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SUMMARY

THE FOLLOWING INFORMATION IS EXTRACTED FROM, AND SHOULD BE READ AS AN INTRODUCTION TO THE FULL TEXT OF THIS DOCUMENT. ANY INVESTMENT DECISION RELATING TO THE PLACING AND THE OPEN OFFER SHOULD BE BASED ON CONSIDERATION OF THIS DOCUMENT AS A WHOLE. WHERE A CLAIM RELATING TO INFORMATION CONTAINED IN THIS DOCUMENT IS BROUGHT BEFORE A COURT, A CLAIMANT INVESTOR MIGHT, UNDER THE NATIONAL LEGISLATION OF THE EEA STATES, HAVE TO BEAR THE COSTS OF TRANSLATING THIS DOCUMENT BEFORE LEGAL PROCEEDINGS ARE INITIATED. CIVIL LIABILITY ATTACHES TO THOSE PERSONS WHO ARE RESPONSIBLE FOR THIS SUMMARY, INCLUDING ANY TRANSLATION OF THIS SUMMARY, BUT ONLY IF THIS SUMMARY IS MISLEADING, INACCURATE OR INCONSISTENT WHEN READ TOGETHER WITH OTHER PARTS OF THIS DOCUMENT.

Introduction

The Board announced today that the Company is proposing to raise approximately £10.5 million gross (£10 million net of expenses) by way of a placing of 801,236,844 new Ordinary Shares with institutional and other investors and an open offer of 1,298,763,156 new Ordinary Shares to Qualifying Shareholders, in each case at the Issue Price. All of the Placing Shares have been placed firm. Of the 1,298,763,156 Open Offer Shares to be issued pursuant to the Open Offer, 617,488,975 of the Open Offer Shares are the subject of irrevocable undertakings from certain Qualifying Shareholders to take up entitlements. The balance of 681,274,181 Open Offer Shares have been conditionally placed with institutional and other investors subject to clawback to satisfy valid applications under the Open Offer. The Placing and the Open Offer are conditional, *inter alia*, on Admission. The Company also announced the Capital Reorganisation.

The net funds raised will be used primarily to repay a proportion of the Investec Facility in accordance with its terms and to provide additional working capital for the Group.

The principal reason for the Placing and Open Offer is to avoid the implementation of one of the key terms in the Investec Facility which would entitle Investec to exercise a warrant to acquire an effective 10 per cent. out of the 22.19 per cent. shareholding held by the Company in SIS for a nominal value if the outstanding borrowings under the Investec Facility are not reduced to below £10 million by 10 April 2007. Due to the change in the SIS dividend policy described below, the Company will not have sufficient funds to do this if the Placing and Open Offer do not proceed. The Directors believe that it is important that Shareholders vote in favour of the Proposals in order that the Company is able to maintain its existing shareholding in SIS.

The Investec Facility also provides for a working capital facility of £1.3 million to be made available to the Company once the outstanding borrowings of the Company falls to below £10 million and remains below £10 million including interest throughout the term of the loan. As this condition has not been satisfied, the Placing and Open Offer is also required to ensure Catalyst has sufficient working capital for its present requirements.

If the Placing and Open Offer do not proceed, the Directors believe that the Group will not have sufficient working capital for its present requirements. In such an event, the Directors would immediately have to seek alternative sources of funding, which might include short term loan finance from certain Shareholders.

Background to Catalyst and reasons for the Placing and Open Offer

Catalyst is a media company that distributes audio-visual content using digital technology and provides services in the digitalisation and distribution of broadcast content sector and internet website development. Catalyst also holds its own rights, specialising in historic entertainment and educational content, and licensing the content globally to third parties. Catalyst owns a portal for sourcing stock footage. Discussions are at an advanced stage which may lead to a disposal of this business.

In September 2005, the Company, through Catalyst Media Holdings, acquired the entire issued share capital of Alternatport, a company whose sole asset was 20 per cent. of the issued share capital of SIS. During the Company's period of ownership, SIS has made several share buy-backs and, as a result, Alternatport's percentage ownership of SIS has increased to 22.19 per cent.

SIS's primary business is that of transmitting live video, audio and data from the UK's 59 race courses and many overseas courses to over 10,200 licensed betting offices in the UK and Ireland. SIS has entered into agreements whereby it has the right to transmit live horseracing to LBOs. Through its SISLink division, SIS is also the leading satellite uplink contractor in Europe, providing transportable up-link units to a variety of clients including television news companies and sports event organisers.

In order to partially fund the acquisition of Alternatport in September 2005, Eureka subscribed £11.75 million for secured deep discounted bonds issued by Catalyst Media Holdings, a company which was owned as to 80 per cent. by Catalyst and 20 per cent. by Eureka.

In September 2006 the Company acquired the 20 per cent. stake not held by it in CMH from Eureka for a cash consideration of £5.5 million. In order to finance the purchase of this stake and associated costs and in order to refinance the Eureka facility, Catalyst drew down £17.3 million of an £18.625 million facility that was arranged with Investec in September 2006. As a result of that transaction Catalyst currently owns a 22.19 per cent. stake in SIS.

SIS historically had a practice of declaring a substantial "super" dividend every four or five years (such dividends having been paid in 1993, 1998 and 2002). Consequently, in line with this practice, and based upon SIS board discussions, the Directors believed that a significant dividend from SIS would be paid in the first quarter of 2007. Payment of such a dividend was anticipated to occur no later than 31 March 2007.

