turnover</b>				
Existing operations		954,264	264,522	794,623
Acquisitions		–	–	6,249,912
		<u>954,264</u>	<u>264,522</u>	<u>7,044,535</u>
Cost of sales	1 3	(526,737)	(118,485)	(6,843,917)
<b>Gross profit</b>		<u>427,527</u>	<u>146,037</u>	<u>200,618</u>
Operating expenses	4	(3,951,978)	(4,671,569)	(3,359,608)
<b>Operating loss</b>				
Existing operations		(3,524,451)	(4,525,532)	(2,098,147)
Acquisitions		–	–	(1,060,843)
	5	<u>(3,524,451)</u>	<u>(4,525,532)</u>	<u>(3,158,990)</u>
Impairment of goodwill		(998,699)	(1,995,234)	(2,194,000)
Interest receivable and similar income		59,855	7,673	29,195
Interest payable and similar charges	6	–	(15,341)	(80,660)
<b>Loss on ordinary activities before taxation</b>		<u>(3,464,596)</u>	<u>(6,528,434)</u>	<u>(5,404,455)</u>
Taxation on ordinary activities	7	(1,000)	204,269	(1,166)
<b>Loss on ordinary activities after taxation</b>	16	<u>(3,465,596)</u>	<u>(6,324,165)</u>	<u>(5,405,621)</u>
<b>Loss per ordinary share (pence)</b>	19	<u>(5.03)</u>	<u>(7.88)</u>	<u>(4.02)</u>
<b>Diluted loss per ordinary share (pence)</b>	19	<u>(5.03)</u>	<u>(7.88)</u>	<u>(4.02)</u>

All activities are classed as continuing.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Year ended 31 October 2002 £</i>	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>
Loss on ordinary activities after taxation	(3,465,596)	(6,324,165)	(5,405,621)
Currency translation differences	–	16,566	3,063
<b>Total recognised losses in the year</b>	<u>(3,465,596)</u>	<u>(6,307,599)</u>	<u>(5,402,558)</u>

## CONSOLIDATED BALANCE SHEET

		<i>Year ended</i> <i>31 October</i> <i>2002</i> £	<i>Year ended</i> <i>31 October</i> <i>2003</i> £	<i>Year ended</i> <i>31 October</i> <i>2004</i> £
<b>FIXED ASSETS</b>				
Intangible assets	9a	2,727,455	3,342,067	5,255,822
Tangible assets	9b	237,370	171,617	258,216
		<u>2,964,825</u>	<u>3,513,684</u>	<u>5,514,038</u>
<b>CURRENT ASSETS</b>				
Debtors	11	1,067,839	186,595	1,744,291
Cash at bank and in hand		438,874	587,323	427,160
		<u>1,506,713</u>	<u>773,918</u>	<u>2,171,451</u>
<b>CREDITORS – amounts falling due within one year</b>	12	(342,349)	(1,896,570)	(6,557,561)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>1,164,364</u>	<u>(1,122,652)</u>	<u>(4,386,110)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,129,189	2,391,032	1,127,928
<b>CREDITORS – amounts falling due after more than one year (including convertible debt)</b>	13	–	(160,000)	(1,012,122)
<b>NET ASSETS</b>		<u>4,129,189</u>	<u>2,231,032</u>	<u>115,806</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	14	692,688	1,214,624	1,405,099
Shares to be issued	15	–	1,012,640	476,000
Share premium account	16	11,707,380	12,775,192	15,303,683
Merger reserve	16	(509,386)	1,295,676	2,402,674
Profit and loss account	16	(7,761,493)	(14,069,092)	(19,471,650)
		<u>4,129,189</u>	<u>2,229,040</u>	<u>115,806</u>
Minority interest		–	1,992	–
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>4,129,189</u>	<u>2,231,032</u>	<u>115,806</u>

## CONSOLIDATED CASH FLOW STATEMENT

		<i>Year ended</i> <i>31 October</i> 2002	<i>Year ended</i> <i>31 October</i> 2003	<i>Year ended</i> <i>31 October</i> 2004
	<i>Note</i>	£	£	£
<b>Net cash outflow from operating activities</b>	(b)	(1,223,993)	(1,355,300)	(2,087,355)
Returns on investments and servicing of finance	(c)	59,855	(1,013)	(51,465)
Taxation		(1,500)	204,436	(1,166)
Capital expenditure and financial investment	(c)	(1,893,015)	(76,922)	(133,806)
Acquisition	(c)	(335,330)	(131,825)	(141,911)
<b>Cash outflow before use of liquid resources and financing</b>		(3,393,983)	(1,360,624)	(2,415,703)
Financing	(c)	34,636	1,509,073	2,255,540
<b>Increase/(decrease) in cash</b>	(a)	(3,359,347)	148,449	(160,163)

Liquid resources comprises cash on short-term deposit.

### (a) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

		<i>Year ended</i> <i>31 October</i> 2002	<i>Year ended</i> <i>31 October</i> 2003	<i>Year ended</i> <i>31 October</i> 2004
		£	£	£
Increase/(decrease) in cash in the year		(3,359,347)	148,449	(160,163)
Issue of convertible loan note		–	(160,000)	–
Repayment of loan notes		–	–	129,470
Repayment of bank loan		–	–	264,748
Increase in bank loan		–	–	(52,924)
Repayment of finance leases		–	–	63,868
Loans and finance leases acquired with subsidiary		–	–	(2,551,366)
Translation difference		–	–	(2,850)
Movement in net funds/(debt)		(3,359,347)	(11,551)	(2,309,217)
Net funds at beginning of period		3,798,221	438,874	427,323
Net funds/(debt) at end of period		438,874	427,323	(1,881,894)

**(b) RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOW**

	<i>Year ended</i> <i>31 October</i> <i>2002</i> £	<i>Year ended</i> <i>31 October</i> <i>2003</i> £	<i>Year ended</i> <i>31 October</i> <i>2004</i> £
Operating loss	(3,524,451)	(6,520,766)	(5,352,990)
Impairment of Intellectual Property Rights	998,699	–	–
Impairment of goodwill	–	1,995,235	2,194,000
Amortisation of Intellectual Property Rights	376,582	555,101	–
Amortisation of goodwill on acquisition	–	65,358	510,702
Prepayment write off	–	682,058	–
Depreciation	82,600	92,827	152,013
Loss on sale of fixed asset investments	5,990	12,755	803
(Increase)/decrease in debtors	805,891	199,019	(478,873)
(Decrease)/increase in creditors	30,696	1,547,567	875,955
Increase in minority interest	–	1,992	–
Exchange adjustment	–	13,554	11,035
<b>Net cash outflow from operating activities</b>	<b>(1,223,993)</b>	<b>(1,355,300)</b>	<b>(2,087,355)</b>

**(c) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	<i>Year ended</i> <i>31 October</i> <i>2002</i> £	<i>Year ended</i> <i>31 October</i> <i>2003</i> £	<i>Year ended</i> <i>31 October</i> <i>2004</i> £
<b>Returns on investments and servicing of finance</b>			
Interest received	59,855	7,674	29,195
Interest paid	–	(8,687)	(66,559)
Interest on finance leases	–	–	(14,101)
	<u>59,855</u>	<u>(1,013)</u>	<u>(51,465)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets	(1,806,635)	(37,093)	(73,811)
Purchase of tangible fixed assets	(86,380)	(39,829)	(59,995)
	<u>(1,893,015)</u>	<u>(76,922)</u>	<u>(133,806)</u>
<b>Acquisitions</b>			
Purchase of subsidiary/business	<u>(335,330)</u>	<u>(131,825)</u>	<u>(141,911)</u>
<b>Financing</b>			
Capital element of finance lease payments	–	–	(63,868)
Issue of convertible loan note	–	160,000	–
Issue of ordinary share capital	34,636	1,349,073	2,660,702
Repayment of bank loan	–	–	(263,318)
Repayment of loan notes	–	–	(129,470)
Increase in bank loan	–	–	51,494
	<u>34,636</u>	<u>1,509,073</u>	<u>2,255,540</u>

**(d) ANALYSIS OF CHANGES IN NET FUNDS****Year ended 31 October 2002**

	<i>At 31 October</i> 2001 £	<i>Cash flows</i> £	<i>At 31 October</i> 2002 £
Cash at bank and in hand	3,798,221	(3,359,347)	438,874
Total	<u>3,798,221</u>	<u>(3,359,347)</u>	<u>438,874</u>

**Year ended 31 October 2003**

	<i>At 31 October</i> 2002 £	<i>Cash flows</i> £	<i>At 31 October</i> 2003 £
Cash at bank and in hand	438,874	148,449	587,323
Convertible loan note	–	(160,000)	(160,000)
Total	<u>438,874</u>	<u>(11,551)</u>	<u>427,323</u>

**Year ended  
31 October 2004**

	<i>At 31</i> <i>October</i> 2003 £	<i>Cash flows</i> £	<i>Acquisition</i> £	<i>Exchange</i> <i>Movement</i> £	<i>At 31</i> <i>October</i> 2004 £
Cash at bank and in hand	587,323	(160,163)	–	–	427,160
Loan notes	–	129,470	(1,165,232)	11,117	(1,024,645)
Bank loans	–	211,824	(1,012,598)	10,360	(811,134)
Convertible loan note	(160,000)	–	–	–	(160,000)
Finance leases	–	63,868	(373,536)	(3,607)	(313,275)
Total	<u>427,323</u>	<u>244,999</u>	<u>(2,551,366)</u>	<u>(2,850)</u>	<u>(1,881,894)</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. ACCOUNTING POLICIES

The financial information has been prepared in accordance with applicable United Kingdom accounting standards. A summary of the more important accounting policies adopted is set out below.

#### **Basis of accounting**

The financial information is prepared under the historical cost convention.

#### **Going concern**

The directors have prepared the financial statements on the basis that the Group is a going concern as the forecasts the directors have prepared indicate that Catalyst Media Group plc will have sufficient cash resources to satisfy liabilities as they fall due. The forecasts assume that the proposed acquisition of Alternateport Limited and associated fund raising, which are conditional upon, *inter alia*, the approval of shareholders in general meeting, are successfully concluded. The Company has secured, in aggregate, £28.75 million of new funding, of which £5.75 million will be applied for working capital and to meet the expenses of the transaction and £23 million for the consideration for the acquisition. The directors are confident that the transactions will be completed and therefore have prepared the financial statements on a going concern basis. If the fundraising is not successful the directors would need to raise further funds for the Group to continue as a going concern. The financial statements do not include any adjustments that would result if this going concern basis was not appropriate.

#### **Basis of consolidation**

The group financial information consolidates the financial information of Catalyst Media Group plc and all of its subsidiaries at the period end.

Newsplayer Limited and Betelgeuse Productions Inc. have been consolidated using acquisition accounting principles, but the differences between the nominal value of the shares issued by Catalyst Media Group plc in exchange for shares in Newsplayer Limited and Betelgeuse Productions Inc. and the nominal value of the shares held in Newsplayer Limited and Betelgeuse Productions Inc. have been transferred to a merger reserve.

Newsplayer International Limited, NPG Inc, Catalyst Media Services Limited, Global Media Services have been consolidated using acquisition accounting principles.

#### **Intangible fixed assets – goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of consideration 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 ranges from 10 to 20 years. Provision is made for any impairment in value.

#### **Intangible fixed assets – intellectual property rights**

The Group writes off all intellectual property rights in full during the period in which they were incurred.

#### **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 economic lives of the assets, which are as follows:

Fixtures, fittings and computer equipment	4 years
-------------------------------------------	---------

## 1. ACCOUNTING POLICIES (continued)

### Investments

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

### 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 those timing differences are expected to crystallise 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 are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. 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 the 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 the profit or loss for the period are taken to reserves and reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

### Turnover

Revenue is recognised when, and to the extent that, the group obtains the right to consideration in exchange for their performance. Turnover is recorded on the following bases:

On post-production services – at the time the services are provided and on television production when each episode is completed and delivery is accepted by the customer.

Where payments are received in advance of provision of the related service, these amounts are included within deferred income.

### Segmental information

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

#### *Analysis by geographical area*

	2002	2003	2004
	£	£	£
North America	–	245,207	6,953,562
Europe	954,264	19,315	90,973
Turnover	<u>954,264</u>	<u>264,522</u>	<u>7,044,535</u>

## 1. ACCOUNTING POLICIES (continued)

### *Analysis by operation*

	2002	2003	2004
	£	£	£
Website and distribution	954,264	266,751	274,688
TV production	–	–	6,249,912
Internet professional services	–	37,771	519,935
Turnover	<u>954,264</u>	<u>264,522</u>	<u>7,044,535</u>

### *Operating loss by operation*

	2002	2003	2004
	£	£	£
Website and distribution	3,524,451	4,518,033	1,870,208
TV production	–	–	1,060,843
Internet professional services	–	7,499	227,939
Operating loss	<u>3,524,451</u>	<u>4,525,532</u>	<u>3,158,990</u>

### *Net assets by operation*

	2002	2003	2004
	£	£	£
Website and distribution	4,129,189	2,176,363	3,617,387
TV production	–	–	(3,307,732)
Internet professional services	–	54,669	(193,849)
Net assets	<u>4,129,189</u>	<u>2,231,032</u>	<u>115,806</u>

## 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

### (a) Employee numbers

The average number of staff employed, including executive Directors, within each category was:

	<i>Year ended 31 October 2002 Number</i>	<i>Year ended 31 October 2003 Number</i>	<i>Year ended 31 October 2004 Number</i>
Sales	3	3	5
Administration	11	6	61
	<u>14</u>	<u>9</u>	<u>66</u>

### (b) Employee costs

were as follows:

	<i>£</i>	<i>£</i>	<i>£</i>
Wages and salaries (including executive Directors)	643,493	726,109	2,422,690
Social security costs	68,408	86,515	202,026
	<u>711,901</u>	<u>812,624</u>	<u>2,624,716</u>

### (c) Emoluments of Directors

of the company were as follows:

	<i>£</i>	<i>£</i>	<i>£</i>
Emoluments	<u>358,897</u>	<u>481,351</u>	<u>785,853</u>

Directors' emoluments includes bonuses of £125,535 (2003: £50,000; 2002: £45,000).

	<i>£</i>	<i>£</i>	<i>£</i>
Highest paid Director's emoluments	<u>188,476</u>	<u>193,162</u>	<u>187,741</u>

During the period covered by the financial information no Directors were members of a defined contribution pension scheme and no Directors exercised share options.

### 3. COST OF SALES

	<i>Year ended 31 October 2002 £</i>	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>
Existing operations	526,737	118,485	547,427
Acquisitions	–	–	6,296,490
	<u>526,737</u>	<u>118,485</u>	<u>6,843,917</u>

### 4. OPERATING EXPENSES

	<i>Year ended 31 October 2002 £</i>	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>
Existing operations	3,951,978	4,622,937	2,345,343
Acquisitions	–	48,632	1,014,265
	<u>3,951,978</u>	<u>4,671,569</u>	<u>3,359,608</u>

### 5. OPERATING LOSS

	<i>Year ended 31 October 2002 £</i>	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>
Operating loss is arrived at after charging:			
Depreciation – owned assets	82,600	92,827	152,013
Depreciation – assets held under finance leases	–	–	–
Amortisation of rights	357,108	555,101	–
Amortisation of goodwill	19,474	65,359	510,702
Auditors' remuneration:			
group audit fees	23,000	35,500	32,000
non-audit services	5,000	–	73,778
non-audit services (paid to related companies of the auditors)	–	55,035	23,500
Rentals under operating leases	69,375	69,375	321,790
Exceptional items:			
Impairment of intellectual property rights	998,699	–	–
	<u>998,699</u>	<u>–</u>	<u>–</u>

Audit fees of £10,333 (2003: £15,000; 2002: £10,000) were paid in respect of the holding company.