Under the terms of the Investec Facility, in the event that the outstanding debt and accrued interest due to Investec is in excess of £10 million at any time after 31 March 2007, then Investec can exercise a warrant to acquire an effective 10 per cent. out of the 22.19 per cent. holding held by the Company in SIS at a nominal price, giving Catalyst a resultant shareholding of 12.19 per cent. in SIS. This provision reflected the belief by the Directors that a substantial dividend would be paid by SIS prior to 31 March 2007. Investec has now agreed to extend the 31 March 2007 date to 10 April 2007.

On 15 January 2007, the Company announced that the SIS board had decided that it was no longer the intention of SIS to pay a dividend in the first quarter of 2007 and that, in future, SIS's dividend policy was more likely to be the payment of regular annual dividends consistent with annual profits instead of significant periodic "super" dividend payments. Since this announcement was made the Board has been reviewing a number of refinancing opportunities in order to raise approximately £10 million by 31 March 2007, which would allow the Company to safeguard its existing interest in SIS and to address the short term funding implications of the change in dividend policy by SIS. On 9 February 2007 the Company announced that the Board had received assurances from certain major shareholders that they were supportive of an equity issue at 1 pence per share and that they were therefore confident that appropriate funding arrangements would be secured.

Following extensive discussions with Investec and after exploring alternative possible refinancing options, the Board has concluded that no alternative options were achievable either in the time available or due to regulatory constraints. Accordingly, the Board has concluded that the Placing and the Open Offer represents the best available opportunity for the Company to resolve its immediate funding requirements and maintain value for Shareholders. Notwithstanding the assurances provided by the major shareholders referred to above, due to, *inter alia*, prevailing stock market conditions, certain major shareholders are no longer willing to support a fund raising at the levels previously indicated but would support it at 0.5p and accordingly the Directors considered it necessary to reduce the Issue Price to 0.5p in order to secure sufficient demand in the time available for the Placing and Open Offer. The fundraising will raise approximately £10 million after expenses which, together with the anticipated net proceeds of £1.9 million from the sale of 1.67 per cent. of the Company's stake in SIS to Fred Done of BetFred bookmakers referred to below, will be sufficient to reduce the outstanding borrowings to Investec to below £10 million in accordance with the terms of the facility agreement thereby enabling the Company to maintain its shareholding in SIS and will provide

sufficient working capital to the Group for its present requirements. In the event that the sale to Fred Done does not complete by 31 March 2007, the Company has entered into an arrangement with Mentor Marketing & Investments Limited, which has agreed to provide a loan facility of up to £800,000 to the Company. Based on the Proposals the amount outstanding under the Investec Facility following Completion will be £9 million. At that level Investec will be entitled to acquire an effective 1 per cent. out of the 22.19 per cent. holding in SIS at nominal cost.

The SIS board and its five principal shareholders have agreed to offer to Fred Done of BetFred bookmakers a shareholding in SIS and as such have agreed in principle to sell 7.5 per cent. of SIS to Fred Done *pro rata* to their current shareholdings. This sale has been recommended by the independent directors and senior management of SIS. On that basis, the Company has entered into a (non-binding) agreement in principle with Fred Done that it will sell shares representing 1.67 per cent. of SIS's issued share capital for £1.9 million to Fred Done. After this sale and assuming the current funding proposals are successfully completed, Catalyst will own 20.52 per cent. of SIS. In the event that Investec subsequently exercises the Investec Warrant to acquire an effective 1 per cent. of the Company's holding in SIS, Catalyst will then own 19.52 per cent. of SIS.

Current Trading and Prospects

The Company recorded a loss for the six month period ended 30 September 2006 of £0.5 million (compared to a loss of £1.4 million for the first six months to 30 April 2005 of the previous 17 month accounting period to 31 March 2006). As at 30 September 2006 Catalyst had net assets of £14.5 million.

In the current trading period to 31 March 2007, it is anticipated that a sale of Footage.net will be made. In addition, the Directors believe that SIS continues to trade profitably and in line with expectations.

Principal terms of the Placing and the Open Offer

The Company is proposing to raise approximately £10.5 million before expenses (£10 million net of expenses) by the issue of 2,100,000,000 new Ordinary Shares pursuant to the Placing and the Open Offer at the Issue Price. The Placing will raise £4 million before expenses, with a further £6.5 million before expenses being raised through the Open Offer.

Qualifying Shareholders who wish to subscribe for Open Offer Shares are invited to apply at the Issue Price, free of expenses, *pro rata* to their existing shareholdings on the basis of:

20 Open Offer Shares for every 11 Existing Ordinary Shares

held at the close of business on the Record Date (and so in proportion to any number of Existing Ordinary Shares then held). Entitlements of Qualifying Shareholders to Open Offer Shares will be rounded down to the nearest whole number. Fractional entitlements to the Open Offer Shares will be aggregated and allotted to places pursuant to the Placing and Open Offer Agreement for the benefit of the Company. The Open Offer Shares are to be paid for in full on application.

All of the Placing Shares have been placed firm with institutional and other investors at the Issue Price. Irrevocable commitments to take up their entitlements under the Open Offer in full have been received from Qualifying Shareholders in respect of 617,488,975 Open Offer Shares. The balance of the Open Offer Shares has been conditionally placed with institutional and other investors subject to clawback to the extent required to satisfy valid applications under the Open Offer.

Capitalisation and Indebtedness

The following table sets out the indebtedness and capitalisation of Catalyst, based on the Group's unaudited interim results as at 30 September 2006:

	<i>£'000</i>
Total Current debt	
- Guaranteed	–
- Secured	324
- Unguaranteed/Unsecured	65
	<hr/> 389
Total Non-Current debt (excluding current portion of long-term debt)	
- Guaranteed	–
- Secured	17,305
- Unguaranteed/Unsecured	–
	<hr/> 17,305
Total indebtedness as at 30 September 2006	17,305
Shareholder's equity	
Share capital	7,143
Merger reserve	2,403
Share premium	30,896
	<hr/> 40,442
Total	40,442

The following table sets out the net financial indebtedness of Catalyst as at 30 September 2006:

	<i>£'000</i>
Net Financial Indebtedness	
Cash	774
Cash equivalents	–
Trading securities	–
	<hr/> 774
Liquidity	
Current Financial Receivable	
Current bank debt	(47)
Current portion of non current debt	–
Other current financial debt	(342)
	<hr/> (389)
Current Financial Debt	
Net Current Financial Indebtedness	385
Non current bank loans	–
Bonds issued	–
Other non current loans	(17,305)
	<hr/> (17,305)
Non current Financial Indebtedness	
Net Financial Indebtedness	(16,920)

Notes:

1. Capital and reserves does not include the profit and loss account reserve. There has been no material change in capital and reserves other than trading losses arising in the course of operating the business
2. The £17.3 million non current debt relates to the Investec Facility which is secured by a charge over Catalyst Media Holdings and Alternateport.

Summary of risk factors

Shareholders should consider carefully the following material risks:

- There may be a requirement for the Company to raise further funds in the future, in particular if SIS does not pay a dividend by 30 June 2008.
- The Group will require alternative funding if the Placing and Open Offer do not proceed.
- AIM traded shares carry a higher investment risk and are less liquid than shares on the Official List.
- The Company's share price may fluctuate and may not reflect the underlying value of the Company.
- There may be an increase in competition in the industry within which the Group operates.
- The Group has no day-to-day control over the business and affairs of SIS, including whether or not it declares and/or pays any dividends.
- There is no assurance that the Group, or SIS, can protect commercially their intellectual property rights.
- SIS is subject to restrictions on use of content that it is licensed to use which may curtail future plans to increase revenue from such content.
- The returns derived from the exploitation of intellectual property rights depends on factors outside the Board's or the Company's control.
- The establishment of trading relationships between the Group's businesses and SIS and its clients and customers cannot be guaranteed.
- Other companies may operate in competition with SIS even whilst the current agreements continue.
- SIS may change its dividend policy.
- SIS may be subject to sanctions if it was found to abuse its market position or be impacted by change in the regulation of the betting industry or the broadcasting industry.
- SIS is reliant upon the provision of satellite transmission services by several satellite operators to provide its services to LBOs and other customers.
- Investec will be able to exercise the Investec Warrant if the Placing and Open Offer does not proceed or in the future even if it does proceed.

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 New Ordinary 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. All risks of which the Directors are aware at the date of this document and which they consider material are set out below. However, further risks that are not presently known to the Directors, or that the Directors currently deem immaterial, may also have a material effect on the Group's business, financial condition and operating results. The Directors consider the following risks to be the most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Company nor are they set out in any particular order of priority. Investors and prospective investors should consider carefully whether an investment in the Company 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 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 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 Group cannot predict accurately the timing and amount of its capital requirements. Beyond the next 13 months following the publication of this document, if its capital requirements vary materially from its plans, the Group may require further financing in addition to the amount raised in the Placing and Open Offer sooner than anticipated. Further, market conditions may prevent additional funds from being raised which could restrict the development of the Group.

Alternative Funding

A failure to pass the Resolution would mean that the Company would immediately have to consider seeking alternative sources of funding. There is no certainty as to the availability of any such funding.

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 Group in the future to maintain market share or revenue levels. Competitors may have greater financial, marketing and technological resources than the Group.

Control of the business and affairs of SIS

The Group currently holds a 22.19 per cent. stake in SIS and is entitled to appoint 1 director to the board of SIS which currently consists of a board of 10 directors, of which 5 are appointed by shareholders, 4 are

independent and 1 is the chief executive. 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 support of other directors and a majority of shareholders of SIS and so it will not be able to guarantee the payment of any dividend or the timing thereof.

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 separately 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. SIS seeks warranties of authority and indemnities against third party claims from its licensors.

Rights to use content

Most of SIS's rights restrict SIS's use of licensed content to its existing services and territories. 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 separately SIS's businesses and their 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. However, the majority of contracts with LBO's have already been renewed until April 2011.

Exclusivity

Most of the rights that SIS has to content are exclusive apart from 30 of the 59 racecourses in the UK. Accordingly, there is the potential for another company to operate in competition with SIS even whilst the current agreements continue, although the capital cost of establishing a rival service, the extent of SIS's existing customer contracts and space constraints in LBO's are likely to represent barriers to entry. In addition, due to the exclusive content that SIS owns and the contracts that it has with LBO's, the Directors believe that if an LBO takes the new service it will be in addition to and not in place of SIS's service.

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 Group will have only a minority representation) to declare such dividends and the consent of SIS's bankers under the existing SIS banking arrangements.