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 31 October 2002 £</i>	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>
Interest on other loans	–	15,341	80,660

## 7. TAX ON LOSS ON ORDINARY ACTIVITIES

### (a) Analysis of tax charge/(credit) on ordinary activities

	<i>Year ended 31 October 2002 £</i>	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>
United Kingdom corporation tax at 30% (2004: 30%; 2003: 30%, 2002: 30%, 2001: 30%) of taxable profit	–	–	–
Overcharge for prior years	–	(205,631)	–
Foreign tax	1,000	1,362	–
Adjustments to prior year tax provisions	–	–	1,166
	<u>1,000</u>	<u>(204,269)</u>	<u>1,166</u>

### (b) Factors affecting tax charge/(credit) for the year

	<i>Year ended 31 October 2002 %</i>	<i>Year ended 31 October 2003 %</i>	<i>Year ended 31 October 2004 %</i>
Standard tax rate for the year as a percentage of losses	30	30	30
Effects of:			
Expenses not deductible for tax purposes	(8)	(7)	(1)
Non-utilisation of tax losses	(8)	(23)	(29)
Overcharge for prior years	–	3	–
Overseas tax rate	–	–	–
Effect of lower rates of tax on overseas losses	(14)	–	–
Tax credit for year as percentage of loss for the year	<u>–</u>	<u>3</u>	<u>–</u>

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

Deferred tax has not been provided in respect of excess revenue losses and management expenses as there is insufficient evidence that the related assets will be recovered. The amount of the asset not recognised is £989,200 (2003: £1,874,280, 2002: £476,015)

## 8. LOSS OF PARENT COMPANY

	<i>Year ended 31 October 2002 £</i>	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>
Parent company's loss for the financial period	<u>(1,557,209)</u>	<u>(2,051,949)</u>	<u>(12,494,120)</u>

## 9. (a) INTANGIBLE FIXED ASSETS

	<i>Development Expenditure £</i>	<i>Goodwill £</i>	<i>Intellectual property rights £</i>	<i>Total £</i>
<b>COST</b>				
At 31 October 2001	–	–	1,315,485	1,315,485
Additions	–	252,036	2,861,256	3,113,292
Exchange rate movement	–	(18,349)	–	(18,349)
At 31 October 2002	–	233,687	4,176,741	4,410,428
Additions	–	3,196,224	37,093	3,233,317
Exchange rate movement	–	(3,012)	–	(3,012)
At 31 October 2003	–	3,426,899	4,213,834	7,640,733
Additions	64,484	5,122,736	–	5,187,220
Finalisation of deferred consideration	–	(536,640)	–	(536,640)
Exchange rate movement	–	(37,664)	–	(37,664)
At 31 October 2004	<u>64,484</u>	<u>7,975,331</u>	<u>4,213,834</u>	<u>12,253,649</u>
<b>AMORTISATION</b>				
At 31 October 2001	–	–	(307,692)	(307,692)
Charge for the period	–	(19,474)	(357,108)	(376,582)
Impairment	–	–	(998,699)	(998,699)
At 31 October 2002	–	(19,474)	(1,663,499)	(1,682,973)
Charge for the period	–	(65,358)	(555,100)	(620,458)
Impairment	–	–	(1,995,235)	(1,995,235)
At 31 October 2003	–	(84,832)	(4,213,834)	(4,298,666)
Charge for the period	–	(510,702)	–	(510,702)
Impairment	–	(2,194,000)	–	(2,194,000)
Exchange rate movement	–	5,541	–	5,541
At 31 October 2004	–	<u>(2,783,993)</u>	<u>(4,213,834)</u>	<u>(6,997,827)</u>
<b>NET BOOK VALUE</b>				
At 31 October 2001	–	–	1,007,793	1,007,793
At 31 October 2002	–	214,213	2,513,242	2,727,455
At 31 October 2003	–	3,342,067	–	3,342,067
At 31 October 2004	<u>64,484</u>	<u>5,191,338</u>	–	<u>5,255,822</u>

**9. (b) TANGIBLE FIXED ASSETS**

	<i>Fixtures, fittings and computer equipment</i>
	£
<b>COST</b>	
At 31 October 2001	269,540
Acquired with new business	22,060
Additions	86,380
Disposals	(8,557)
	<hr/>
At 31 October 2002	369,423
Acquired with subsidiary	20,345
Additions	19,484
Disposals	(28,180)
	<hr/>
At 31 October 2003	381,072
Acquired with subsidiary	141,303
Additions	59,995
Disposals	(1,133)
Foreign exchange movement	29,498
	<hr/>
At 31 October 2004	610,735
	<hr/>
<b>DEPRECIATION</b>	
At 31 October 2001	(52,020)
Charge for the period	(82,600)
Disposals	2,567
	<hr/>
At 31 October 2002	(132,053)
Charge for the period	(92,827)
Disposals	15,425
	<hr/>
At 31 October 2003	(209,455)
Charge for the period	(152,013)
Disposals	330
Foreign exchange movement	8,619
	<hr/>
At 31 October 2004	(352,519)
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 October 2001	217,520
	<hr/>
At 31 October 2002	237,370
	<hr/>
At 31 October 2003	171,617
	<hr/>
At 31 October 2004	258,216
	<hr/>

The net book value includes an amount of £101,335 (2003: nil, 2002: nil) in respect of assets held under finance leases.

## 10. INVESTMENTS HELD AS FIXED ASSETS

### Investments in subsidiary undertakings

The Company holds share capital in the following subsidiary undertakings:

	<i>Country of incorporation and operation</i>	<i>Activity</i>	<i>Percentage of ordinary shares held</i>
Newsplayer Limited	Great Britain	Technical and marketing services	100%
Newsplayer International Limited	Guernsey	Website administration and finance	100%
Catalyst Media Services Limited	Great Britain	Dormant	100%
NPG Inc	United States	Website services	100%
Global Media Services Inc	United States	Technical services for online distribution	100%
Cross Media Entertainment	United States	Multi-platform media distribution	51%
Betelgeuse Productions Inc	United States	Editing and graphic post production	100%
Video TV Plc	Great Britain	Dormant	100%

On 5 March 2004 the Group completed the acquisition of Betelgeuse Productions Inc. ("BPI") for consideration of 5,826,305 new 1p ordinary shares in the Company at a price of 20p, £109,610 of cash and £1,165,231 of loan notes. With costs the total consideration was £2,932,267.

#### *Analysis of the BPI acquisition*

	<i>Book value and fair value to group</i>
	<i>£</i>
Fixed assets	145,026
Current assets	1,041,955
Creditors	<u>(3,377,450)</u>
Net liabilities	<u>(2,190,469)</u>
Goodwill arising on acquisition	5,122,736
Consideration	<u>2,932,267</u>

The fair value adjustment has been made to bring the accounting policies of the subsidiary in line with those of the Group.

BPI made a positive contribution to Group's net operating cashflow in the amount of £205,668 for the period from 5 March 2004 to 31 October 2004. BPI made a loss after taxation of:

- £174,862 for the year ended 30 June 2003;
- £2,366,990 for the period from 1 July 2003 to 5 March 2004; and
- £1,121,327 in the period from 5 March 2004 to 31 October 2004.

On 8 September 2003 the Group acquired Global Media Services Inc. for consideration of 24,067,489 new 1p ordinary shares in the Company. In addition the Group has accounted for deferred consideration of 11,913,407 ordinary shares at a price of 8.5p per share being the maximum payable under the purchase agreement. With costs the total consideration was £3,253,381.

## 10. INVESTMENTS HELD AS FIXED ASSETS (continued)

*Analysis of the Global Media Services acquisition*

*Book value and fair  
value to the Group  
£*

Tangible fixed assets	20,345
Investments	5,032
Debtors	22,453
Net assets	47,830
Goodwill arising on acquisition	3,205,551
Consideration	3,253,381

Global Media Services Inc. made an adverse contribution to the Group's net operating cash flows in the amount of £7,727. Global Media Services Inc. made a loss of £5,023 in the year ended 31 October 2004 of which a profit of £2,878 arose in the period from 1 January 2003 to 8 September 2003. The summarised profit and loss account for the period from 1 January 2003 to the effective date of acquisition is as follows:

	£
Turnover	120,373
Operating profit	4,778
Interest	–
Profit before taxation	4,778
Taxation	(1,900)
Profit for the period to 8 September 2003	2,878

On 27 December 2001, the Group acquired the trade and assets of Footage.Net. The acquisition was made through Catalyst Media Group plc's wholly owned subsidiary NPG Inc. for consideration of US\$500,000. The amount of goodwill arising as a result of the acquisition was US\$355,000. The consideration included fixed assets and accounts receivable of US\$145,000.

## 11. DEBTORS

	<i>As at 31 October 2002 £</i>	<i>As at 31 October 2003 £</i>	<i>As at 31 October 2004 £</i>
Trade debtors	64,866	89,069	658,335
Other debtors	251,783	52,608	100,287
Corporation tax rebate	167	–	–
Called up share capital not paid	1,000	1,000	10,500
Prepayments and accrued income	750,023	43,918	930,648
	1,067,839	186,595	1,699,770
Amounts falling due after more than one year:			
Other debtors	–	–	44,521
	1,067,839	186,595	1,744,291

## 12. CREDITORS: amounts falling due within one year

	<i>As at</i> <i>31 October</i> <i>2002</i> £	<i>As at</i> <i>31 October</i> <i>2003</i> £	<i>As at</i> <i>31 October</i> <i>2004</i> £
Bank loans	–	–	759,640
Loan notes	–	–	387,138
Obligations under finance leases and hire purchase contracts	–	–	191,012
Trade creditors	89,670	275,370	2,234,625
Taxation and social security	–	32,419	238,657
Other creditors	21,491	905,031	1,314,948
Accruals and deferred income	231,188	683,750	1,431,541
	<u>342,349</u>	<u>1,896,570</u>	<u>6,557,561</u>

The terms of the loan notes are disclosed in note 13.

## 13. CREDITORS: amounts falling due after one year

	<i>As at</i> <i>31 October</i> <i>2002</i> £	<i>As at</i> <i>31 October</i> <i>2003</i> £	<i>As at</i> <i>31 October</i> <i>2004</i> £
Bank loan	–	–	51,494
Loan notes	–	–	637,507
Convertible loan note	–	160,000	160,000
Obligations under finance leases and hire purchase contracts	–	–	122,263
Other creditors	–	–	40,858
	<u>–</u>	<u>160,000</u>	<u>1,012,122</u>

The convertible loan note unless previously repaid or converted can be redeemed at par on 23 February 2006. Interest is payable at the rate of 6 per cent. per annum. The notes 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 loan notes are deemed to include imputed interest and are repayable over three years.

### Debt maturity

	<i>2002</i> £	<i>2003</i> £	<i>2004</i> £
Debt	<u>–</u>	<u>160,000</u>	<u>2,309,054</u>
In one year or less, or on demand	–	–	1,337,790
In more than one year, but not more than two years	–	–	509,401
In more than two years, but not more than five years	–	160,000	461,863
	<u>–</u>	<u>160,000</u>	<u>2,309,054</u>

On 21 March 2004, Betelgeuse Productions Inc (“BPI”), a subsidiary, signed a revolving credit facility of \$1.4 million. Interest is payable on the facility at a rate of 1 per cent. above the bank’s benchmark rate. The facility is secured by a fixed and floating charge over the assets of BPI, with Catalyst Media Group plc acting as the corporate guarantor.

### 13. CREDITORS: amounts falling due after one year (continued)

#### Financial instruments

The Group's financial instruments comprise cash, a convertible loan note, a bank loan and loan notes. The main purpose of these financial instruments is to provide working capital for the Group and to provide finance for acquisitions made. The Group's policy is to obtain the highest rate of return on 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 financial instruments such as the convertible loan note and loan notes where the return is considered commensurate to the risk entered into.

The Group's exposure to foreign currency is predominantly to the US dollar. The Group does not have a formal policy in place to manage risk, but the directors believe the risk of a material change in rates is minimal.

### 14. CALLED UP SHARE CAPITAL

	<i>As at</i> <i>31 October</i> <i>2002</i> £	<i>As at</i> <i>31 October</i> <i>2003</i> £	<i>As at</i> <i>31 October</i> <i>2004</i> £
<b>Authorised</b>			
2004: 200,000,000 (2003: 130,000,000; 2002: 90,000,000) ordinary shares of 1 pence each	900,000	1,300,000	2,000,000
	£	£	£
<b>Allotted, issued and part paid</b>			
1,405,099 (2004: 140,509,939; 2003: 121,462,433; 2002: 69,268,797) ordinary shares of 1 pence each	692,688	1,214,624	1,405,099

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

	<i>Date</i>	<i>Number</i> <i>of shares</i>	<i>Price</i>	<i>Consideration</i> (£)
At 31 October 2000 and 31 October 2001		65,805,357		
Issue of capital	27 November 2001	3,463,440	1p	34,634
At 31 October 2002		69,268,797		
Issue of capital	1 April 2003	3,000,000	5p	150,000
Placing	1 August 2003	16,455,003	4.5p	740,475
Placing	5 September 2003	7,546,154	6.5p	490,500
Acquisition of GMS Inc.	8 September 2003	24,067,489	8.5p	2,045,737
Issue of capital	2 October 2003	1,125,000	5p	56,250
At 31 October 2003		121,462,443		
Placing	28 November 2003	125,000	20p	25,000
Placing	2 February 2004	13,096,191	21p	2,750,200
Acquisition of BPI Inc.	21 April 2004	5,826,305	20p	1,165,261
At 31 October 2004		140,509,939		

## 14. SHARE CAPITAL (continued)

### Share option scheme

Share options in respect of ordinary shares held by the Directors at 31 October 2004, under the Company's share option scheme are as follows:

	<i>Number of options</i>	<i>Grant date</i>	<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>
Paul Duffen	2,000,000	8 July 2003	4.25p	8 July 2006	8 July 2013
	1,000,000	5 March 2004	20.00p	5 March 2007	5 March 2014
Barry Llewellyn	1,000,000	8 July 2003	4.25p	8 July 2006	8 July 2013
Sir David Frost	2,000,000	8 July 2003	4.25p	8 July 2006	8 July 2013
David Holdgate	500,000	1 Sept 2003	6.50p	1 Sept 2006	1 Sept 2013
	500,000	5 March 2004	20.00p	5 March 2007	5 March 2014
Adam Cohen	300,000	5 Sept 2003	8.50p	5 Sept 2006	5 Sept 2013
Steven Smith	1,000,000	5 March 2004	20.00p	5 March 2007	5 March 2014
Michael Rosenberg	500,000	20 May 2004	20.00p	20 May 2007	20 May 2014

Steven Smith resigned as a director on 27 May 2005.

The options issued on 8 July 2003 replaced all previously issued options, as detailed below:

	<i>Number of options</i>	<i>Grant date</i>	<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>
Paul Duffen	329,027	30 May 2000	84p	30 May 2003	30 May 2010
Barry Llewellyn	329,027	30 May 2000	84p	30 May 2003	30 May 2010
David Holdgate	131,611	30 May 2000	84p	30 May 2003	30 May 2010
Sir David Frost	2,000,000	19 Jan 2001	49p	19 Jan 2004	19 Jan 2011

### Directors' beneficial interests in shares

The beneficial interests in the shares of the Company of Directors are as follows:

	<i>As at 31 October 2002</i>	<i>As at 31 October 2003</i>	<i>As at 31 October 2004</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>
Paul Duffen	8,322,036	8,488,703	8,488,703
Barry Llewellyn	8,322,036	8,488,703	8,488,703
Adam Cohen	–	12,274,419	12,274,419
David Holdgate	35,714	1,633,714	1,760,714
Steven Smith	–	7,724,422	7,724,422
Sir David Frost	–	3,333,333	3,333,333

## 15. SHARES TO BE ISSUED

Under the arrangements of the deferred consideration on the purchase of Global Media Services ("GMS") the maximum number of shares to be issued to be vendors of GMS is 5,600,000. For valuation purposes these shares are valued at 8.5p the price on completion of the acquisition of GMS. In previous years the directors' best estimate of the likely number of shares to be issued was 11,913,407 shares, but the post acquisition results indicate that only 5,600,000 shares will be issued. As such an adjustment of 6,313,407 shares at 8.5p has been made to the shares to be issued reserve.

## 16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<i>Share Capital</i> £	<i>Shares to be issued</i> £	<i>Share Premium Account</i> £	<i>Merger reserve</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 31 October 2000	658,054	–	10,652,759	(509,386)	(2,674,121)	8,127,306
Loss retained for the year	–	–	–	–	(1,621,776)	(1,621,776)
At 31 October 2001	658,054	–	10,652,759	(509,386)	(4,295,897)	6,505,530
Loss retained for the year	–	–	–	–	(3,465,596)	(3,465,596)
Share issue	34,634	–	1,054,621	–	–	1,089,255
At 31 October 2002	692,688	–	11,707,380	(509,386)	(7,761,493)	4,129,189
Loss retained for the year	–	–	–	–	(6,324,165)	(6,324,165)
Foreign exchange movement	–	–	–	–	16,566	16,566
Acquisition of Global Media Services (GMS)	240,675	–	–	1,805,062	–	2,045,737
Deferred consideration on acquisition of GMS	–	1,012,640	–	–	–	1,012,640
Share issue	281,261	–	1,067,812	–	–	1,349,073
At 31 October 2003	1,214,624	1,012,640	12,775,192	1,295,676	(14,069,092)	2,229,040
Loss retained for the year	–	–	–	–	(5,405,621)	(5,405,621)
Foreign exchange movement	–	–	–	–	3,063	3,063
Acquisition of Betelgeuse Productions Inc	58,263	–	–	1,106,998	–	1,165,261
Share issue	132,212	–	2,528,491	–	–	2,660,703
Reduction in estimated deferred consideration (note 15)	–	(536,640)	–	–	–	(536,640)
At 31 October 2004	1,405,099	476,000	15,303,683	2,402,674	(19,471,650)	115,806

## 17. OPERATING LEASE COMMITMENTS

At each period end the Group was committed to making the following payments on land and buildings during the next year in respect of operating leases which expire:

	<i>As at 31 October 2002</i> £	<i>As at 31 October 2003</i> £	<i>As at 31 October 2004</i> £
Within one to two years	–	69,375	–
Within two to five years	69,375	–	305,229
More than five years	–	–	53,831

## 18. FINANCE LEASE COMMITMENTS

	<i>As at 31 October 2002</i> £	<i>As at 31 October 2003</i> £	<i>As at 31 October 2004</i> £
The total net commitments under non-cancellable finance leases are as follows:			
Less than one year	–	–	183,210
Within two to five years	–	–	130,065

## **19. LOSS PER ORDINARY SHARE AND DILUTED LOSSES PER SHARE**

Losses per share are calculated by dividing the loss attributable to ordinary shareholders for each period amounting to £5,405,621 (2004: £731,385; 2003: £6,324,165; 2002: £3,465,596), by 134,349,876 issued ordinary shares (2003: 80,225,329; 2002: 68,942,393;), being the weighted average number of ordinary shares in issue during each year.

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary 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 14 "Earnings per share".

## **20. RELATED PARTY TRANSACTIONS**

### **Steven Smith**

During the year ended 31 October 2004, the Company paid Steven Smith £121,936 (2003: £25,000) in respect of consultancy on the acquisition of Betelgeuse Productions Inc and for other consultancy work.

### **Sir David Frost**

The Company entered into an agreement with Sir David Frost on 7 November 2000 under which the Company was to make payment in cash and shares totalling £1,000,000 over five years in respect of royalties for rights to his interviews.

As detailed in note 13 on 23 February 2003, the Company issued £160,000 6 per cent. convertible secured loan notes 2006 to the Trustees of the David Frost Retirement Benefit Scheme.

On 24 March 2003 the Company and its wholly owned subsidiary, Newsplayer International Limited, granted debentures in favour of David Paradine Productions Limited ("DPP") and Sir David Frost, and the company entered into a Stock Pledge Agreement in respect of 15 per cent. of the issued share capital of NPG Inc., a wholly owned subsidiary of the Company, also in favour of DPP, as security for amounts owing under the loan notes and under the agreement regarding the deferral of royalty payments.

A royalty payment of £250,000 (2003: £150,000) was due to Sir David Frost of which £150,000 (2003: £150,000) was paid during the year. The balance outstanding at the period end was £100,000 (2004: £nil).

### **Adam Cohen**

During the year ended 31 October 2004 the Group paid Adam Cohen a total of US\$48,000 (2003: £nil) for rent and storage of Group owned equipment.

## **21. POST BALANCE SHEET EVENTS**

In November 2004 15,000,000 new shares of 1p each were placed with Gartmore Investment Management Limited at 5p per share. In November 2004 7,000,000 new shares of 1p each were placed with Williams De Broe at 5p per share.

In December 2004 14,678,968 new shares of 1p each were issued to Champ Car World Series LLC, based on a closing price of 7.75p.

In May 2005 7,274,286 new shares of 1p each were placed with institutional investors at 3.5p per share.

In May 2005 5,600,000 new shares of 1p each were issued to Adam Cohen (2,856,000) and Jennifer Sultan (2,744,000), in finalisation of the arrangements of the deferred consideration of Global Media Services (see Note 15).

In May 2005 the Group raised £450,000 secured loan from Reef Securities Limited (“Reef”), a company which is wholly owned by Steven Smith. The Loan is secured by a charge over certain assets of the Catalyst Group. Reef has also been issued with 18,000,000 warrants, exercisable at any time prior to 27 May 2010, to subscribe for, in aggregate, 18,000,000 new shares at a price of 2.5p per share.

## **22. CONTINGENT LIABILITIES**

Contingent liabilities arise in respect of litigation against companies in the Group as follows:

A claim has been lodged by a former employee against Betelgeuse Productions Inc. alleging a claim for breach of contract. The claim calls for damages and it has been estimated that the maximum liability should the action be successful is of the order of \$367,000. The Group has taken legal advice to the effect that the action is unlikely to succeed and no provision has been made in the financial information.

Yours faithfully

### **Nexia Audit Limited**

*Chartered Accountants*

No 1 Riding House Street  
London W1A 3AS

## **PART V**

### **CATALYST MEDIA GROUP PLC'S UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 APRIL 2005 AND CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE REVIEW IN RESPECT OF THE FINANCIAL YEAR ENDED 31 OCTOBER 2004**

(A) The following text is extracted from the Company's unaudited interim results for the six months ended 30 April 2005:

"Catalyst Media Group plc ("CMG"), the media company, today announces its unaudited interim results for the six months ended 30 April 2005, which should be read in conjunction with the preliminary announcement of results for the financial year ended 31 October 2004 also announced today.

#### **OVERVIEW**

CMG is a media company that manages, produces and distributes high quality audio-visual content using interactive digital technology. CMG provides clients with a comprehensive range of professional services to support their online strategies and is becoming the partner of choice for media companies in the digitisation and distribution of broadcast content and interactive programme creation. Additionally, CMG supports corporations and organisations from other industrial sectors by enabling them to use streaming and download distribution to support communication with customers, investors and employees.

Furthermore, CMG is a rights holder on its own account specialising in historic entertainment and educational content, generating revenues from the licensing of content globally to third parties, from consumer subscriptions, pay-per-view fees and from advertising revenue.

#### **FINANCIAL RESULTS**

The loss for the six month period ended 30 April 2005 was £1.43 million (EBITDA: loss £1.09 million) compared to a loss of £0.71 million (EBITDA: loss £0.45 million) for the equivalent period in 2004. No dividend has been paid or is proposed.

Global Media Services Inc ("GMS") and NPG Inc. generated positive EBITDA for the period, and Newsplayer International Ltd broke even. Betelgeuse Productions Inc ("BPI") made a small loss during the period, which was mainly due to the negative impact of the final Champ Car race in November 2004, and the significant restructuring of that business. The EBITDA loss for the period of £1.09 million is stated after group infrastructure costs of approximately £0.57 million. Management focus during the period drove these costs down to this level through initiation of cost savings of £0.1 million. Management expects these cost savings to be circa approximately £0.37 million on an annualized basis and expects to receive the full benefit of these by April 2006.

#### **OPERATIONAL HIGHLIGHTS**

GMS provides interactive digital video services to the North American motor sport industry. GMS has had success in developing the Race Director platform which delivers a whole new level of interaction and control to the motor sport fan. This work was rewarded by the recent renewal of the Internet production contract for the 2005 season and subsequent new business wins from three other US motor sport series. Meanwhile BPI has been re-structured and is focusing on its core strengths.

We have made a sustained investment in our original US subsidiary, NPG Inc., to develop Footage.net into a fully transactional platform. The new environment is expected to go live in October 2005 and will provide stock footage archives and production researchers with the first comprehensive exchange through which to buy and sell stock footage. In the UK we are seeing the genesis of a broadband infrastructure that will enable Internet Protocol Television to become reality within the next three years and thereby present an ideal opportunity to exploit the intellectual property assets to which we have rights.

We are seeing an increase in broadband content licensing activity and have begun to gain recognition in the US. We have recently won a distribution agreement with Microsoft's MSN Video in the US to provide a weekly package of topical clips from across CMG's archives. CMG will earn a share of revenues from the streamed advertising. In addition, I am pleased to announce that CMG has recently begun distributing Hollywood-related programming via broadband networks to TV in the home following an arrangement with VOD Pty in Australia and will earn revenue from this distribution.

CMG has also begun trials with Bell Canada, Canada's largest communications network, to distribute a weekly package of topical clips to their users in return for a share of revenues from streamed advertising.

#### **ALTERNATEPORT**

After more than a year since we first announced our intention to buy Alternateport Limited, the company that owns 20 per cent. of Satellite Information Services (Holdings) Limited ("SIS"), from United Business Media plc, we have concluded negotiations to complete the transaction. Further information on the SIS business is set out in the circular to shareholders accompanying the Annual Report for the financial year ended 31 October 2004 ("Annual Report"). SIS represents an important opportunity for CMG to apply our interactive technology to the world of horseracing and betting.

#### **OUTLOOK**

The Group has weathered the storm caused by the difficulties in New York which are discussed in detail in the Annual Report. It is now well placed to benefit from recent management initiatives and the anticipated dividend and profit contribution from our investment in SIS. The future for CMG is very exciting and I look forward to reporting further progress.

#### **Paul Duffen**

*Chief Executive Officer*

## Consolidated profit and loss account

For the six months ended 30 April 2005

	<i>Note</i>	<i>Six months ended 30 April 2005 £</i>	<i>Six months ended 30 April 2004 £</i>	<i>Year ended 31 October 2004 £</i>
<b>Turnover</b>				
Continuing operations	2	1,871,085	1,655,071	7,044,535
Cost of sales		<u>(1,278,610)</u>	<u>(980,081)</u>	<u>(6,843,917)</u>
<b>Gross profit</b>		592,475	674,990	200,618
Operating expenses	3	<u>(2,046,139)</u>	<u>(1,386,989)</u>	<u>(3,359,608)</u>
<b>Operating loss</b>		<u>(1,453,664)</u>	<u>(711,999)</u>	<u>(3,158,990)</u>
Impairment of goodwill		–	–	(2,194,000)
Interest receivable		74,843	7,912	29,195
Interest payable		<u>(54,838)</u>	<u>(5,796)</u>	<u>(80,660)</u>
<b>Loss on ordinary activities before taxation</b>		<u>(1,433,659)</u>	<u>(709,883)</u>	<u>(5,404,455)</u>
Taxation		<u>(500)</u>	<u>(500)</u>	<u>(1,166)</u>
<b>Loss on ordinary activities after taxation</b>		<u>(1,434,159)</u>	<u>(710,383)</u>	<u>(5,405,621)</u>
Loss per ordinary share	4	(0.82p)	(0.56p)	(4.02p)
<b>Statement of Total Recognised Gains and Losses</b>				
		<i>Six months ended 30 April 2005 £</i>	<i>Six months ended 30 April 2004 £</i>	<i>Year ended 31 October 2004 £</i>
<b>Loss for the year</b>		<u>(1,434,159)</u>	<u>(710,383)</u>	<u>(5,405,621)</u>
Currency translation difference		89,712	(36,458)	3,063
<b>Total recognised losses for the year</b>		<u>(1,344,447)</u>	<u>(746,341)</u>	<u>(5,402,558)</u>

## Consolidated Balance Sheet

As at 30 April 2005

		At 30 April 2005 £	At 30 April 2004 £	At 31 October 2004 £
	<i>Note</i>			
<b>Fixed assets</b>				
Intangible assets	5	4,984,238	8,350,070	5,255,822
Tangible assets		259,672	254,733	258,216
		<u>5,243,910</u>	<u>8,604,803</u>	<u>5,514,038</u>
<b>Current assets</b>				
Debtors	6	2,103,431	2,057,932	1,744,291
Cash at bank		6,519	1,356,073	427,160
		<u>2,109,950</u>	<u>3,414,005</u>	<u>2,171,451</u>
<b>Creditors:</b> amounts falling due within one year	7	<u>(6,484,959)</u>	<u>(4,146,286)</u>	<u>(6,557,561)</u>
Net current liabilities		<u>(4,375,009)</u>	<u>(732,281)</u>	<u>(4,386,110)</u>
<b>Total assets less current liabilities</b>		868,901	7,872,522	1,127,928
<b>Creditors:</b> amounts falling due after more than one year	8	<u>(878,752)</u>	<u>(2,559,860)</u>	<u>(1,012,122)</u>
<b>Total net (Liabilities)/assets</b>		<u>(9,851)</u>	<u>5,312,662</u>	<u>115,806</u>
		£	£	£
<b>Capital and Reserves</b>				
Called up share capital	9	1,771,889	1,405,099	1,405,099
Shares to be issued		476,000	1,012,640	476,000
Share premium account		16,155,683	15,308,182	15,303,683
Merger reserve		2,402,674	2,402,674	2,402,674
Profit and loss account		<u>(20,816,097)</u>	<u>(14,815,933)</u>	<u>(19,471,650)</u>
<b>Equity shareholders' funds</b>	10	<u>(9,851)</u>	<u>5,312,662</u>	<u>115,806</u>

## Consolidated Cash Flow Statement

For the six months ended 30 April 2005

		<i>At</i> <i>30 April</i> <i>2005</i>	<i>At</i> <i>30 April</i> <i>2004</i>	<i>At</i> <i>31 October</i> <i>2004</i>
	<i>Note</i>	<i>£</i>	<i>£</i>	<i>£</i>
Net cash outflow from operating activities	11	(1,557,911)	(1,238,742)	(2,087,355)
Returns on investment and servicing of finance		20,005	6,917	(51,465)
Taxation		(500)	(500)	(1,166)
Capital expenditure and financial investment		(76,252)	(9,992)	(133,806)
Acquisitions		–	(358,449)	(141,911)
Cash outflow before financing		<u>(1,614,658)</u>	<u>(1,600,766)</u>	<u>(2,415,703)</u>
Financing	12	1,194,017	2,369,516	2,255,540
Increase/(decrease) in cash	14	<u>(420,641)</u>	<u>768,750</u>	<u>(160,163)</u>

## NOTES TO THE ACCOUNTS

### 1. Accounting policies and additional information

These interim results for the six month period ended 30 April 2005 do not constitute statutory accounts and have been neither reviewed nor audited by our auditors. The financial information for the year ended 31 October 2004 is derived from the statutory accounts for that year. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985.

The accounting policies are consistent with those applied in the preparation of the statutory accounts for the year ended 31 October 2004.

#### *Basis of accounting*

The financial statements are prepared under the historical cost convention.

#### *Going Concern*

The directors have prepared the financial statements on the basis that the Group is a going concern as the forecasts the directors have prepared indicate that the company will have sufficient cash resources to satisfy liabilities as they fall due. The forecasts assume that the proposed acquisition of Alternatport Limited and associated fund raising, which are conditional upon, *inter alia*, the approval of shareholders in general meeting, are successfully concluded. The Company has secured, in aggregate, £28.75 million of new funding, of which £5.75 million will be applied for working capital and to meet the expenses of the transaction and £23 million for the consideration for the acquisition. The directors are confident that the transactions will be completed and therefore have prepared the financial statements on a going concern basis. If the fundraising is not successful the directors would need to raise further funds for the Group to continue as a going concern. The financial statements do not include any adjustments that would result if this going concern basis was not appropriate.

### 2. 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 services include internet web design, television programme editing and production, website administration and revenues from streamed advertising.

### 3. Operating loss on ordinary activities before taxation

	<i>Six months ended 30 April 2005 £</i>	<i>Six months ended 30 April 2004 £</i>	<i>Year ended 31 October 2004 £</i>
Operating loss is stated after charging:			
Amortisation of goodwill	297,489	213,593	510,702
Depreciation	<u>63,031</u>	<u>52,673</u>	<u>152,013</u>

### 4. Loss per share

The calculation of loss per share has been based on the loss after taxation for the period of £1,434,159 and the weighted average number of ordinary shares in issue during the period of 174,437,369.

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 the Financial Reports Standard 14 "Earnings per Share".

## 5. Intangible fixed assets

	<i>Development Expenditure</i>	<i>Goodwill</i>	<i>Intellectual Property</i>	<i>Total</i>
	£	£	£	£
<b>Cost</b>				
At 1 November 2004	64,484	7,975,331	4,213,834	12,253,649
Additions	30,467	–	–	30,467
Exchange adjustments	–	(6,461)	–	(6,461)
At 30 April 2005	<u>94,951</u>	<u>7,968,870</u>	<u>4,213,834</u>	<u>12,277,655</u>
<b>Amortisation</b>				
At 1 November 2004	–	(2,783,993)	(4,213,834)	(6,997,827)
Charge for the 6 months	–	(297,489)	–	(297,489)
Exchange adjustments	–	1,899	–	1,899
At 30 April 2005	<u>–</u>	<u>(3,079,583)</u>	<u>(4,213,834)</u>	<u>(7,293,417)</u>
<b>Net book value</b>				
At 30 April 2005	<u>94,951</u>	<u>4,889,287</u>	<u>–</u>	<u>4,984,238</u>
At 31 October 2004	<u>64,484</u>	<u>5,191,338</u>	<u>–</u>	<u>5,255,822</u>

## 6. Debtors:

	<i>At 30 April 2005</i>	<i>At 31 October 2004</i>
	£	£
Debtors: amounts falling due within one year		
Trade debtors	1,116,735	658,335
Other debtors	47,974	100,287
Called up share capital not paid	10,500	10,500
Prepayments and accrued income	913,746	930,648
	<u>2,088,955</u>	<u>1,699,770</u>
Debtors: amounts falling due after more than one year		
Other debtors	14,476	44,521
	<u>2,103,431</u>	<u>1,744,291</u>

## 7. Creditors: amounts falling due within one year

	<i>At 30 April 2005</i>	<i>At 31 October 2004</i>
	£	£
Bank Loan	726,204	759,640
Loan notes	391,890	387,138
Obligations under finance leases	251,155	191,012
Trade creditors	2,868,974	2,234,625
Taxation and social security	1,500	238,657
Other creditors	1,252,696	1,314,948
Accruals and deferred income	992,540	1,431,541
	<u>6,484,959</u>	<u>6,557,561</u>

## 8. Creditors: amounts falling due after more than one year

	<i>At</i> <i>30 April</i> <i>2005</i> £	<i>At</i> <i>31 October</i> <i>2004</i> £
Bank loan	41,540	51,494
Loan notes	590,663	637,507
Obligations under finance leases	43,854	122,263
Convertible loan note	160,000	160,000
Other creditors	42,695	40,858
	<u>878,752</u>	<u>1,012,122</u>

## 9. Changes in share capital

In May 2005 7,274,286 new ordinary shares of 1p were placed with institutional and other investors at 3.5p per share.

In May 2005 5,600,000 new ordinary shares of 1p each were issued to Adam Cohen (2,856,000) and Jennifer Sultan (2,744,000), in finalisation of the arrangements of the deferred consideration on the acquisition of GMS.

In November 2004 15,000,000 new ordinary 1p shares were placed with Gartmore Investment Management Limited at 5p per share.

In November 2004 7,000,000 new ordinary 1p each were placed with Williams De Broe at 5p per share.

In December 2004 14,678,968 new shares of 1p each were issued to Champ Car World Series LLC, based on closing price of 7.75p.