Investec Warrant

Whilst the Directors expect a dividend to be paid by SIS in the short to medium term, there is no guarantee that such will be the case. On the basis of current expectations, if no such dividend is paid by 30 June 2008, and no other sources of funding have been received, the Investec Facility (including accrued interest) will exceed £10 million and as a result Investec will have the right pursuant to the Investec Warrant to subscribe for an effective 10 per cent. of the Company's stake in SIS.

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, for example fines based on a percentage of turnover or loss of reputation, 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. Its contracted capacity is non-pre-emptible, which means that in the event of a transponder failure, it has the right to have its service switched to another transponder. However, in the event of a failure of an entire satellite, SIS's delivery of its service to customers would be interrupted until an alternate capacity could be found, which could have a material adverse impact upon SIS.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2007

Record Date for the Open Offer	close of business on 8 March
Prospectus and Application Form despatched	12 March
Open Offer entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	13 March
Recommended latest time for requesting withdrawal of Open Offer entitlements from CREST	4.30 p.m. on 26 March
Latest time for depositing Open Offer entitlements into CREST	3.00 p.m. on 28 March
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 29 March
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 2 April
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 2 April
Extraordinary General Meeting	10.00 a.m. on 4 April
Admission and dealings expected to commence in the New Ordinary Shares on AIM	8.00 a.m. on 5 April
Expected date for crediting of New Ordinary Shares to CREST stock accounts in uncertificated form	by 5 April
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form	by 12 April

The dates set out in the expected timetable of principal events and mentioned throughout this document and in the Application Form may be adjusted by the Company, in which event the details will be notified to the FSA, the London Stock Exchange and, where appropriate, to Shareholders.

In order to subscribe for Open Offer Shares under the Open Offer, Shareholders will need to follow the procedure set out in Part IV of this document, and, where relevant, complete the accompanying Application Form. If Shareholders have any queries on the procedure for acceptance and payment, or to receive another Application Form and/or Form of Proxy, they should contact Capita Registrars (telephone number 0870 162 3121 or, if calling from outside the UK +44 20 8639 2157), where relevant, quoting the serial number on their Application Form. Capita Registrars will not give Shareholders any other advice in connection with the Open Offer.

PLACING AND OPEN OFFER STATISTICS

Number of Existing Ordinary Shares	714,319,736
Issue Price	0.5p
New Ordinary Shares to be issued pursuant to the Open Offer	1,298,763,156
New Ordinary Shares to be issued pursuant to the Placing	801,236,844
New Ordinary Shares as a percentage of the Enlarged Share Capital	74.6 per cent.
Number of Ordinary Shares in issue immediately after Admission	2,814,319,736
Market capitalisation at the Issue Price on Admission	£14.07 million
Gross proceeds of the Placing and Open Offer	£10.5 million
Net proceeds of the Placing and Open Offer	£10 million
International Security Identification Number (ISIN)	GB0005021083

DEFINITIONS

Definitions

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

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the New Ordinary Shares to trading on AIM in accordance with 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
“Alternateport”	Alternateport Limited (registered in England and Wales under company number 4120286)
“Application Form”	the application form accompanying this document on which Qualifying Shareholders may apply for Open Offer Shares under the Open Offer and which forms part of the terms and conditions of the Open Offer
“Board” or “Directors”	the directors of the Company, whose names are set out on page 17 of this document
“Capita Registrars”	a trading name of Capita IRG Plc (registered in England and Wales under Company number 02605568)
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company, further details of which are set out in the paragraph headed “Capital Reorganisation” in Part I of this document and in the notice of EGM
“CMH” or “Catalyst Media Holdings”	Catalyst Media Holdings Limited (a subsidiary of the Company registered in England and Wales under Company number 5483806)
“Combined Code”	the corporate governance code issued by the Financial Reporting Council
“Company” or “Catalyst”	Catalyst Media Group plc (registered in England and Wales under Company number 3955206)
“Completion”	completion of the Placing and Open Offer
“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 (as amended) (SI 2001/3755)
“Deferred Shares”	the non-voting deferred shares of 0.9p each in the capital of the Company to be created by the Capital Reorganisation
“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 Share Capital”	the entire issued ordinary share capital of the Company on Admission

“Eureka”	the Eureka Interactive Fund Limited (registered in the Cayman Islands under registration number 93858)
“Evolution Securities”	Evolution Securities Limited (registered in England and Wales under Company number 2316630)
“Existing Ordinary Shares”	the 714,319,736 ordinary shares of 1p each in issue at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 10.00 a.m. on 4 April 2007 notice of which is set out at the end of this document, and any adjournment thereof
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders at the EGM
“FSA” or “Financial Services Authority”	the Financial Services Authority in the UK
“FSMA”	Financial Services and Markets Act 2000 (as amended)
“Fully Diluted Share Capital”	the Enlarged Share Capital and assuming full exercise of all outstanding warrants and options on Admission, conversion of the Notes and payment of the maximum amount that may become due under the agreement referred to in paragraph 8.1.13 of Part VIII of this document
“Group”	Catalyst Media Group plc and its subsidiaries at the date hereof
“Investec”	Investec Bank (UK) Limited (registered in England and Wales under company number 489604)
“Investec Facility”	the £18.625 million facility that has been arranged with Investec, of which the Company has drawn down £17.3 million, further details of which are set out in paragraph 8 of Part VIII of this document
“Investec Warrant”	the warrant issued by the Company pursuant to the warrant instrument entered into by the Company on 29 September 2006, details of which are set out in paragraph 8 of Part VIII of this document
“Issue Price”	0.5p per New Ordinary Share
“LBO”	licensed betting office
“Loan Note Instrument”	the loan note instrument entered into by the Company on 20 February 2003, details of which are set out in paragraph 2.7 of Part VIII of this document
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the Placing Shares and the Open Offer Shares
“Nexia Smith & Williamson”	Nexia Smith & Williamson Audit Limited (registered in England and Wales under Company number 4469576)
“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
“Open Offer”	the conditional offer by the Company to Qualifying Shareholders to subscribe for the Open Offer Shares on the terms and subject to the conditions set out in Part IV of this document and in the Application Form

“Open Offer Shares”	the 1,298,763,156 new Ordinary Shares which are the subject of the Open Offer
“Optionholders”	holders of options under the Share Option Schemes
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company to be created by the Capital Reorganisation
“Overseas Shareholders”	holders of Existing Ordinary Shares with registered addresses outside the UK or who are citizens of, incorporated in, registered in or otherwise resident in, countries outside the UK
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Placees”	each of the persons to whom Placing Shares are issued pursuant to the Placing
“Placing”	the conditional placing by the Company of the Placing Shares at the Issue Price pursuant to the Placing and Open Offer Agreement and the Placing Letters
“Placing and Open Offer Agreement”	the conditional agreement dated 12 March 2007 between (1) the Company, (2) the Directors, (3) Strand Partners and (4) Evolution Securities, details of which are set out in paragraph 8 of Part VIII of this document
“Placing Letters”	the letters from the Company to the Placees relating to the Placing details of which are set out in paragraph 8 of Part VIII of this document
“Placing Shares”	the 801,236,844 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 Open Offer
“Prospectus” or “this document”	this prospectus issued by the Company in respect of the Placing and the Open Offer, together with any supplements or amendments thereto
“Prospectus Rules”	the Prospectus Rules made by the UKLA under Section 73A(4) of FSMA
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are in certificated form
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date, other than certain Overseas Shareholders as described in paragraph 5 of the letter from the Company in Part IV of this document
“Record Date”	the close of business on 8 March 2007
“Reef Warrant Instrument”	the warrant instrument entered into by the Company on 26 May 2005, details of which are set out in paragraph 2.5 of Part VIII of this document

“Registrars” or “Receiving Agent”	Capita Registrars
“Resolution”	the special resolution to be proposed at the Extraordinary General Meeting
“Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Shareholders”	holders of Existing Ordinary Shares, and following the Capital Reorganisation, holders of Ordinary Shares
“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
“Share Option Schemes”	the Share Option Plan and the EMI Scheme
“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 dated 5 September 2005 issued in favour of Strand Partners giving it the right to subscribe for new Ordinary Shares, details of which are set out in paragraph 2.6 of Part VIII of this document
“subsidiary”	shall have the meaning given to that phrase in section 736 of the Act
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia and all other areas subject to its jurisdiction
“US person”	a citizen or permanent resident of the United States, as defined in Regulation S promulgated under the Securities Act

DIRECTORS, SECRETARY AND ADVISERS

Directors	Michael Samuel Rosenberg, OBE (<i>Chairman</i>) Anna Marie Prestwich (<i>Finance Director</i>) Sir David Paradine Frost, OBE (<i>Non-executive Director</i>) all of 5th Floor Portland House 4 Great Portland Street London W1W 8QJ
Secretary and Registered Office	Anna Marie Prestwich Portland House 4 Great Portland Street London W1W 8QJ
Nominated Adviser	Strand Partners Limited 26 Mount Row London W1K 3SQ
Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Solicitors to the Company	Lewis Silkin LLP 5 Chancery Lane Clifford's Inn London EC4A 1BL
Solicitors to the Placing	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Auditors and Reporting Accountants	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agent	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

LETTER FROM THE CHAIRMAN OF CATALYST

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

Directors:

Michael Samuel Rosenberg, OBE (*Chairman*)
Anna Marie Prestwich (*Finance Director*)
Sir David Paradine Frost, OBE (*Non-executive Director*)

Registered Office:

Portland House
4 Great Portland Street
London W1W 8QJ

12 March 2007

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

Dear Sir or Madam,

Proposed placing of 801,236,844 Placing Shares at 0.5p per share
Proposed open offer of 1,298,763,156 Open Offer Shares at 0.5p per share
Notice of Extraordinary General Meeting

Introduction

The Board announced today that the Company is proposing to raise approximately £10.5 million gross (£10 million net of expenses) by way of a placing of 801,236,844 new Ordinary Shares with institutional and other investors and an open offer of 1,298,763,156 new Ordinary Shares to Qualifying Shareholders, in each case at the Issue Price. All of the Placing Shares have been placed firm. Of the 1,298,763,156 Open Offer Shares to be issued pursuant to the Open Offer, 617,488,975 Open Offer Shares are the subject of irrevocable undertakings from certain Qualifying Shareholders to take up entitlements. The balance of 681,274,181 Open Offer Shares has been conditionally placed subject only to clawback to satisfy valid applications under the Open Offer. The Placing and the Open Offer are conditional, *inter alia*, on Admission. Further details of irrevocable undertakings given by Qualifying Shareholders in connection with the Open Offer are set out under the heading "Details of the Placing and the Open Offer" below. The Company also announced the Capital Reorganisation.