## 10. Reconciliation of movement in shareholders' funds

	<i>Six months</i> <i>ended</i> <i>30 April</i> <i>2005</i> £	<i>Six months</i> <i>ended</i> <i>30 April</i> <i>2004</i> £	<i>Year</i> <i>ended</i> <i>31 October</i> <i>2004</i> £
Loss for the period	(1,434,159)	(710,383)	(5,405,621)
Issue of shares	366,790	2,723,465	2,718,966
Premium on issue of shares (net of issue costs)	852,000	1,106,998	1,106,998
Currency translation difference	89,712	(36,458)	3,063
Shares to be issued	–	–	(536,640)
Net increase/(reduction) in shareholders' funds	<u>(125,657)</u>	<u>3,083,622</u>	<u>(2,113,234)</u>
Opening shareholders' funds	115,806	2,229,040	2,229,040
Closing shareholders' funds	<u>(9,851)</u>	<u>5,312,662</u>	<u>115,806</u>

## 11. Reconciliation of operating loss to operating cashflows

	<i>Six months ended 30 April 2005 £</i>	<i>Six months ended 30 April 2004 £</i>	<i>Year ended 31 October 2004 £</i>
Operating loss	(1,453,664)	(711,999)	(5,352,990)
Impairment of intellectual property rights	–	–	2,194,000
Depreciation	63,031	52,673	152,013
Amortisation of goodwill on acquisition	297,489	213,593	510,702
Loss on disposal of fixed assets	–	–	803
Increase in debtors	(359,140)	(790,862)	(478,873)
(Decrease)/increase in creditors	(102,224)	85,161	875,955
Exchange adjustment	(3,403)	(87,308)	11,035
Net cash outflow from operating activities	<u>(1,557,911)</u>	<u>(1,238,742)</u>	<u>(2,087,355)</u>

## 12. Analysis of cash flows for headings netted in the cash flow statement

	<i>At 30 April 2005 £</i>	<i>At 31 October 2004 £</i>
<b>Returns on investments and servicing of finance</b>		
Interest paid	74,843	29,195
Interest paid on finance leases	(12,169)	(66,559)
Interest received	(42,669)	(14,101)
	<u>20,005</u>	<u>(51,465)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of intangible assets	(30,647)	(73,811)
Purchase of tangible assets	(45,605)	(59,995)
	<u>(76,252)</u>	<u>(133,806)</u>
<b>Financing</b>		
Capital element of finance lease payments	(8,028)	(63,868)
Repayment of bank loan	(16,744)	(263,318)
Repayment of loan notes	–	(129,470)
Issue of ordinary share capital	1,218,789	2,660,702
Issue of bank loan	–	51,494
	<u>1,194,017</u>	<u>2,255,540</u>

### 13. Reconciliation of net cash flow to movement in net (debt)/funds

	<i>At</i> <i>30 April</i> <i>2005</i> £	<i>At</i> <i>31 October</i> <i>2004</i> £
Decrease in cash in the period	(420,641)	(160,163)
Loans and finance leases acquired with subsidiary	–	(2,551,366)
Repayment of loan notes	–	129,470
Repayment of bank loan	16,744	263,318
Repayment of finance leases	8,028	63,868
New bank loan	–	(51,924)
Translation	78,976	(2,850)
Movement in debt in the period	(316,893)	(2,309,217)
Net (debt)/funds at start of period	(1,884,894)	427,323
Net (debt) at end of period	<u>(2,198,787)</u>	<u>(1,884,894)</u>

### 14. Analysis of net (debt)/funds

	<i>At</i> <i>31 October</i> <i>2004</i> £	Cash flow £	Acquired £	Exchange Movement £	<i>At</i> <i>30 April</i> <i>2005</i> £
Cash at bank	427,160	(420,641)	–	–	6,519
Bank loan	(811,134)	16,744	–	26,646	(767,744)
Convertible loan note	(160,000)	–	–	(160,000)	–
Finance leases	(313,275)	8,028	–	10,238	(295,009)
Loan notes	(1,024,645)	–	–	42,092	(982,553)
	<u>(1,881,894)</u>	<u>(395,869)</u>	<u>–</u>	<u>78,976</u>	<u>(2,198,787)</u>

### 15. Post balance sheet events

In May 2005 the Group raised a £450,000 secured loan from Reef Securities Limited (“Reef”), a company which is wholly owned by Steven Smith. The Loan is secured by a charge over certain assets of the Catalyst Group. Reef has also been issued with 18,000,000 warrants to subscribe for ordinary shares at 2.5p per share at any time prior to 27 May 2010 .

This Interim Report was approved by the Directors on 4 August 2005.

The report will be sent to all registered shareholders and will be available to members of the public from the Company’s registered office at 12 Gough Square, London EC4A 3DW and online from the Company’s corporate website at [www.CMG-plc.com](http://www.CMG-plc.com).”

- (B) The following text is extracted from the Chairman's statement and Chief Executive reviews in respect of the financial year ended 31 October 2004.

### **“Chairman’s Statement**

The past financial year has produced a mixture of significant achievement and disappointment for the Company. We completed the acquisition and integration of Betelgeuse Productions Inc (“Betelgeuse”) and saw our two existing US subsidiaries, Global Media Services Inc (“GMS”) and NPG Inc performing in line with expectations and were focused on driving the business forward. In May 2004 we changed the name of the Group from Newsplayer Group plc to Catalyst Media Group plc and our ticker symbol from NPG to CMG, to reflect the way our business had evolved since the launch of Newsplayer.com four years previously and the new diversity within the Group. At the time of our interim report published in June 2004 we announced that, building on our progress in the previous financial year, we had achieved our target of being profitable on a monthly basis and that we were on course to make a profit for the financial year ending 31 October 2004.

However, it subsequently became apparent that cost overruns on a television contract to produce the Champ Car World Race Series by the Company's New York based television production subsidiary Betelgeuse, meant that we would record a loss after tax for the year of £2.0 million. In addition to this trading result we have taken a one-off goodwill impairment charge of £2.2 million. This results in a loss after tax for the year of £5.4 million on sharply increased turnover of £7 million compared with a loss after tax for the previous year of £6.3 million on turnover of £0.26 million.

It is important to note that without the impact of the Champ Car contract the Group would have broken even for the financial year as a whole at the EBITDA level. GMS and NPG Inc continue to grow in line with expectations and Betelgeuse is now focussing on its production capabilities following extensive restructuring. In addition, our UK business has signed new distribution deals for our interactive content channels with NTL, Cinema Now and MSN reflecting progress in the market for pay content on the Internet which bodes well for the future.

We also announced in June 2004 that we were in the process of acquiring a 20 per cent. stake in Satellite Information Services (Holdings) Limited (“SIS”) and that we expected to complete the process in the middle of August 2004. This acquisition proved much more difficult than we envisaged and it has taken a year longer than we anticipated to conclude, but I am delighted that we are now able to provide details of the transaction which are contained in a circular sent to shareholders today. SIS provides bookmakers with live television pictures, data display systems and broadcast services. They have over 18 years of expertise in the industry and now provide their services to the majority of bookmakers in the UK and Ireland, as well as in many territories in Europe, the Caribbean and Sri Lanka. SIS produces live coverage of approximately 28,000 horse and greyhound races a year to approximately 9,500 Licensed Betting Outlets (“LBO's”). SIS also produces the At The Races channel on the Sky satellite platform and is one of Europe's largest independent satellite uplink service providers through its SIS Link operation. SIS generated profit after tax for the financial year ended 31 March 2004 of £10.3 million (31 March 2003: £9.0 million) and has a history of sustained growth. I am confident that this acquisition, if concluded, will prove very beneficial to CMG in terms of both the financial performance and potential synergies offered by SIS. I would like to pay tribute to the single minded determination of Paul Duffen, our Chief Executive, who has demonstrated great tenacity and leadership in bringing the SIS transaction to a conclusion.

### **Share issues**

In February 2004, in connection with the acquisition of Betelgeuse, the Company raised £2,750,200, before expenses, in additional working capital through a placing of 13,096,191 new shares with new and existing shareholders.

### **Board changes**

In May 2004 David Wiseman stepped down as Chief Financial Officer and Steven Smith, previously Deputy Chairman, was appointed Chief Financial Officer. Steven subsequently resigned from the Board in June 2005

and handed over the CFO role to Anna Goodsell who will join the Board following completion of the SIS transaction. In May 2005 Adam Cohen stepped down from the Board to concentrate on developing GMS the Group's New York based media services business. I thank David, Steven and Adam for their respective contributions to the Board and extend my best wishes to Anna for her future with the Group.

Also in May 2004 Michael Rosenberg was appointed to the board as a non-executive Director. Michael brings with him a wealth of experience having started his career at Samuel Montagu & Co. Limited, the merchant bank, in 1957 before joining its board in 1971. In 1974 he co-founded Allied Investments Limited, an international healthcare group. He was a founding director and shareholder of TVam, the breakfast channel, and has been a director of David Paradine Limited, the holding company for Sir David Frost's business interests, since 1974. Between 1989 and 1999, Michael was a director and subsequent Chairman of Raphael Zorn Hemsley Holdings plc, now Numis Corporation plc. He has been the chairman of Pilat Media Global plc, a media software company quoted on AIM, since 2002. Following completion of the SIS transaction I will step down as Chairman of CMG, to avoid any conflict with my role as Chief Executive of SIS, and I am delighted that Michael has agreed to become my successor. I have tremendously enjoyed the last six years in my role as Chairman of the Company; I wish Michael and the Board every success in the future and look forward to working with them in our new relationship.

The Group has weathered the storm caused by the difficulties in New York. It is now well placed to benefit from the recent management initiatives and the anticipated dividend and profit contribution from our investment in SIS. The future for CMG is very exciting and I look forward to watching its progress.

David Holdgate  
*Chairman*

4 August 2005

## **Chief Executive Review**

The acquisitions of GMS and Betelgeuse have been significant developments for the Company and reflect our commitment to building a world class cross platform digital media business. GMS has shown strong growth and is now well positioned to provide interactive digital video services to the North American motor sport industry. For the 2004 Champ Car season CMG provided both the television and Internet production capability through Betelgeuse and GMS respectively. The problems that Betelgeuse encountered in fulfilling their contract have been well documented and should not be allowed to obscure the great success of GMS in developing the Race Director platform which delivers a whole new level of interaction and control to the motor sport fan. This work was rewarded by renewal of the Internet production contract for the 2005 season and subsequent new business wins from three other US motor sport series. Meanwhile Betelgeuse has been re-structured and is focusing on its core strengths which have seen it win over 50 Emmy's in the past 20 years.

We have made a sustained investment in our original US subsidiary, NPG Inc., over the past year to enable it to develop Footage.net, the world's leading stock footage portal, into a fully transactional platform. The new environment will go live in October 2005 and will provide stock footage archives and production researchers with the first comprehensive exchange to buy and sell stock footage.

In the UK we are starting to see the genesis of a broadband infrastructure that will enable IPTV to become reality within the next three years and thereby present an ideal opportunity to exploit the intellectual property assets to which we have rights. In the short term we are seeing an increase in broadband content licensing activity and have started to gain recognition in the US by securing distribution deals with Cinema Now and MSN.

After more than a year since we first announced our intention to buy Alternateport, (the company that owns 20 per cent. of SIS) from United Business Media plc, we are delighted to have finally concluded negotiations to complete the transaction. It has proven more difficult and taken much longer than we anticipated and in the meantime our share price has suffered.

I am firmly of the view that this acquisition will be a truly transforming deal for CMG.

I am confident that this deal will provide multiple benefits to the Company. There is a full description of and financial information for the SIS business in the circular which is being sent to shareholders today. Apart from the significant financial contribution through the anticipated dividends and profit, SIS represents an important opportunity for CMG to apply our interactive technology to the world of horseracing and betting.

I believe that with our experience in the world of live sports streaming gained in the US with Champ Car and the platform we have built for that purpose we are ideally positioned to take advantage of developments in the industry that require the combination of streaming video and real time customer interaction.

One sad consequence of the SIS transaction is that our Chairman, David Holdgate, who is also Chief Executive of SIS will have to step down from the board of CMG. I want to thank David for his support over the six years that we have worked together and I am delighted that I will be able to continue our working relationship by now sitting on his Board. I warmly welcome Michael Rosenberg OBE to the role of Chairman as David's successor and look forward to taking CMG to the next level with his help and guidance.

Paul Duffen  
*Chief Executive Officer*

4 August 2005"

## PART VI

### ACCOUNTANTS' REPORT ON ALTERNATEPORT

# Nexia Audit

— · Limited · —

5 August 2005

The Directors  
Strand Partners Limited  
26 Mount Row  
London W1K 3SQ

The Directors  
Catalyst Media Group plc  
Portland House  
4 Great Portland Street  
London W1W 8QJ

Dear Sirs

#### **Alternateport Limited (“the Company”)**

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 5 August 2005.

#### **Basis of preparation**

The financial information set out on pages 57 to 62 is extracted without material adjustment from the audited financial statements of Alternateport Limited for each of the years ended 31 December 2002, 2003 and 2004. It has been drafted in accordance with accounting policies adopted by Alternateport Limited and is presented in accordance with United Kingdom Generally Accepted Accounting Principles.

The financial statements for the three years ended 31 December 2002, 2003 and 2004 were audited by Ernst & Young LLP, of 1 More London Place, London, SE1 2AF. In each case unqualified audit opinions were given on those financial statements.

#### **Responsibility**

Such financial statements are the responsibility of the Directors of Alternateport Limited, who approved their issue.

The Directors of Catalyst Media Group plc are responsible for the contents of the Admission Document dated 5 August 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors, Ernst & Young LLP, who audited the financial statements for the three years ended 31 December 2002, 2003 and 2004. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the

accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 5 August 2005, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits for the periods then ended.

### **Consent**

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

## PROFIT AND LOSS ACCOUNT

		<i>Year ended</i> <i>31 December</i>	<i>Year ended</i> <i>31 December</i>	<i>Year ended</i> <i>31 December</i>
		2002	2003	2004
	<i>Note</i>	£'000	£'000	£'000
Income from fixed asset investment	4	3,000	3,000	–
Profit on ordinary activities after taxation		3,000	3,000	–
Dividends	5	–	–	(6,000)
Retained profit/(loss) for the year	9	3,000	3,000	(6,000)

All activities are classed as continuing and there are no recognised gains or losses other than those included in the profit and loss accounts above.

## BALANCE SHEET

		<i>Year ended</i> <i>31 December</i>	<i>Year ended</i> <i>31 December</i>	<i>Year ended</i> <i>31 December</i>
		2002	2003	2004
	<i>Note</i>	£'000	£'000	£'000
<b>FIXED ASSETS</b>				
Investments	5	6,700	6,700	6,700
<b>CURRENT ASSETS</b>				
Debtors	7	3,000	6,000	–
<b>NET ASSETS</b>		9,700	12,700	6,700
<b>CAPITAL AND RESERVES</b>				
Called up share capital	8	6,700	6,700	6,700
Profit and loss account	9	3,000	6,000	–
<b>EQUITY SHAREHOLDERS' FUNDS</b>	10	9,700	12,700	6,700

## NOTES TO THE FINANCIAL INFORMATION

### 1. ACCOUNTING POLICIES

The financial information has been prepared with applicable accounting standards. A summary of the more important accounting policies adopted are set out below.

#### **Basis of accounting**

The financial information is prepared under the historical cost convention.

#### **Related party transactions**

In accordance with Financial Reporting Standard Number 8: Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of the United Business Media group, or investees of the group qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

#### **Investments**

Investments are included in the company's balance sheet at cost less any provision for impairment.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not yet reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provisions is made for taxable gains arising from the revaluation (and similar fair value adjustments) of fixed assets that have been rolled over into replacement assets, only to the extent that there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will rolled over into replacement assets and charged to tax only where the replacement assets are sold; and
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measure on an undiscounted basis at the rates that are expected to apply in the period on which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 2. NET OPERATING EXPENSE

The auditors' remuneration for 2002, 2003 and 2004 has been borne by other companies in the United Business Media group.

### 3. EMPLOYEES AND DIRECTORS

(a) *Employee information*

The average monthly number of persons (including executive directors) employed during 2004 was nil (2003: nil; 2002: nil).

(b) *Directors' emoluments*

None of the directors received any emoluments in respect of their services during 2004 (2003: nil; 2002: nil).

### 4. INCOME FROM FIXED ASSET INVESTMENT

	<i>Year ended 31 December 2002 £'000</i>	<i>Year ended 31 December 2003 £'000</i>	<i>Year ended 31 December 2004 £'000</i>
Dividends receivable	3,000	3,000	–

### 5. INVESTMENTS

	<i>Fixed asset Investment £'000</i>
Cost at 1 January 2002	–
Acquisitions	6,700
Cost at 31 December 2002, 2003 and 2004	6,700

At 31 December 2002, 31 December 2003 and 31 December 2004 the Company owned the following fixed asset investment:

<i>Name</i>	<i>Country of incorporation and operation</i>	<i>Class of shares and % held</i>	<i>Activity</i>
Satellite Information Services (Holdings) Limited	Great Britain	20% of ordinary shares of £1 each	News Distribution

### 6. DIVIDENDS

In the year ended 31 December 2004, the directors have approved and paid a final dividend of £6,000,000 (2003: nil; 2002: nil)

### 7. DEBTORS

	<i>Year ended 31 December 2002 £'000</i>	<i>Year ended 31 December 2003 £'000</i>	<i>Year ended 31 December 2004 £'000</i>
<b>Amounts falling due within one year</b>			
Amounts owed by undertakings in which the company has a participating interest	3,000	6,000	–

The above amounts are unsecured, interest free and repayable on demand.

## 8. CALLED UP SHARE CAPITAL

	<i>Year ended 31 December 2002 £'000</i>	<i>Year ended 31 December 2003 £'000</i>	<i>Year ended 31 December 2004 £'000</i>
<b>Authorised</b>			
6,700,000 (2003: 6,700,000; 2002: 6,700,000) Ordinary shares of £1 each	6,700	6,700	6,700
<b>Allotted, called up and fully paid</b>			
6,700,000 (2003: 6,700,000; 2002: 6,700,000) Ordinary shares of £1 each	6,700	6,700	6,700

During the year ended 31 December 2002, 6,699,999 £1 ordinary shares were issued as consideration for the acquisition of 20 per cent. of the share capital of Satellite Information Services (Holdings) Limited.