The funds raised will be used primarily to repay a proportion of the Investec Facility in accordance with its terms, to provide funds for the expenses of the Placing and Open Offer and to provide additional working capital for the Group.

Further details of the Placing and the Open Offer and the Capital Reorganisation are set out in this letter.

The Open Offer is an offer of 1,298,763,156 Open Offer Shares at 0.5p per Open Offer Share to all Qualifying Shareholders, except certain Overseas Shareholders, on the basis of 20 Open Offer Shares for every 11 Existing Ordinary Shares held on the Record Date, and so in proportion to the number of Existing Ordinary Shares then held.

The Issue Price of 0.5p per share represents a 55.6 per cent. discount to the closing price on AIM on 8 March 2007 of 1.125 per Existing Ordinary Share. Having examined the possible alternatives and having regard to the underlying net asset value per share should the Placing and Open Offer not proceed and Investec exercises its warrant to acquire an effective 10 per cent. of the Company's shareholding in SIS, the Directors believe that the level of discount is appropriate. In order to protect the Company's interest in the underlying stake in SIS and to provide certainty of cash funds to the Company, irrevocable undertakings to take up their entitlements in full have been received from Qualifying Shareholders in respect of 617,488,975 Open Offer Shares and the Company has arranged for the balance, being 681,274,181 Open Offer Shares, to be conditionally placed subject to clawback under the Open Offer.

Shareholders' approval of the Resolution set out in the Notice of EGM at the end of this document is required to enable the Placing and the Open Offer to proceed. The purpose of this document is to provide you with details of the Placing and the Open Offer and the Capital Reorganisation and to explain the reasons for them. Your Board considers the Placing and the Open Offer and the Capital Reorganisation to be in the best interests of the Company and the Shareholders as a whole, and recommends that you vote in favour of the Resolution to be proposed at the EGM, which is being convened for 10.00 a.m., on 4 April 2007. Notice of the EGM is set out at the end of this document.

Irrevocable undertakings to vote in favour of the Resolution have been received from certain institutional and other investors and the Directors in respect of 322,188,750 Existing Ordinary Shares, representing 45.1 per cent. of the Existing Ordinary Shares.

This document, which comprises a prospectus and an admission document relating to the Company, has been prepared in accordance with the Prospectus Rules and the AIM Rules respectively.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Dealings are expected to commence in the New Ordinary Shares on 5 April 2007.

Shareholders should read this entire document and your attention is drawn to Parts II to VIII of this document, which contain important information in relation to the Proposals.

The principal reason for the Placing and Open Offer is to avoid the implementation of one of the key terms in the Investec Facility which would entitle Investec to exercise a warrant to acquire an effective 10 per cent. out of the 22.19 per cent. shareholding held by the Company in SIS for a nominal value if the outstanding borrowings under the Investec Facility are not reduced to below £10 million by 10 April 2007. Due to the change in the SIS dividend policy described below, the Company will not have sufficient funds to do this if the Placing and Open Offer do not proceed. The Directors believe that it is important that Shareholders vote in favour of the Proposals in order that the Company is able to maintain its existing shareholding in SIS.

The Investec Facility also provides for a working capital facility of £1.3 million to be made available to the Company once the outstanding borrowings of the Company falls to below £10 million and remains below £10 million including interest throughout the term of the loan. As this condition has not been satisfied, the Placing and Open Offer is also required to ensure Catalyst has sufficient working capital for its present requirements.

If the Placing and Open Offer do not proceed, the Directors believe that the Group may not have sufficient working capital for its present requirements. In such an event, the Directors would immediately have to seek alternative sources of funding, which might include short term loan finance from certain Shareholders.

Background to Catalyst and reasons for the Placing and Open Offer

Catalyst is a media company that distributes audio-visual content using digital technology and provides services in the digitalisation and distribution of broadcast content and internet website development. Catalyst also holds its own rights, specialising in historic entertainment and educational content, and licensing the content globally to third parties. Catalyst owns a portal for sourcing stock footage and is in discussions with a possible purchaser for this business. Catalyst is launching an on-line gaming platform complete with a suite of fixed odds and exclusive head to head games. It is anticipated that these games will be available for marketing by June of this year.

In September 2005, the Company, through Catalyst Media Holdings, acquired the entire issued share capital of Alternatport, a company whose sole asset was 20 per cent. of the issued share capital of Satellite Information Services. During the Company's period of ownership, SIS has made several share buy-backs and as a result Alternatport's percentage ownership has increased to 22.19 per cent. at no extra cost to itself.

SIS's primary business is that of transmitting live video, audio and data from the UK's 59 race courses and many overseas courses to over 10,200 licensed betting offices in the UK and Ireland. SIS has entered into agreements whereby it has the right to transmit live horseracing to LBOs. Races taking place in the UK (and

elsewhere) 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's television services also include other sports, such as greyhound racing and virtual racing. Through its SISLink division, SIS is also one of the leading satellite uplink contractors in Europe, providing transportable uplink units to a variety of clients, including television news companies and sports event organisers.

In order to partially fund the acquisition of Alternatport in September 2005, Eureka subscribed £11.75 million for secured deep discounted bonds issued by Catalyst Media Holdings, a company which was owned as to 80 per cent. by Catalyst and 20 per cent. by Eureka.

In September 2006 the Company acquired the 20 per cent. stake not held by it in CMH from Eureka for a cash consideration of £5.5 million. The Board believe it was beneficial for the Company to increase the stake owned in SIS from 17.6 per cent. to 22.19 per cent. to maximise capital asset value and dividend income distribution.

However, under the Eureka facility, Catalyst was contractually required to redeem the outstanding balance of the deep discounted bonds held by Eureka if the cumulative dividends paid by SIS were less than £50 million by 5 March 2007. If the Company failed to do so, Eureka could contractually force a sale of Alternatport at that date in order to use the sale proceeds to repay the debt. The Board was mindful of the risk of this happening before any dividend was paid as a forced sale would likely lead to a lower than market value sale price being achieved for the Company's stake in SIS. On that basis, new financing arrangements were actively sought to overcome this possible outcome.

In order to finance the acquisition of the outstanding 20 per cent. interest in CMH and the associated costs and in order to refinance the Eureka facility, Catalyst drew down £17.3 million of an £18.625 million facility that was arranged with Investec in September 2006. The facility is secured against the assets of Catalyst Media Holdings and Alternatport, both of which, following that transaction, are wholly owned subsidiaries of the Company. As a result of that transaction Catalyst currently owns a 22.19 per cent. stake in SIS.

SIS historically had a practice of declaring a substantial "super" dividend every four or five years (such dividends having been paid in 1993, 1998 and 2002). Consequently, in line with this practice, and based upon SIS board discussions, the Directors believed that a significant dividend from SIS would be paid in the first quarter of 2007, which would have a direct impact on profits and earnings. Payment of such a dividend was anticipated to occur no later than 31 March 2007.

Under the terms of the Investec Facility, in the event that the outstanding debt and accrued interest due to Investec is in excess of £10 million at any time after 31 March 2007, the Investec Warrant will entitle Investec in certain circumstances to acquire an effective 10 per cent. out of the 22.19 per cent. holding held by the Company in SIS at a nominal price, giving Catalyst a resultant shareholding of 12.19 per cent. in SIS. This provision reflected the belief by the Directors that a substantial dividend would be paid by SIS prior to 31 March 2007. Investec has now agreed to extend the date from 31 March 2007 to 10 April 2007.

On 15 January 2007, the Company announced that the SIS board had decided that it was no longer the intention of SIS to pay a significant dividend in the first quarter of 2007 and that, in future, SIS's dividend policy was more likely to be the payment of regular annual dividends consistent with annual profits instead of significant periodic "super" dividend payments. Since this announcement was made the Board has been reviewing a number of refinancing opportunities in order to raise approximately £10 million by 31 March 2007, which would allow the Company to safeguard its existing interest in SIS and to address the short term funding implications of the change in dividend policy by SIS. On 9 February 2007 the Company announced that the Board had received assurances from certain major shareholders that they were supportive of an equity issue at 1p per share and that they were therefore confident that appropriate funding arrangements would be secured.

Following extensive discussions with Investec and after exploring alternative possible refinancing options the Board has concluded that no alternative options were achievable either in the time available or due to regulatory constraints. Accordingly, the Board has concluded that the Placing and the Open Offer represents the best available opportunity for the Company to resolve its immediate funding requirements and maintain value for Shareholders. Notwithstanding the assurances provided by the major shareholders referred to

above, due to, *inter alia*, prevailing stock market conditions, certain major shareholders are no longer willing to support a fund raising at the levels previously indicated but would support it at 0.5p and accordingly the Directors considered it necessary to reduce the Issue Price to 0.5p in order to secure sufficient demand in the time available for the Placing and Open Offer. The fundraising will raise approximately £10 million after expenses which, together with the anticipated proceeds of £1.9 million from the sale of 1.67 per cent. of SIS to Fred Done of BetFred bookmakers referred to below, will be sufficient to reduce the outstanding borrowings to Investec to below £10 million in accordance with the terms of the facility agreement thereby enabling the Company to maintain its shareholding in SIS and provide sufficient working capital to the Group for its present requirements. In the event that the sale to Fred Done does not take place by 31 March 2007, the Company has entered into an arrangement with Mentor Marketing & Investments Limited, which has agreed to provide a loan facility of up to £800,000 to the Company. Further details of this loan facility are set out in paragraph 8 of Part VIII. If the Investec Facility is not repaid in full prior to 30 September 2007, then Investec may still exercise the Investec Warrant but only over a much smaller effective percentage of Catalyst's stake in SIS as more specifically set out below under the heading "Investec Facility and Investec Warrant" and in paragraph 8.1.16 of Part VIII of this document. Based on the Proposals the amount outstanding under the Investec Facility following Completion will be £9 million. As the Investec Facility is not reduced to below £5 million Investec will still be entitled to acquire an effective 1 per cent. out of the 22.19 per cent. holding in SIS at nominal cost.

The Directors anticipate that the board of SIS will consider paying a "normal" dividend later this year but the timing and quantum of this payment are not likely to be determined until the audited accounts for SIS's financial year ending 31 March 2007 are available. Any dividend payment will be used by the Company to further reduce the debt due to Investec. Whilst the Directors expect a dividend to be paid by SIS in the short to medium term, there is no guarantee that such will be the case. On the basis of current expectations, if no such dividend is paid by 30 June 2008, and no other sources of funding have been received, the Investec Facility will exceed £10 million and as a result Investec will have the right to subscribe for an effective 10 per cent. of the Company's stake in SIS pursuant to the Investec Warrant.