## 9. PROFIT AND LOSS ACCOUNT

	<i>Year ended 31 December 2002 £'000</i>	<i>Year ended 31 December 2003 £'000</i>	<i>Year ended 31 December 2004 £'000</i>
At 1 January	–	3,000	6,000
Profit/(loss) for the year	3,000	3,000	(6,000)
At 31 December	3,000	6,000	–

## 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	<i>Year ended 31 December 2002 £'000</i>	<i>Year ended 31 December 2003 £'000</i>	<i>Year ended 31 December 2004 £'000</i>
Opening shareholder's funds	–	9,700	12,700
Issue of share capital	6,700	–	–
Profit/(loss) for the year	3,000	3,000	(6,000)
Closing shareholder's funds	9,700	12,700	6,700

## 11. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Vavasseur International BV, which is registered in the Netherlands.

The ultimate parent undertaking is United Business Media plc, which is registered in Great Britain. United Business Media plc is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Yours faithfully

**Nexia Audit Limited**  
*Chartered Accountants*

No 1 Riding House Street  
London W1A 3AS

## PART VII

### PRO FORMA UNAUDITED NET ASSET STATEMENT

The pro forma unaudited financial information set out below has been prepared to illustrate the effect of the proposed Placing and acquisition of Alternatport Limited on the net assets of Catalyst Media Group plc as if they had taken place at 30 April 2005, using the results of Alternatport Limited at 31 December 2004.

The pro forma unaudited financial information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of Catalyst Media Group plc.

	<i>Catalyst Media Group plc Unaudited 30 April 2005 £'000</i>	<i>Alternatport Limited Audited 31 December 2004 £'000</i>	<i>Placing and Fundraising £'000</i>	<i>Acquisition £'000</i>	<i>Unaudited Enlarged Group £'000</i>
<b>Fixed Assets</b>					
Intangible assets (including goodwill)	4,984	–	–	16,300	21,284
Tangible fixed assets	260	–	–	–	260
Investments	–	6,700	–	–	6,700
	<u>5,244</u>	<u>6,700</u>	<u>–</u>	<u>16,300</u>	<u>28,244</u>
<b>Current Assets</b>					
Debtors – due within one year	2,103	–	–	–	2,103
Cash at bank and in hand	7	–	26,550	(23,000)	3,557
	<u>2,110</u>	<u>–</u>	<u>26,550</u>	<u>(23,000)</u>	<u>5,660</u>
<b>Creditors:</b> amounts falling due within one year	(6,485)	–	–	–	(6,485)
<b>Net current (liabilities)/assets</b>	<u>(4,375)</u>	<u>–</u>	<u>26,550</u>	<u>(23,000)</u>	<u>(825)</u>
<b>Total assets less current liabilities</b>	869	6,700	26,550	(6,700)	27,419
<b>Creditors:</b> amounts falling due after more than one year	(879)	–	(11,750)	–	(12,629)
<b>Net (liabilities)/assets</b>	<u>(10)</u>	<u>6,700</u>	<u>14,800</u>	<u>(6,700)</u>	<u>14,790</u>

#### Notes

- (i) No account has been taken of trading by Catalyst Media Group plc since 30 April 2005 and Alternatport Limited since 31 December 2004.
- (ii) The adjustments include:
- Recognition of the receipts from the Placing estimated at £17.0 million (less £2.2 million of issue costs)
  - Recognition of the loan finance totalling £11.75 million
  - Recognition of goodwill at a cost of £16.3 million
  - Recognition of the payment of £23 million in cash for the acquisition of Alternatport Limited
- (iii) No part of the loan finance is repayable within 12 months

## PART VIII

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated on 20 March 2000 in England and Wales under the Act as a public company limited by shares with registered number 3955206 and the name New Name Needed PLC. On 3 April 2000 the Registrar of Companies in England and Wales issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act. On 5 April 2000 the name of the Company was changed to Newsplayer Group plc and on 24 May 2004 was changed to Catalyst Media Group plc.
- 1.2 The Company's main activity is the holding of and exploitation of rights and/or licenses to cultural and historical video content and marketing them globally using interactive technology. Upon completion of the Acquisition, Alternateport will become a subsidiary of Catalyst Media Holdings.
- 1.3 The principal legislation under which the Company operates is the Act and regulations made thereunder.
- 1.4 The Company's registered office is 12 Gough Square, London, EC4A 3DW and its principal place of business is 5th Floor, Portland House, 4 Great Portland Street, London, W1W 8QJ.
- 1.5 The liability of the members of the Company is limited.

#### 2. Share capital

- 2.1 The Company's authorised share capital is £2,000,000 divided into 200,000,000 Ordinary Shares. The Company's issued share capital is £1,904,305.97 divided into 190,430,597 Ordinary Shares.
- 2.2 Pursuant to resolutions passed on 27 February 2004:
  - 2.2.1 the Directors were authorised for the purposes of section 80 of the Act to allot relevant securities in the capital of the Company up to an aggregate nominal value of £784,125.57, such authority to expire on the fifth anniversary of the passing of the resolution; and
  - 2.2.2 the Directors were empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority referred to in sub-paragraph 2.2.1 above as if section 89(1) of the Act did not apply to any such allotment provided that such power is limited to:
    - (i) the allotment of equity securities up to an aggregate nominal amount of £107,143 pursuant to a Placing (as defined in the circular to shareholders dated 4 February 2004);
    - (ii) the allotment of equity securities for cash in connection with a rights issue or any other pre-emptive offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective number of Ordinary Shares held by them subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or any legal or practicable problems under the laws of, or the requirements of, any regulatory body or any recognised stock exchange in any territory; and
    - (iii) the allotment (other than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to a maximum aggregate nominal amount of £614,482.71,

and such power shall expire on the fifth anniversary of the date of the passing of the resolution unless renewed or extended prior to such time, except that the Company may, before such expiry,

make an offer or an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired, this authority to replace any existing like authority which was thereby revoked with effect from the passing of the resolution provided that this resolution shall not affect the right of the Directors to allot equity securities in pursuance of any offer or agreement entered into prior to the date of the resolution.

2.3 At the Extraordinary General Meeting, special resolutions will be proposed such that, conditional upon Admission (in the case of resolution 1):

2.3.1 the authorised share capital of the Company be increased by £7,500,000 from £2,000,000 to £9,500,000 by the creation of 750,000,000 additional Ordinary Shares;

2.3.2 the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act):

- (i) up to an aggregate nominal value of £4,250,000 pursuant to the Placing;
- (ii) up to an aggregate nominal value of £180,000 pursuant to the Reef Warrant Instrument; and
- (iii) (other than pursuant to sub-paragraphs (i) and (ii) above), up to an aggregate nominal value of £2,059,796,

provided that the authority shall expire on the fifth anniversary of the date of the passing of the resolution unless and to the extent that such authority is renewed or extended prior to such date and except that the Company may, before such expiry, make an offer or an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by the resolution had not expired, this authority to replace any existing authority which will be revoked with immediate effect provided that the resolution shall not affect the right of the Directors to allot relevant securities in pursuance of any offer or agreement entered into prior to the date thereof;

2.3.3 the Directors be empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by the resolution referred to in paragraph 2.3.2 above as if section 89(1) of the Act did not apply to any such allotment PROVIDED that the power shall be limited to:

- (i) the allotment of equity securities up to an aggregate nominal amount of £4,250,000 pursuant to the Placing;
- (ii) the allotment of equity securities up to an aggregate nominal amount of £180,000 pursuant to the Reef Warrant Instrument;
- (iii) the allotment of equity securities for cash in connection with a rights issue or any other preemptive offer in favour of holders of Ordinary Shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or any legal or practical problems under the laws of, or the requirements of, any regulatory body or any recognised stock exchange in any territory; and
- (iv) the allotment (other than pursuant to sub-paragraphs (i) to (iii) above) of equity securities up to a maximum aggregate nominal amount of £624,181,

and shall expire on the fifth anniversary of the date of the passing of the resolution unless renewed or extended prior to such time, except that the Company may, before such expiry, make an offer or an agreement which would or might require equity securities to be allotted after such expiry

and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred by the resolution had not expired, the authority to replace any existing authority which will be revoked with immediate effect provided that the resolution shall not affect the right of the Directors to allot equity securities in pursuance of any offer or agreement entered into prior to the date thereof;

2.3.4 the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal value of £575,628 pursuant to the settlement agreement referred to in paragraph 8.1.11 of this Part VIII provided that the authority shall expire on the fifth anniversary of the date of the passing of the resolution unless and to the extent that such authority is renewed or extended prior to such date and the Directors may allot relevant securities in pursuance of such settlement agreement as if the authority conferred by the resolution had not expired; and

2.3.5 the Directors be empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by the resolution referred to in paragraph 2.3.4 above as if section 89(1) of the Act did not apply to any such allotment PROVIDED that the power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £575,628 pursuant to the said settlement agreement and shall expire on the fifth anniversary of the date of the passing of the resolution unless renewed or extended prior to such time and the Directors may allot equity securities in pursuance of such settlement agreement as if the authority conferred by the resolution had not expired.

2.4 The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash other than by way of allotment to employees under any employee share scheme as defined in section 743 of the Act) would apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 2.3 above. This disapplication will give the Directors limited flexibility to issue shares for cash following Completion. Subject to certain limited exceptions, unless the approval of shareholders in general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to existing ordinary shareholders on a pro-rata basis. Other than the issue of the New Ordinary Shares, and save for the Ordinary Shares reserved to satisfy existing options granted under the Share Option Plan and the EMI Scheme, the warrants referred to in paragraphs 2.5, 2.6 and 2.7 below, the conversion rights under the Loan Note Instrument, the issue of Ordinary Shares to David Paradine Productions Limited referred to in paragraph 5.1.1, the issue of Ordinary Shares pursuant to the agreement referred to in paragraph 8.1.11 of this Part VIII and the potential issue of new Ordinary Shares referred to in paragraph 11.1 of this Part VIII, no such issue is presently in contemplation.

2.5 Pursuant to the terms of the Investec Warrant Instrument, the Company issued to Investec Bank (UK) Limited (“Investec”) a single series of 429,800 warrants, each of which entitle Investec to subscribe for one Ordinary Share at any time prior to the date which falls 28 days after the publication of the final results of the Company for the year ending 31 October 2005 (the “Expiry Date”). The subscription price for the warrants is 46.45p (subject to adjustment). If not exercised by the Expiry Date any warrants outstanding at that date will lapse.

Ordinary Shares allotted pursuant to the exercise of the warrants will not rank for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to a date on which Investec exercises any warrants but subject thereto, will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise will rank *pari passu* in all respects with the Ordinary Shares in issue on the date of exercise.

The subscription rights may not be exercised in respect of fewer than 25,000 warrants on any one occasion.

2.6 Pursuant to the terms of the Reef Warrant Instrument, the Company issued to Reef a single series of 18,000,000 warrants, each of which entitle Reef to subscribe for one Ordinary Share at any time prior

to 26 May 2010. The subscription price for the warrants is 2.5p (subject to adjustment). If not exercised by 26 May 2010, any warrants outstanding at that date will lapse.

Ordinary Shares allotted pursuant to the exercise of the warrants will not rank for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to a date on which Reef exercises any warrants but subject thereto, will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise will rank *pari passu* in all respects with the Ordinary Shares in issue on the date of exercise.

The subscription rights may not be exercised in respect of a sum of less than £10,000 on any one occasion.

- 2.7 Pursuant to the terms of the Strand Warrant, the Company has agreed to issue to Strand Associates Limited, conditional on Admission, warrants to subscribe for such number of Ordinary Shares as equals 1 per cent. of the entire issued share capital of the Company following such issue, at a price of 4p per share (subject to adjustment). The warrants are exercisable at any time on or prior to the fifth anniversary of Admission. If not exercised by such date any warrants outstanding at that date will lapse.

Ordinary Shares allotted pursuant to the exercise of warrants will not rank for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to a date on which Strand Associates Limited exercises any warrants but subject thereto, will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise rank *pari passu* in all respects with the Ordinary Shares in issue on the date of exercise.

- 2.8 Pursuant to the Loan Note Instrument the Company created £160,000 6 per cent. convertible secured loan notes 2006. All of the Notes were issued to Michael Rosenberg, Sir David Frost and A and B Pension Trustees Limited as trustees of the David Frost Retirement Benefit Scheme on 20 February 2003.

Unless previously repaid or converted, the Notes shall be redeemed at par by the Company on 20 February 2006. The Company has the right to prepay all or part of the Notes at par (together with unpaid accrued interest) at any time on written notice to the Noteholders.

Any Noteholder may convert all or any of the Notes (in multiples of £10,000) into fully paid Ordinary Shares at any time after the date of issue. The rate of conversion (subject to certain adjustments as set out in the Instrument) will be 20p nominal amount of Ordinary Shares for every £1 nominal of the Notes converted.

- 2.9 Save as disclosed in this paragraph 2 and in paragraphs 5.1, 6 and 7 of this Part VIII no share capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.
- 2.10 Otherwise than pursuant to the Placing, none of the Existing Ordinary Shares or the Placing Shares have been sold or are available in whole or in part to the public in conjunction with the application for Admission.
- 2.11 The amount payable on application and allotment of each Placing Share is 4p of which 3p is payable by way of a premium.

### **3. Subsidiaries**

- 3.1 The Company is a member of a group of which it is the holding company.
- 3.2 Upon Admission, the Company will be the direct or indirect holding company of the following subsidiary undertakings:

<i>Name</i>	<i>Country of Incorporation</i>	<i>Percentage of Share Capital held</i>	<i>Entity holding Shares</i>
Newsplayer Limited	England and Wales	100	Newsplayer Group Limited
Newsplayer Group Limited	England and Wales	100	the Company
Newsplayer International Limited	Guernsey	100	the Company
Catalyst Media Services Limited	England and Wales	100	Newsplayer Group Limited
Newsplayer Group Inc*	United States of America	100	the Company
Media Services Acquisition Corporation (trading as Global Media Services Inc)	United States of America	100	the Company
Cross Media Entertainment LLC	United States of America	100	Media Services Acquisition Corporation
Catalyst Media Holdings BV	Netherlands	100	the Company
Catalyst Media Holdings	England and Wales	80	the Company
Alternateport Limited	England and Wales	100	Catalyst Media Holdings
Stable Technology Investments Limited	England and Wales	100	the Company

\*The Company has entered into two stock pledge agreements over 15 per cent. and 85 per cent. respectively of the issued share capital of Newsplayer Group Inc.

- 3.3 In addition, following Completion, the Company will have an indirect interest in the following undertaking:

<i>Name</i>	<i>Country of Incorporation</i>	<i>Percentage of Share Capital held</i>	<i>Entity holding Shares</i>
Satellite Information Services (Holdings) Limited	England and Wales	20	Alternateport Limited

#### **4. Memorandum and Articles of Association**

- 4.1 The principal objects of the Company, which are set out in clause 4 of its Memorandum of Association, are to act as a general commercial company and to purchase, acquire and take options over any property whatever and any rights or privileges over or in respect of any property.
- 4.2 The articles of association of the Company (the "Articles") contain, *inter alia*, provisions to the following effect:

##### *4.2.1 Voting rights*

Subject to paragraph 4.2.6 below, and to any special terms as to voting upon which any shares may for the time being be held, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by its duly authorised representative shall have one vote and on a poll every member present in person or by representative, not being himself entitled to vote, or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

##### *4.2.2 Variation of rights*

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting where the quorum shall be one), the quorum shall be not less than two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class.

#### *4.2.3 Alteration of capital*

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account in any way.

Subject to and in accordance with the provisions of the Act and to any rights for the time being attached to any share, the Company may purchase its own shares of any class (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

#### *4.2.4 Transfer of shares*

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be acceptable to the Directors and permitted by the Act and the London Stock Exchange and any such transfer shall be registered within 14 days of receipt of the same by the Company; and (2) in the case of uncertificated shares, through CREST in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. The transferor shall remain the holder of the share concerned until the name of the transferee is entered in the register of members of the Company. The Directors may in their absolute discretion refuse to register a transfer of any share (or renunciation of a renounceable letter of allotment) which is not fully paid or on which the Company has a lien, provided that dealings in the shares are not prevented from taking place on an open and proper basis. The Directors may also refuse to register the transfer of a share which is in favour of more than four transferees, or which is in respect of more than one class of share or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. If the Directors refuse to register a transfer, they shall within two months of the date on which the instrument of transfer was lodged with the Company, send to the transferee notice of the refusal. The registration of transfers of shares or of any class of shares may be suspended (in accordance with the Act) and the register of members closed at such times and for such periods as the Directors may determine provided that it shall not be closed for more than thirty days in any year. No fee shall be payable to the Company for the registration of any transfer or any other document relating to or affecting the title to any share. Subject to paragraph 4.2.6 below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

#### *4.2.5 Dividends*

- (i) The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits available for distribution and no dividend shall exceed the amount recommended by the Directors.
- (ii) Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph 4.2.6 below, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

- (iii) The Company may by ordinary resolution, upon the recommendation of the Directors, direct payment or satisfaction of such dividend wholly or partly out of specific assets and, in particular, of fully paid up shares or debentures of any other company. Any difficulty with such a distribution may be settled by the Directors as they think expedient.
- (iv) The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the distributable profits of the Company and the position of the Company, subject to the provisions of the Act. The Directors may also pay a fixed dividend payable on any shares with preferential rights half-yearly or otherwise on fixed dates if profits, in the Directors' opinion, justify such a course. The Directors shall not incur any liability to the holders of shares conferring any preferential rights for any loss that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights provided that they act in good faith.
- (v) The Company may deduct from any dividend payable all sums of money (if any) due to the Company by the member and use such monies to satisfy such amount payable.
- (vi) All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company. All dividends unclaimed for a period of 12 months shall be invested by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof.
- (vii) There is no fixed date on which an entitlement to dividend arises.
- (viii) The Board may, if authorised by an ordinary resolution of the Company and subject to such terms and conditions as the Board may determine, offer any holders of ordinary shares the right to elect to receive additional ordinary shares, credited as fully paid, in lieu of cash in respect of any dividend or any part of any dividend specified by the ordinary resolution.

#### 4.2.6 *Suspension of rights*

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 212 of the Act and is in default of supplying to the Company within 28 days (or such other period as may be specified in such notice) the information thereby required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arm's length sale.

#### 4.2.7 *Return of capital*

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of ordinary shares are entitled to share in any surplus assets *pro rata* to the amount paid up on their ordinary shares. A liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members. No member shall be compelled to accept any assets on which there is a liability.

#### 4.2.8 *Pre-emption rights*

There are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing

shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

#### 4.2.9 Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets both present and future (including uncalled capital) and, subject to section 80 of the Act, to issue debentures, loan stock or any other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the Company or any of its subsidiaries from such companies) shall not at any time without the previous sanction of the shareholders in general meeting exceed the higher of £15 million or a sum equivalent to three times the aggregate of the amount paid up or credited as paid up on the allotted or issued share capital of the Company and the amounts standing to the credit of the capital and revenue reserves of the Company including any share premium account, capital redemption reserve, revaluation reserve and credit balance on profit and loss account of the Company and each of its subsidiary companies.

## 5. Interests of Directors

- 5.1 The interests (all of which are beneficial) of the Directors, the Proposed Director and their immediate families and of persons connected with them, within the meaning of section 346 of the Act, in the share capital of the Company as at the date of this document (which have been notified to the Company pursuant to section 324 or 328 of the Act and are required to be entered in the register of directors' interests maintained under the provisions of section 325 of the Act or could, with reasonable diligence, be ascertained by the Directors and the Proposed Director) and as they are expected to be immediately before and following Admission are as follows:

#### 5.1.1 Interests in Ordinary Shares

<i>Name</i>	<i>Number of Ordinary Shares before Admission</i>	<i>Number of Ordinary Shares after Admission</i>	<i>Percentage of Enlarged Share Capital</i>
D.K. Holdgate	1,760,714	1,760,714	0.28
P.J. Duffen	8,488,703	8,488,703	1.36
B.J. Llewellyn	8,488,703	8,488,703	1.36
Sir D.P. Frost*	3,333,333	3,333,333	0.53
M.S. Rosenberg**	20,000	20,000	0.01
A.M. Goodsell	—	—	—

\* If the Loan Note Instrument referred to in paragraph 2.8 is converted in full Sir David Frost will be interested in a further 3,200,000 Ordinary Shares.

Under the existing agreement between the Company and David Paradine Productions Limited ("DPP"), a company associated with Sir David Frost, there are outstanding unpaid royalties owing to DPP of £350,000. It has been verbally agreed with DPP that £100,000 of these fees will be satisfied by the issue of new Ordinary Shares at 4p and a further £100,000 by the issue of new Ordinary Shares at 18p. These new Ordinary Shares are expected to be issued in September 2005 following Completion.

\*\* These Ordinary Shares are held by the trustees of the Eastkings Retirement Benefit Scheme of which Michael Rosenberg is the principal beneficiary.

### 5.1.2 Interests in Share Options

<i>Share Option Plan</i>			<i>Date</i>		
	<i>Number of options</i>	<i>Grant date</i>	<i>Exercise price</i>	<i>from which exercisable</i>	<i>Expiry date</i>
Paul Duffen	2,000,000	8 July 2003	4.25p	8 July 2006	8 July 2013
	1,000,000	5 March 2004	20p	5 March 2007	5 March 2014
Barry Llewellyn	1,000,000	8 July 2003	4.25p	8 July 2006	8 July 2013
	500,000	8 July 2003	4.25p	8 July 2006	8 July 2013
David Holdgate	500,000	5 March 2004	20p	5 March 2007	5 March 2014
	2,000,000	8 July 2003	4.25p	8 July 2006	8 July 2013
Sir David Frost	1,248,361	4 August 2005	4p	4 August 2008	4 August 2013
	500,000	20 May 2004	20p	20 May 2007	20 May 2014
Michael Rosenberg	2,496,722	4 August 2005	4p	4 August 2008	4 August 2013

  

<i>EMI Scheme</i>			<i>Date</i>		
	<i>Number of options</i>	<i>Grant date</i>	<i>Exercise price</i>	<i>from which exercisable</i>	<i>Expiry date</i>
Paul Duffen	15,604,515	4 August 2005	4p	4 August 2008	4 August 2013
Barry Llewellyn	1,560,451	4 August 2005	4p	4 August 2008	4 August 2013
Anna Goodsell	3,120,903	4 August 2005	4p	4 August 2008	4 August 2013

For the above options to vest, certain performance conditions have to be satisfied. For Paul Duffen 20 per cent. of the share options vest immediately, 20 per cent. vest when the Company's share price reaches 6p, 20 per cent. vest when the share price reaches 8p, 20 per cent. vest when the share price reaches 10p and the final 20 per cent. vest when the share price reaches 15p. In respect of the options granted to Barry Llewellyn and Anna Goodsell and those granted to Sir David Frost and Michael Rosenberg on 4 August 2005, 25 per cent. of the share options vest immediately, 25 per cent. vest when the Company's share price reaches 6p, 25 per cent. vest when the share price reaches 8p and the final 25 per cent. vest when the share price reaches 10p. For the options to vest, the average mid-market closing price must exceed the relevant share price for at least one month prior to vesting.

Save as disclosed in this paragraph 5.1, no Director nor the Proposed Director nor any member of their respective immediate families, nor any person connected with them within the meaning of section 346 of the Act, is interested in any share capital of the Company.

- 5.2 No loan or guarantee has been granted or provided by the Company to any Director or any person connected with them.
- 5.3 The Directors whose names appear in the section entitled "Board" in Part I of this document, have been appointed to the offices set out against their respective names. Their service contracts and letters of appointment are summarised below:
- 5.3.1 Paul Duffen has entered into a service agreement with the Company dated 23 May 2000 which is subject to termination upon 12 months' notice by either party. The agreement provides for an annual salary of £150,000 plus a £9,000 annual car allowance, membership of a private medical scheme, permanent health insurance and life assurance cover.
- 5.3.2 Barry Llewellyn has entered into a service agreement with the Company dated 23 May 2000 which is subject to termination upon 12 months' notice by either party. The agreement provides for an annual salary of £120,000 plus a £9,000 annual car allowance, membership of a private medical scheme, permanent health insurance and life assurance cover.
- 5.3.3 The services of David Holdgate as non-executive Chairman are provided under the terms of an agreement with the Company dated 23 May 2000 subject to termination upon at least three months' notice, at a fee of £50,000 per annum. On Completion, this agreement will terminate without payment or compensation to David Holdgate.

- 5.3.4 The services of Sir David Frost, as a non-executive director of the Company, are provided under the terms of an agreement with the Company dated 15 January 2001 pursuant to which remuneration of £12,500 per annum is payable. The annual remuneration will increase to £25,000 if Completion occurs.
- 5.3.5 The services of Michael Rosenberg, as a non-executive director of the Company, are provided under the terms of a letter agreement between Eastkings Limited, a company in which Mr Rosenberg is a shareholder and a director, and the Company dated 24 June 2004 pursuant to which remuneration of £12,500 per annum is payable. The annual remuneration will increase to £40,000 if Completion occurs.
- 5.3.6 Anna Goodsell has entered into a service agreement with the Company dated 27 July 2005 which is subject to termination upon three months notice by either party. The agreement provides for an annual remuneration of £75,000.
- 5.4 Save as disclosed in paragraph 5.3, there are no service agreements or letters of appointment in existence between any of the Directors and any member of the Enlarged Group which cannot be determined by the member of the Enlarged Group without payment of compensation (other than statutory compensation) within one year.
- 5.5 The aggregate remuneration paid and benefits in kind granted to the directors of the Company for the year ended 31 October 2004 was £785,853 and it is estimated that the aggregate emoluments (including benefits in kind and pension contributions) of the Board for the 17 month period ending 31 March 2006, assuming Admission, will amount to approximately £619,495 under the arrangements that will come into effect at Completion.
- 5.6 Save as disclosed in this document, none of the Directors has or has had any interest in any transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.
- 5.7 The Company is aware of the following persons who directly or indirectly, jointly or severally, hold 3 per cent. or more of the ordinary share capital of the Company as at the date of this document or exercise or could exercise control over the Company:

<i>Name</i>	<i>Number of Ordinary Shares before Admission</i>	<i>Number of Ordinary Shares after Admission</i>	<i>Percentage of Enlarged Share Capital</i>
Marshall Wace LLP	–	150,000,000	24.03
Gartmore Investment Management PLC	21,662,119	83,412,119	13.36
Williams de Broë plc	20,388,770	32,488,770	5.21
Adam Cohen	15,130,419	15,130,419	2.42
Champ Car World Series LLC	14,678,968	14,678,968	2.35
Jennifer Sultan	14,537,070	14,537,070	2.33
Barclays Personal Investment Management	10,273,560	10,273,560	1.65
Reef Securities Limited	7,724,422*	7,724,422	1.24
Charles Stanley	6,534,752	6,534,752	1.05

\* Under the terms of the Reef Warrant Instrument, Reef can acquire a further 18,000,000 Ordinary Shares at any time up to 26 May 2010

Save as disclosed above, the Company is not aware of any person, other than a Director, who, immediately following Admission, will, directly or indirectly, be interested in 3 per cent. or more of the share capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

- 5.8 The directorships held by each of the Directors over the five years preceding the date of this document, other than in the Company, and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

**David Kenneth Holdgate**

<i>Current Directorships</i>	<i>Former Directorships</i>	<i>Partnerships</i>
Intercontinental Racing Limited Satellite Information Services Limited Satellite Sports Services Limited Satellite Racing Services Limited Frontrelay Limited Satellite Information Services (Holdings) Limited Spacebit Limited Sister Networks Plc	None	None

**Paul Jeremy Duffen**

<i>Current Directorships</i>	<i>Former Directorships</i>	<i>Partnerships</i>
Catalyst Media Services Limited Newsplayer Limited Rockpace Limited Newsplayer Group Limited VideoTV plc Equinox Special Projects Limited	Penbranch Limited Chalfont Contractors Limited (dissolved)	None

**Barry John Llewellyn**

<i>Current Directorships</i>	<i>Former Directorships</i>	<i>Partnerships</i>
Newsplayer Limited Catalyst Media Services Limited VideoTV Plc Blink TV Limited Rockpace Limited Hethersett Management Company Limited Blewstone Limited	Equinox Special Projects Limited (in Liquidation) Penbranch Limited	None

**Anna Marie Goodsell**

<i>Current Directorships</i>	<i>Former Directorships</i>	<i>Partnerships</i>
None	None	None

**Sir David Paradine Frost, OBE**

<i>Current Directorships</i>	<i>Former Directorships</i>	<i>Partnerships</i>
David Paradine Limited Paradine Documentaries Limited David Paradine Productions Limited David Frost Enterprises Limited Glebe Music Company Limited Discovery Productions Limited Paradine Co-productions Limited Tele-Circuit Limited Paradine Castle Communications Limited Rogue Trader Productions Limited Magnet Films Limited	Charterhouse Paradine Limited (dissolved) Demob Limited (dissolved) David Paradine Films Limited (dissolved) David Paradine Plays Limited (dissolved) Hotcourses Limited	None

## **Michael Samuel Rosenberg, OBE**

<i>Current Directorships</i>	<i>Former Directorships</i>	<i>Partnerships</i>
B. Rosenberg Limited (in liquidation)	Charterhouse Paradine Limited (dissolved)	None
BR Light Technologies Limited	David Paradine Films Limited (dissolved)	
D.F. (Overseas) Limited	David Paradine Plays Limited (dissolved)	
David Frost Enterprises Limited	E-Daily Limited (in liquidation)	
David Paradine Limited	Kioskpoint Limited (dissolved)	
David Paradine Productions Limited	Asia Healthcare Trust plc (dissolved)	
Discovery Productions Limited	Totally Communications Limited	
Dori Media Group Ltd (Israel)	Infection Management Limited	
Eastkings Limited		
Gibbsfield Limited		
Glebe Music Company Limited		
Kenningdale Limited		
Montrose Securities Limited		
Montrose Ventures Limited		
Paradine Castle Communications Limited		
Paradine Co-Productions Limited		
Paradine Documentaries Limited		
Pilat Media Global Plc		
SRK Ventures Limited (HK)		
Talsarn Investments Limited		
Tele-Circuit Limited		
The Rosenberg Group Plc		
Umedco (Far East) Limited (HK)		
Wired Sussex Limited		
Magnet Films Limited		
Guardwood Limited		
City Display Solutions Limited		
Cavendish AIM Fund VCT PLC		

5.9 No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made or (other than as set out in paragraph 5.10 below) been the subject of any individual voluntary arrangement.

5.10 Sutton Fans Limited, a supplier of heating and ventilation systems and of which Paul Duffen was a director and shareholder, was placed in creditors' voluntary liquidation on 29 January 1992. At the time the estimated total deficit as regards creditors was approximately £470,000. The liquidation was completed on 25 August 1995.

In early 1993, Paul Duffen entered into an individual voluntary arrangement following the entering into liquidation of Sutton Fans Limited. Mr Duffen had personally guaranteed the overdraft of Sutton Fans Limited which was called by the bank when Sutton Fans Limited entered into liquidation. The deficit to creditors following conclusion of the individual voluntary arrangement in May 1996 was approximately £465,000.

In March 1995, Italian Plumbing Limited, a joint venture between Paul Duffen and Frabo SPA, was placed into creditors voluntary liquidation whilst Paul Duffen was a director. The deficit to creditors was approximately £470,000 of which £407,000 was owed to Frabo SPA and £18,000 to Paul Duffen. The balance of the deficit was owed to a limited number of creditors, principally utility companies.

Barry Llewellyn and Paul Duffen were directors and shareholders in Equinox Special Projects Limited which was placed into creditors' voluntary liquidation on 12 February 2003 with an estimated surplus to creditors of £1,100,000. They each resigned as directors on 27 November 2002 and 26 September 2002 respectively.

Michael Rosenberg is a director of B. Rosenberg Limited which was placed into administration on 9 February 2004. He resigned as a director of Kioskpoint Limited on 10 December 2003, which company was subsequently placed into administration on 3 March 2004.

Michael Rosenberg was also a director of Scintronix Limited which was placed into receivership in Scotland on 11 May 1988 and subsequently dissolved on 21 June 1996 and of Pilotglow Limited which was placed into administrative receivership on 23 December 1987, into compulsory liquidation on 15 June 1988 and subsequently dissolved on 18 June 2002.

Michael Rosenberg resigned as a director of E-Daily Limited on 15 March 2004 which company was subsequently placed into creditors compulsory liquidation on 17 November 2004 following the issue of a winding up petition by a creditor on 16 September 2004.

- 5.11 Save as disclosed in paragraph 5.10 above, none of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors and none of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of any compulsory liquidation, administration or partnership voluntary arrangement or has been a director or partner of a company or partnership any of whose assets have been the subject of a receivership at the time of or within twelve months preceding the date of the receivership of any asset of such directorship or partnership.
- 5.12 None of the Directors has been criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 6. Share Option Plan

The Company adopted the Share Option Plan on 22 May 2000, the principal provisions of which are summarised below. The Share Option Plan allows for the grant of unapproved options. In addition to the options referred to in paragraph 5.1.2 above, the following options are outstanding under the Share Option Plan:

<i>Number of Options</i>	<i>Grant Date</i>	<i>Exercise Price</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>
500,000	8 July 2003	4.25p	8 July 2006	8 July 2013
500,000	1 September 2003	6.50p	11 March 2005	11 March 2006*
600,000	5 September 2003	8.50p	5 September 2006	5 September 2013
1,628,000	5 March 2004	20.00p	5 March 2007	5 March 2014

\*Subject to the passing of resolution 4 at the Annual General Meeting of the Company convened for 10.00 a.m. on 30 August 2005.

### 6.1 Introduction

The Share Option Plan was adopted on 22 May 2000.

### 6.2 Administration

The Remuneration Committee of the Company (the "Committee") is responsible for administering the Share Option Plan.

### 6.3 Eligibility and grant of options

The Committee may grant options to acquire Ordinary Shares from the Company to any employees and directors of the Company or its subsidiaries who are required to devote not less than 25 hours per week to their duties. Options are granted free of charge and are non-transferable. No option will be granted to any person within two years of the age at which they would normally retire in accordance with the terms of their contract of employment.

#### *6.4 Period for the grant of options*

The options may be granted within 42 days following the date of adoption of the Share Option Plan. Thereafter, options may be granted within 42 days following the announcement of the Company's interim and/or final results for any period. In exceptional circumstances, options may be granted at other times.

#### *6.5 Exercise Price*

The exercise price for Ordinary Shares is determined by the Committee but shall not be less than the market value at the date of grant, or its nominal value, if higher.

#### *6.6 Performance test*

The Committee may impose an objective condition (the "Performance Test") on the exercise of options, requiring a sustained and significant improvement in the financial performance of the Group and/or a Group company.

#### *6.7 Exercise and lapse of options*

An option is normally exercisable between three and ten years from the date of grant, provided any performance test has been satisfied.

Options will normally lapse on cessation of employment except in particular situations such as redundancy or where the Committee exercises its discretion in the participant's favour. Exercise may also be permitted in special circumstances such as a takeover.

In the event of a takeover, a participant may be permitted to exchange his options for options over shares in the acquiring company.

#### *6.8 Scheme limits*

In any ten year period, not more than ten per cent. of the Company's issued ordinary share capital may be issued or remain issuable in respect of rights granted after the date of adoption of the Share Option Plan, under all Group employee share schemes.

### **7. Enterprise Management Incentive Plan**

#### *Structure of the Enterprise Management Incentive Plan ("EMI")*

The EMI permits options to be granted which qualify as tax efficient enterprise management incentive options under Schedule 5 of the Income Tax (Earnings & Pensions) Act 2003. The EMI was adopted by the Board on 4 August 2005 and will be administered by the Committee. The principal provisions are summarised below.

#### *7.1 Eligibility and grant of options*

The Committee may grant options to acquire Ordinary Shares in the Company to any employee or director of the Company or its subsidiaries who are required to devote not less than 25 hours per week to their duties. The Committee will determine in their discretion which eligible employees will participate.

#### *7.2 Option Price*

Options will entitle the holder to acquire Ordinary Shares at a price per Ordinary Share (Option Price) determined at the date of grant. The Option Price will not be less than the market value of an Ordinary Share on the dealing date preceding the date of grant. Options are non-transferable.

#### *7.3 Period for the grant of options*

Options may be granted within 42 days following the date of adoption of the EMI by the Board and thereafter, options may be granted within 42 days following the announcement of the Company's

interim and/or final results for any period. In exceptional circumstances, options may be granted at other times.

#### *7.4 Exercise Price*

The exercise price for Ordinary Shares is determined by the Committee but shall not be less than the market value on the dealing day immediately preceding the date of grant or its nominal value, if higher.

#### *7.6 Performance test*

The Committee may impose an objective condition (the “Performance Test”) on the exercise of options, requiring a sustained and significant improvement in the financial performance of the Group and/or a Group company.

#### *7.7 Exercise and lapse of options*

An option is normally exercisable between three and ten years from the date of grant, provided any performance test has been satisfied.

Options will normally lapse on cessation of employment except in particular situations such as redundancy, ill-health, disability or death or where the Committee exercises its discretion in the participants favour. Exercise may also be permitted in special circumstances such as a takeover. The performance test will be measured to the date of the relevant event (other than where the employee dies) and any exercise will be subject to the performance test being satisfied over this shortened period.

In the event of a takeover, a participant may be permitted to exchange his options for options over shares in the acquiring company.

#### *7.8 EMI limits*

In any ten year period, not more than ten per cent. of the Company’s issued ordinary share capital may be issued or remain issuable in respect of rights granted after the date of adoption of the EMI, under all Group employee share schemes.

In relation to individual limits, eligible employees may only be granted qualifying options up to a maximum market value of £99,999.

#### *7.9 Variations of share capital*

On certain variations of the ordinary share capital of the Company the Committee may, subject to the approval of the Company’s auditors, adjust the exercise price and the number of Ordinary Shares comprised in subsisting options.

#### *7.10 Amendment*

The Committee may make amendments to the EMI. However, the approval of the Company in general meeting is required to amend the provisions relating to eligibility, plan limits, maximum individual participation, variations of share capital and the basis for determining a participant’s entitlement to and the terms of the Ordinary Shares comprised in an option, except that shareholder approval is not required for minor amendments to benefit the administration of the EMI or for amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for future participants or for participating companies.

#### *7.11 Termination*

The EMI will terminate ten years after it was adopted by the Company, or earlier if the Committee so determines. Termination of the EMI will not affect the subsisting rights of participants.

## 8. Material Contracts

8.1 The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group in the previous two years and are, or may be, material:

8.1.1 an agreement and plan of merger dated 8 September 2003 between (1) the Company (2) NPG Media Services, Inc (3) GMS and (4) Adam Cohen and Jennifer Sultan (“sellers”), pursuant to which NPG Media Services Inc was merged into GMS and the stock of GMS was cancelled in consideration of the allotment and issue by the Company to the sellers of 24,067,489 new Ordinary Shares credited as fully paid at closing. An aggregate of 5,600,000 Ordinary Shares were issued to the sellers on 27 May 2005 in full and final settlement of all further consideration due under this agreement. Under a settlement agreement dated 4 August 2005 these Ordinary Shares may not be disposed of prior to 31 October 2005.

The Company received the benefit of trading warranties from the sellers and non-competition covenants for a period of three years from completion. The sellers also entered into non-solicitation covenants in relation to clients and employees of GMS and the Company for a period of one year after termination of their respective employment. The Company has undertaken not to sell any of the stock of GMS to an unrelated third party without the prior written consent of the sellers for a period of 5 years from completion;

8.1.2 an agreement dated 30 January 2004 between (1) the Company and (2) Sam Domenico and John Servidio pursuant to which the Company purchased the entire issued share capital of BPI for a consideration of US\$4,712,000 satisfied by the payment of US\$463,100 in cash, the issue of loan notes with a nominal value of US\$2,124,450 and the allotment and issue by the Company of 5,806,305 Ordinary Shares credited as fully paid. The loan notes are redeemable in 36 equal monthly instalments commencing in April 2004. The Loan Notes do not bear interest.

The Company has received warranties from the vendors in relation to the trading position of BPI;

8.1.3 a letter of agreement dated 15 December 2004 between BPI, the Company and Champ Car World Series LLC (“Champ Car”) pursuant to which the Company issued 14,678,968 Ordinary Shares on 5 January 2005 to Champ Car. The issued shares had a value of £1.14 million based on the closing share price of 7.75p on 12 November 2004 (the date prior to suspension of trading in the Ordinary Shares). Champ Car undertook to satisfy certain financial obligations of BPI up to a maximum of £1.14 million incurred by BPI whilst providing television production services to Champ Car for the 2004 Champ Car World Race Series. If, on a sale of the above shares, Champ Car receives less than US\$2.2 million (after deducting any taxes, brokerage or administrative fees), Catalyst shall pay to Champ Car the amount of such shortfall. To the extent Champ Car receives more than US\$2.2 million it will pay the excess to BPI;

8.1.4 a promissory note and security agreement dated 23 May 2005 between (1) NPG Inc., and (2) Reef pursuant to which Reef lent £450,000 to NPG Inc. The loan is repayable on demand by Reef and bears interest at 5 per cent. above the base rate of Barclays Bank plc from time to time. NPG Inc., paid to Reef on the date of the agreement the sum of £11,250 which shall be applied against the first 3 months interest due under the promissory note. In addition NPG Inc., paid a non-refundable facility fee to Reef of £22,500. The Reef Securities Loan is secured over the assets of NPG Inc., and the Company and will be repaid out of the proceeds of the Placing;

8.1.5 the Reef Warrant Instrument;

8.1.6 irrevocable undertakings of various dates between 14 June 2005 and 18 July 2005 from various institutional and other shareholders in the Company holding in aggregate 122,920,001 Ordinary Shares (representing 64.67 per cent. of the Existing Ordinary Shares) undertaking to vote in favour of resolution 1 at the EGM;

8.1.7 the Strand Warrant;

8.1.8 the Placing Agreement dated 5 August 2005 between the Company (1) the Directors and the Proposed Director (2) Evolution (3) and Strand (4) pursuant to which conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 9 September 2005, or such later date as is agreed in writing between the Company and both Strand Partners and Evolution, but in any event not later than 8.00 a.m. on 16 September 2005, Evolution has agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement contains warranties from the Company and the Directors and indemnities from the Company, the Executive Directors (as defined in the Placing Agreement) and David Holdgate in favour of Strand Partners and Evolution, together with provisions which enable Strand Partners or Evolution to terminate the Placing Agreement in certain circumstances prior to Admission, including, but not limited to circumstances where any of the warranties was, when given, untrue, inaccurate or misleading in any material respect. Pursuant to the Placing Agreement, Strand Partners will receive a fee of £650,000 (£350,000 of which is to be satisfied by the issue and allotment of 8,750,000 Ordinary Shares) excluding any applicable VAT and Evolution will receive a fee of £500,000 (excluding any applicable VAT). The Company will meet all reasonable costs, charges and expenses of and incidental to, *inter alia*, the Placing. The Directors (other than David Holdgate) have entered into certain orderly market arrangements as described in Part I of this document;

8.1.9 a secured deep discounted bond deed dated 5 August 2005 constituting £10,648,000 secured deep discounted bonds 2008 and £6,039,413 secured deep discounted bonds 2010 between (1) Catalyst Media Holdings and (2) Eureka pursuant to which Eureka has conditionally agreed to subscribe £11.75 million for such bonds at Completion.

The DDB is conditional, *inter alia*, upon:

- the Acquisition Agreement having become unconditional in all respects (except for any condition relating to the DDB or the Placing Agreement having become unconditional);
- the Placing Agreement having become unconditional in all respects (other than as to Admission);
- the DDB not having been terminated by Eureka prior to Admission; and
- Admission.

The DDB is repayable as to £10,648,000 on 2 September 2008 and as to £6,039,413 on 2 September 2010 provided that Catalyst Media Holdings may repay all or any part of the bonds at any time.

The DDB contains covenants in favour of Eureka and certain events of default and will be secured by a debenture granted by Catalyst Media Holdings and a debenture and guarantee from Alternateport;

The bonds are freely transferable in minimum amounts of £100,000.

8.1.10 an investment and shareholders' agreement dated 5 August 2005 between (1) Catalyst (2) Eureka and (3) Catalyst Media Holdings pursuant to which the relationship between Catalyst and Eureka as shareholders in Catalyst Media Holdings will be regulated.

Under the terms of the Shareholders' Agreement, Catalyst will subscribe £11.25 million for A shares in Catalyst Media Holdings to provide finance for the Acquisition. The A shares will represent 80 per cent. of the issued share capital of Catalyst Media Holdings. Eureka will subscribe £20 for B Shares in Catalyst Media Holdings which will represent 20 per cent. of the issued share capital of Catalyst Media Holdings.

Under the terms of the Shareholders' Agreement, if the aggregate amount of all dividends declared or paid by SIS during the period of 18 months from Completion is (a) less than £50 million then Catalyst shall have the option to place Catalyst Media Holdings in funds so as to

enable it to repay all outstanding amounts under the DDB, or (b) is £50 million or more but amounts are still outstanding pursuant to the DDB on the fifth anniversary of Completion, then Eureka may require that Catalyst place Catalyst Media Holdings in funds so as to enable it to repay all outstanding amounts under the DDB. Catalyst also has the right, at any time, to buy out Eureka's shares in Catalyst Media Holdings for a sum which is the higher of 5.5 times SIS's EBITDA minus debt plus cash or £4.6 million.

If Catalyst fails to provide the funding referred to above or does not exercise its buy-out option within five years and three months of Completion, then Eureka shall be entitled to market for sale either of Alternatport or Alternatport's shares in SIS.

Eureka and Catalyst each have the right to appoint up to two directors to the board of Catalyst Media Holdings and to appoint one person each to the board of SIS. If at any time Alternatport only has a right to appoint one director to the board of SIS then Eureka has the right to nominate such person.

All decisions of the board of Catalyst Media Holdings are to be unanimous. If any matters proposed by the SIS board may, in the reasonable opinion of Eureka, have a material adverse effect on and is likely to lead to a material diminution in the value of SIS and/or adversely affect to a material extent the ability of Catalyst Media Holdings to service its repayment obligations under the DDB, then Eureka shall have the right to direct how the SIS director nominated by Catalyst shall vote.

Under the articles of association of Catalyst Media Holdings, neither Catalyst or Eureka may sell their shares to a third party unless the third party makes an offer for the entire issued share capital of Catalyst Media Holdings.

Under this agreement, all dividends received from SIS are to be applied in repayment of the bonds issued under the DDB until such bonds have been repaid in full.

- 8.1.11 a settlement agreement dated 4 August 2005 between (1) Newsplayer International Limited (2) the Company and (3) EMI Recorded Music Holdings, Inc., ("EMI") pursuant to which claims brought by EMI under a licence agreement dated 27 November 2001, as amended, have been settled. Under the settlement agreement, Catalyst has agreed, subject to providing written notification to EMI by 30 September 2005 that it has raised in aggregate funding in excess of £6 million, to pay to EMI the sum of US\$1,024,617 together with interest at 8 per cent. per annum from the date of the fundraising until payment to EMI and US\$40,354 in respect of EMI's legal fees, in each case exclusive of VAT, in full and final settlement of all claims (subject to one specific exception) EMI may have or has arising out of or in connection with the licence agreement.

If Catalyst is unable to provide EMI with written confirmation as to the funding referred to above, then it has agreed to pay to EMI four equal instalments of US\$256,154.25 (together with legal fees of \$40,354 with the first instalment) on 3 October 2005, 16 December 2005, 3 March 2006 and 30 March 2006 respectively.

If Catalyst completes a fundraising of more than £6 million at any time after 30 September 2005, then US\$1,024,617 will immediately become due and payable less any sums already paid by way of instalment, together with interest at 8 per cent. per annum from the date of the fundraising until payment to EMI.

If Catalyst fails to pay all or any part of any instalment, then all unpaid instalments shall become immediately due and payable.

EMI has the right under the settlement agreement to convert all or any part of the outstanding debt from time to time (subject to a minimum amount of 10 per cent. of such outstanding debt) at a price per share equal to the lower of 5p or a 10 per cent. discount to the mid-market price of an Ordinary Share as at the close of business on the business day prior to the conversion date.

As part of the settlement arrangements, Catalyst and Newsplayer International Limited have irrevocably waived all and any claims of whatever nature arising out of or in connection with the licence agreement against EMI.

8.1.12 the Acquisition Agreement dated 5 August 2005 between Dragontown Limited (1) Catalyst Media Holdings (2) the Company (3) and (4) Vavasseur International Holdings SARL pursuant to which Catalyst Media Holdings has conditionally agreed to acquire the entire issued share capital of Alternatport from Dragontown Limited. Alternatport's sole asset is its holding of 44,322 shares in SIS. The consideration payable pursuant to the Acquisition Agreement is £23.0 million and the Acquisition Agreement contains limited warranties and indemnities. The Acquisition Agreement is conditional, *inter alia*, upon Admission and waivers of pre-emption rights in relation to the Acquisition by the existing shareholders of SIS (other than Alternatport). The Company will be a party to the Acquisition Agreement, *inter alia*, for the purpose of guaranteeing the obligations of Catalyst Media Holdings. Vavasseur International Holdings is a party for the purpose of guaranteeing the obligations of Dragontown Limited.

8.1.13 an agreement by the Company to pay a prospective funder of the Acquisition a fee of £150,000 as compensation for abortive due diligence costs.

8.2 No contract, not being a contract in the ordinary course of business, has been entered into by Alternatport within the two years preceding the date of this document which is, or may be, material.

## 9. UK Taxation

The following paragraphs summarise advice received by the Board about the tax position of shareholders who are resident or ordinarily resident in the UK for tax purposes and who are the beneficial owners of Ordinary Shares in the capital of the Company which they hold as an investment. The statements below are based on the relevant tax law and practice at the date of this document which are subject to change. The statements below do not constitute advice to any shareholder on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying on a trade in the UK through a branch or agency or UK insurance companies). **Any investors who are in doubt as to their tax position and any investor resident outside the UK for tax purposes or subject to tax in a jurisdiction other than the UK should consult their professional adviser.**

9.1 On the basis of the information supplied, provisional clearance has been received from the Inland Revenue that the Company will qualify for the taxation advantages offered under the Enterprise Investment Scheme ("EIS") and that the Ordinary Shares should be regarded as a qualifying investment for investment by Venture Capital Trusts ("VCTs").

Whilst the Company cannot guarantee to conduct its activities in a way designed to allow and preserve EIS relief claimed by investors and to be a qualifying VCT investment, the Board intends, as far as possible, to do so.

**Investors considering taking advantage of any of the reliefs available under the EIS or to VCTs should seek individual advice in order that they may fully understand how the rules apply to their individual circumstances.**

### 9.2 *Taxation of the Company*

The Company will be liable to UK corporation tax at rates (depending on the level of its profits for each accounting period) currently of between 10 per cent. and 30 per cent.

### 9.3 *Taxation of shareholders*

Under current UK tax legislation, no tax will be withheld from dividend payments by the Company.

A UK resident individual or trustee who is a shareholder will be entitled to a tax credit in respect of any dividend paid which in the tax year 2004/2005 would be equal to one-ninth of the cash amount received.

The aggregate of the dividend and credit will form an individual's top slice of income. For individual shareholders resident in the UK for tax purposes who pay tax at the starting or basic rates, the tax credit will satisfy the whole of their liability to tax. Higher rate tax payers (who have to pay tax at the rate of 32.5 per cent. on the total of the dividend and tax credit) will have additional tax to pay equal to 22.5 per cent. of the dividend and tax credit after taking account of the tax credit.

The tax credit cannot be reclaimed from the Inland Revenue where it exceeds the tax liability of a UK resident individual.

For 2004/2005 onwards, UK resident trustees of discretionary trusts are liable to income tax on UK company dividends at 32.5 per cent. of the dividend and tax credit. After taking into account the available tax credit, the trustees will be liable to additional income tax at 22.5 per cent. of the aggregate of the dividend and tax credit.

A UK resident corporate shareholder will not generally be liable to UK corporation tax on any dividend received from the Company, unless that corporate shareholder is carrying on a trade of dealing in shares. UK resident corporate shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to payment in cash of the tax credit.

#### 9.4 *Chargeable Gains*

Upon the sale by an investor of all or any of its Ordinary Shares, an investor may, depending upon its circumstances, incur a liability to UK tax in respect of chargeable gains ("CGT") subject to available reliefs.

#### 9.5 *Stamp Duty*

No UK stamp duty will generally be payable on the issue by the Company of the Placing Shares.

Transfers of Ordinary Shares in certificated form will be subject to stamp duty payable by the purchaser at 0.5 per cent. of the consideration (rounded up to the nearest £5). A charge to stamp duty reserve tax ("SDRT"), normally at the rate of 0.5 per cent. of the consideration will arise, in the case of an unconditional agreement for sale on the date of the agreement or, in the case of a conditional agreement for sale, on the date the agreement becomes unconditional. The SDRT is payable on the seventh day of the month following the month in which the charge arises. However, where an instrument of transfer is executed and duly stamped within six years of the SDRT charge arising, the SDRT charge is cancelled and repayment can be claimed where appropriate.

Transfers of Ordinary Shares under the CREST system for paperless transfers will generally be liable to stamp duty reserve tax at the rate of 0.5 per cent.

### **10. Working capital**

In the opinion of the Board, having made due and careful enquiry and after taking account of the net proceeds of the Placing and the DDB, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least 12 months following Admission.

### **11. Litigation**

11.1 Under the agreement referred to in paragraph 8.1.2 above, Catalyst withheld payments pursuant to loan notes that were issued by Catalyst in connection with the acquisition by Catalyst of BPI. Catalyst had previously notified John Servidio and Sam Domenico, the vendors of BPI, that it was asserting indemnification rights, on numerous grounds, pursuant to the stock purchase agreement dated 30 January 2004. Catalyst then exercised its right of off-set and withheld payments under the loan notes that would ordinarily have been due. Messrs Servidio and Domenico, by letter dated 18 January 2005, demanded that Catalyst fulfil its obligations to make payments under the loan notes which at present total £990,000. By letter dated 28 January 2005, Catalyst responded to the claim, raising as a defence numerous indemnification claims, including the sellers' failure to disclose a substantial amount due for past rent, the failure to disclose a sub-lease imposing a financial burden upon Catalyst and the failure

to disclose a non-disclosure/non-circumvent agreement with a third-party in connection with a substantial Betelgeuse agreement. Following the Catalyst letter Messrs Domenico and Servidio entered into discussions with Catalyst to resolve the dispute. It was agreed, informally, that neither side would take any action on the matter unless and until the discussions between the parties broke down. Agreement in principle has been reached that Catalyst will satisfy the amount claimed by the issue of Ordinary Shares (at a price to be agreed) and will agree to drop its counterclaims against Messrs Servidio and Domencio.

On 4 November 2004, Bob Jenkins filed a civil action against BPI, *inter alia*, claiming breach of a purported contract pursuant to which Betelgeuse guaranteed Mr Jenkins' employment as Host/Lead Announcer for the CHAMP Car World Series for the 2004 and 2005 race series, for a total of 30 races, on a 'pay or play' basis. Mr Jenkins seeks unspecified damages against Betelgeuse for all amounts due under the purported contract as well as for penalties and attorneys' fees. The purported contract alleged by Mr Jenkins provides that Betelgeuse would pay him \$175,000 in year one and \$192,500 in year two of the purported contract. On 18 March 2005, Betelgeuse filed its answer to Mr Jenkins' complaint, denying the substantive allegations contained in Mr Jenkins' complaint. The parties are presently engaged in discovery proceedings. No trial date or pre-trial deadlines have been set.

Save as aforesaid, no member of the Group has been engaged in, or is currently engaged in, any litigation or arbitration which has or may have, or has had during the last twelve months, a significant effect on the financial position of the Company and, so far as the Board is aware, there are no such proceedings pending or threatened against the Company or any other member of the Group.

- 11.2 Alternatport has not been engaged in, nor is it currently engaged in, any litigation or arbitration which has or may have, or has had during the last twelve months, a significant effect on the financial position of Alternatport and, so far as the Board is aware, there are no such proceedings pending or threatened against Alternatport.

## **12. General**

- 12.1 The accounting reference date of the Company is 31 October. This will be changed on Completion to 31 March.
- 12.2 The minimum amount which, in the opinion of the Board, must be raised by the Company under the Placing to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 to the Regulations is £17.0 million which will be applied as follows:
- 12.2.1 £11.25 million in respect of cash consideration to be paid to the Vendor;
- 12.2.2 approximately £2.24 million in respect of the expenses of the Placing and the Acquisition; and
- 12.2.3 approximately £3.56 million in respect of working capital.
- 12.3 Strand Partners has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 12.4 Evolution has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 12.5 The total costs and expenses payable by the Company in connection with the Placing, the Acquisition and Admission (including professional fees, commissions, the costs of printing and the fees payable to the Registrars) are estimated to amount to approximately £2.6 million (excluding VAT) of which a fee of £350,000 is to be satisfied by the issue and allotment of 8,750,000 new Ordinary Shares.
- 12.6 Save as disclosed in this document, there are no amounts to be provided otherwise than from the proceeds of the Placing in respect of the matters specified in paragraphs 21 (a)(i) to (iv) of Schedule 1 of the Regulations.

- 12.7 Save as disclosed in this document, no person has received, directly or indirectly, from the Company within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 12.8 Each of the Directors is, or may be deemed to be, a promoter of the Company.
- 12.9 The financial information for the relevant accounting period set out in the Accountants' Report in Part IV of this document concerning Catalyst does not constitute statutory accounts of that company within the meaning of section 240 of the Act.
- 12.10 The financial information for the relevant accounting period set out in the Accountants' Report in Part VI of this document concerning Alternatport does not constitute statutory accounts of that company within the meaning of section 240 of the Act.
- 12.11 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the Placing letters issued by Evolution until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 9 September 2005, application monies will be returned to applicants at their risk without interest.
- 12.12 The Existing Ordinary Shares and the Placing Shares will be in registered form and will be in uncertificated form in CREST. Definitive certificates are not expected to be dispatched to those placees who have elected to receive Placing Shares in uncertificated form if, and only if, that person is a "system member" (as defined in the CREST Regulations) in relation to CREST. For those placees who elect to receive Placing Shares in certificated form, certificates are expected to be dispatched to such applicants by post within seven days of Admission. Temporary documents of title will not be issued in connection with the Placing.
- 12.13 Save as disclosed herein, there has been no significant change in the financial or trading position of the Company since 31 October 2004, being the date to which the latest audited accounts of the Company were prepared.
- 12.14 Save as disclosed herein, there has been no significant change in the financial or trading position of Alternatport since 31 December 2004, being the date to which the latest audited accounts of Alternatport were prepared.
- 12.15 Nexia Audit Limited has given and not withdrawn its written consent to the inclusion of its name and its reports in the form set out in Parts IV and VI of this document and the references to its name and to such reports in the form and context in which they appear and accepts responsibility for such reports in accordance with paragraph 45(1)(b)(iii) of Schedule 1 to the Regulations.
- 12.16 Copies of this document will be available free of charge at the Company's registered office and from the offices of Lewis Silkin, 12 Gough Street, London EC4A 3DW during normal office hours on any weekday (Saturday and public holidays excepted) for a period of not less than 1 month from the date of Admission.
- 12.17 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

### **13. Documents**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Lewis Silkin, 12 Gough Street, London, EC4A 3DW for a period of 1 month from the date of this document:

- 13.1 the memorandum and articles of association of the Company;

- 13.2 the statutory financial statements of the Company and Alternateport for the three financial periods ended 31 October 2004 and 31 December 2004 respectively;
- 13.3 the reports from Nexia Audit Limited set out in Parts IV and VI of this document;
- 13.4 the Share Option Plan and the EMI Scheme;
- 13.5 the service agreements and letters of appointment referred to in paragraph 5.3 of this Part VIII;
- 13.6 the irrevocable undertakings referred to in Part I of this document under the paragraph headed "Recommendation";
- 13.7 the material contracts referred to in paragraph 8 of this Part VIII;
- 13.8 the consent letters referred to in paragraphs 12.3, 12.4 and 12.15 of this Part VIII; and
- 13.9 Catalyst's unaudited interim results for the six months ended 30 April 2005.

Dated 5 August 2005

## PART IX

### DEFINITIONS

#### Definitions

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisition”	the conditional acquisition of the entire issued share capital of Alternatport by Catalyst Media Holdings pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 5 August 2005 between (1) the Vendor (2) Catalyst Media Holdings (3) the Company and (4) Vavasseur International Holdings SARL, details of which are set out in paragraph 8 of Part VIII of this document
“Act”	the Companies Act 1985 (as amended)
“Admission”	the effective admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM in accordance with the AIM Rules
“Admission Document”	this admission document compiled in accordance with the Regulations and the AIM Rules
“AIM”	the AIM Market of the London Stock Exchange
“AIM Rules”	the rules governing the admission to and operation of AIM as published by the London Stock Exchange from time to time
“Alternatport”	Alternatport Limited (registered in England and Wales under company number 4120286)
“Annual General Meeting”	the annual general meeting of the Company convened for 10.00 a.m. on 30 August 2005
“Betelgeuse” or “BPI”	Betelgeuse Productions LLC (registered in New York, USA)
“Board” or “Directors”	the directors of the Company, whose names are set out on page 4 of this document
“Catalyst Media Holdings”	Catalyst Media Holdings Limited (a subsidiary of the Company with registered number 5483806)
“Combined Code”	the principles of good governance and code of best practice originally prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel (as amended following the review of the role and effectiveness of non-executive directors published in January 2003 and the audit committee Combined Code guidance in January 2003) published in July 2003 and included within the listing rules of the UK Listing Authority
“Company” or “Catalyst”	Catalyst Media Group plc
“Completion”	completion of the Acquisition Agreement in accordance with its terms
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form (as defined in the CREST Regulations) operated by CRESTCo Limited

“CREST Regulations”	the Uncertificated Securities Regulations 2001
“Deep Discounted Bond” or “DDB”	the secured deep discounted bond deed relating to £10,648,000 secured deep discounted bonds due 2008 and £6,039,413 secured deep discounted bonds due 2010 to be issued by Catalyst Media Holdings to Eureka at Completion
“EBITDA”	earnings before interest, taxation, depreciation and amortisation
“EMI Scheme”	the enterprise management incentive scheme of the Company, details of which are contained in paragraph 7 of Part VIII of this document
“Enlarged Group”	the Company, its subsidiaries and Alternateport
“Enlarged Share Capital”	the entire issued ordinary share capital of the Company on Admission
“Eureka”	the Eureka Interactive Fund Limited
“Evolution”	Evolution Securities Limited
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 10.05 a.m. on 30 August 2005 (or as soon thereafter as the Annual General Meeting has been convened or adjourned) notice of which is set out at the end of this document, and any adjournment thereof
“Fully Diluted Share Capital”	the Enlarged Share Capital and assuming full exercise of all outstanding warrants and options at the date of this document, the issue of shares in lieu of royalty payments and conversion of the Notes under the Loan Note Instrument
“Global Media Services” or “GMS”	Global Media Services Acquisition Corporation (registered in Delaware, USA)
“Group”	Catalyst Media Group plc and its subsidiaries at the date hereof
“Investec Warrant Instrument”	the warrant instrument entered into by the Company on 23 May 2000, details of which are set out in paragraph 2.5 of Part VIII of this document
“Loan Note Instrument”	the loan note instrument entered into by the Company on 20 February 2003, details of which are set out in paragraph 2.8 of Part VIII of this document
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the Placing Shares and the 8,750,000 new Ordinary Shares to be issued to Strand Partners pursuant to the Placing Agreement
“Notes”	the £160,000 6 per cent. convertible secured loan notes 2006 issued by the Company under the Loan Note Instrument
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placees”	each of the persons to whom Placing Shares are issued pursuant to the Placing
“Placing”	the conditional placing by Evolution of the Placing Shares at the Placing Price pursuant to the Placing Agreement

“Placing Agreement”	the conditional agreement dated 5 August 2005 between (1) the Company, (2) the Directors and Anna Goodsell, (3) Strand Partners and (4) Evolution, details of which are set out in paragraph 8 of Part VIII of this document
“Placing Price”	4p per Placing Share
“Placing Shares”	the new Ordinary Shares which are to be issued by the Company pursuant to the Placing
“Proposals”	the proposals set out in this document including the Placing and the Acquisition
“Reef”	Reef Securities Limited
“Reef Securities Loan”	the loan of £450,000 by Reef Securities Limited, a company which is wholly owned by Steven Smith
“Reef Warrant Instrument”	the warrant instrument entered into by the Company on 26 May 2005, details of which are set out in paragraph 2.6 of Part VIII of this document
“Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Resolution”	the special resolution to be proposed at the Extraordinary General Meeting
“Reverse Takeover”	an acquisition by the Company which constitutes a reverse takeover (as defined in the AIM Rules)
“Share Capital”	the entire issued ordinary share capital of the Company
“Share Option Plan”	the Newsplayer Group PLC 2000 Share Option Scheme, details of which are set out in paragraph 6 of Part VIII of this document
“Shareholders’ Agreement”	the options and shareholders’ agreement dated 5 August 2005 between (1) Catalyst (2) Eureka and (3) Catalyst Media Holdings, details of which are set out in paragraph 8 of Part VIII of this document
“SIS” or “Satellite Information Services”	Satellite Information Services (Holdings) Limited (registered in England and Wales under company number 01939932)
“Strand Partners”	Strand Partners Limited (registered in England and Wales under company number 02780169)
“Strand Warrant”	the warrant to be issued in favour of Strand Partners at Completion giving the right to subscribe for new Ordinary Shares as described in paragraph 2.7 of Part VIII of this document
“subsidiary”	shall have the meaning given to that phrase in section 736 of the Act
“UBM”	United Business Media plc
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“Vendor”	Dragontown Limited (registered in England and Wales under company number 5463907)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

# Catalyst Media Group plc

(Registered in England and Wales under company no. 3955206)

(the "Company")

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 5th Floor, Portland House, 4 Great Portland Street, London W1W 8QJ at 10.05 a.m. on 30 August 2005 (or as soon thereafter as the Annual General Meeting of the Company convened for 10.00 a.m. on the same day and at the same place has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following special resolutions (in the case of resolution 1, conditional upon Admission (as defined in the Company's circular to shareholders dated 5 August 2005 (the "Circular"))):

### SPECIAL RESOLUTION

1. (A) the proposed acquisition by Catalyst Media Holdings Limited of the entire issued share capital of Alternatport (as defined in the Circular) on the terms and subject to the conditions of the Acquisition Agreement (as defined in the Circular), a copy of which, initialled by the Chairman of the meeting for the purposes of identification, has been produced to the meeting and, as such terms and conditions are described therein, be and is hereby approved and the directors of the Company (the "Directors") be and are hereby authorised to take all necessary or appropriate steps to complete such acquisition and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments which are of a material nature) as the Directors may deem necessary, expedient or appropriate;
- (B) the authorised share capital of the Company be increased by £7,500,000 from £2,000,000 to £9,500,000 by the creation of 750,000,000 additional ordinary shares of 1p each in the capital of the Company having such rights and being subject to the restrictions set out in the Company's articles of association and ranking *pari passu* with the existing ordinary shares;
- (C) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act")):
  - (i) up to an aggregate nominal value of £4,250,000 pursuant to the Placing (as defined in the Circular);
  - (ii) up to an aggregate nominal value of £180,000 pursuant to the Reef Warrant Instrument (as defined in the Circular); and
  - (iii) (other than pursuant to sub-paragraphs (i) and (ii) above), up to an aggregate nominal value of £2,059,796,

provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless and to the extent that such authority is renewed or extended prior to such date and except that the Company may, before such expiry, make an offer or an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired, this authority to replace any existing authority which is hereby revoked with immediate effect provided that this resolution shall not affect the right of the Directors to allot relevant securities in pursuance of any offer or agreement entered into prior to the date hereof; and

- (D) the Directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by paragraph (C) of this resolution as if section 89(1) of the Act did not apply to any such allotment PROVIDED that this power shall be limited to:

- (i) the allotment of equity securities up to an aggregate nominal amount of £4,250,000 pursuant to the Placing;
- (ii) the allotment of equity securities up to an aggregate nominal amount of £180,000 pursuant to the Reef Warrant Instrument;
- (iii) the allotment of equity securities for cash in connection with a rights issue or any other pre-emptive offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or any legal or practical problems under the laws of, or the requirements of, any regulatory body or any recognised stock exchange in any territory; and
- (iv) the allotment (other than pursuant to sub-paragraphs (i) to (iii) above) of equity securities up to a maximum aggregate nominal amount of £624,181,

and shall expire on the fifth anniversary of the date of the passing of this resolution unless and to the extent that such authority is renewed or extended prior to such time and, except that the Company may, before such expiry, make an offer or an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired, this authority to replace any existing like authority which is hereby revoked with immediate effect provided that this resolution shall not affect the right of the Directors to allot equity securities in pursuance of any offer or agreement entered into prior to the date hereof.

- 2. (A) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the “Act”)) up to an aggregate nominal value of £575,628 pursuant to a settlement agreement dated 4 August 2005 between (1) Newsplayer International Limited (2) the Company and (3) EMI Recorded Music Holdings, Inc., (“the Settlement Agreement”, as more particularly described in the Circular) provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless and to the extent that such authority is renewed or extended prior to such date and the Directors may allot relevant securities in pursuance of the Settlement Agreement as if the authority conferred by this resolution had not expired; and
- (B) the Directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by paragraph (A) of this resolution as if section 89(1) of the Act did not apply to any such allotment PROVIDED that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £575,628 pursuant to the Settlement Agreement and shall expire on the fifth anniversary of the date of the passing of this resolution unless and to the extent that such authority is renewed or extended prior to such time and the Directors may allot equity securities in pursuance of the Settlement Agreement as if the authority conferred by this resolution had not expired.

By Order of the Board

**Anna Goodsell**

*Company Secretary*

*Registered Office:*

12 Gough Square  
London EC4A 3DW

Dated 5 August 2005

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. A proxy need not be a member of the Company.
2. A blue Form of Proxy is enclosed for the holders of ordinary shares.
3. The instrument appointing a proxy must be completed, signed and lodged with the Company's registrars, Capita Registrars, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR no later than 48 hours before the holding of the meeting.
4. 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 6.00 p.m. on 28 August 2005 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend or vote at the meeting.