The SIS board and its five principal shareholders have agreed to offer to Fred Done of BetFred bookmakers a shareholding in SIS and as such have agreed in principle to sell 7.5 per cent. of SIS to Fred Done *pro rata* to their current shareholdings. This sale has been recommended by the independent directors and senior management of SIS. On that basis, the Company has entered into a (non-binding) agreement in principle with Fred Done that it will sell shares representing 1.67 per cent. of SIS's issued share capital for the sum of £1.9 million to Fred Done. After this sale and assuming the current funding proposals are successfully completed, Catalyst will own 20.52 per cent. of SIS. In the event that Investec subsequently exercises the Investec Warrant to acquire an effective 1 per cent. of the Company's holding in SIS, Catalyst will then own 19.52 per cent. of SIS. The Company intends to hold this stake for the foreseeable future in view of the anticipated growth in SIS and in anticipation of regular dividends being paid. Under the terms of the Investec Facility, the proceeds from this sale must be applied to further reduce the Investec Facility.

The Directors understand that SIS is on target to meet its budgets for the financial year ending 31 March 2007 and that the SIS directors are confident that it will continue its growth in future years despite new competition entering the market, with it having substantial cash balances available to finance future expansion. SIS reported on 5 January 2007 that Britain's third biggest betting shop chain, Coral, followed the example of the two market leaders, William Hill and Ladbrokes, by signing a long term contract to take live pictures, audio and data provided by SIS until April 2011. On 2 February 2007 the SIS board confirmed that the fourth largest chain of betting shops, BetFred had also signed for the same period. SIS now has approximately 70 per cent. of its customer base in long term contracts, thus underpinning the future long term profitability of the business. In addition 10 courses have renewed their rights agreements directly with SIS and 16 have renewed their service with Bookmakers Afternoon Greyhound Services, who in turn have licensed SIS to cover and transmit coverage of these races until 2012.

Additional competition that SIS faces includes a new joint venture company, Amalgamated Racing Limited ("AMRAC"), which recently announced that it was launching a new betting and data channel for LBOs in April 2007. AMRAC proposed that it would bring additional competition and choice to the market and would be able to compete with SIS on price. Whilst SIS acknowledges that competition in the sector is likely

to increase, it remains confident that the predominantly exclusive nature and extensive range of its rights contracts, together with a significant proportion of its customers being contracted on a long term basis and its provision of a daily service with comprehensive range of betting opportunities including UK, Irish and other overseas horse and greyhound meetings provides SIS with competitive advantage which will enable it to maintain a very strong position in the market going forward.

Investec Facility and Investec Warrant

Following Admission, the amount owing under the Investec Facility will be £9 million. Once the amount outstanding under the Investec Facility (including accrued interest and any further drawdown the Company wishes to make) has fallen below £10 million there will be available for drawdown under the Investec Facility the sum of £1.32 million by way of a working capital loan providing the facility plus accrued interest remains below £10 million. Interest will continue to be on the outstanding amount and must be paid in full on 31 December 2010. Interest is currently accruing at 3.5 per cent. above the Investec base rate which is currently 5.25 per cent. Following Admission, the interest rate will increase with effect from 1 April 2007 to 4.5 per cent. above the Investec base rate.

Until such time as the amount outstanding under the Investec Facility is reduced to less than £5 million (including accrued and estimated interest to the final date of repayment) any amount received by Alternatport by way of dividend from SIS or from the sale of any interest in SIS must be paid in reduction of the Investec Facility.

On the basis that the amount outstanding under the Investec Facility as at 10 April 2007 will be £9 million, the Investec Warrant will entitle Investec to subscribe for such number of shares in CMH at nominal cost as will represent an effective 1 per cent. of the Company's 22.19 per cent. stake in SIS. If the Investec Facility is not repaid in full by 31 December 2010, the Investec Warrant will rise to a 3 per cent. entitlement unless the amount outstanding under the Investec Facility rises back above £10 million at any time when the Investec Warrant will entitle it to subscribe for an effective 10 per cent. of the Company's stake in SIS.

Should Investec exercise the Investec Warrant then the provisions of a shareholders' agreement entered into in September 2006 between the Company, Investec and CMH will apply.

Under that agreement Catalyst has the right at any time to place Catalyst Media Holdings in funds so as to enable it to repay all outstanding amounts under the Investec Facility. Catalyst also has the right, during the period commencing on the date of exercise of the Investec Warrant and ending on 31 December 2011 or one year after exercise of the Investec Warrant, whichever is the later, to buy out Investec's shares in Catalyst Media Holdings for a sum equal to 6.25 times SIS's EBITDA minus debt plus cash.

If Catalyst does not exercise its buy-out option, then Investec shall be entitled to market for sale either of Alternatport or Alternatport's shares in SIS.

Further details of the Investec Facility, and the Investec Warrant and the shareholders' agreement are set out in paragraphs 8.1.15 to 8.1.17 of Part VIII of this document.

Capital Reorganisation

The only current class of share capital of the Company is the Existing Ordinary Shares, which have a nominal value of 1p per share. Under the Act the Company is not allowed to issue shares at below their nominal value. The Directors therefore consider it necessary to reorganise the Company's share capital by subdividing each Existing Ordinary Share into one new Ordinary Share of 0.1p and one Deferred Share of 0.9p in order to allow the Placing and Open Offer to proceed.

The Capital Reorganisation will result in Shareholders holding one new Ordinary Share and one Deferred Share for each Existing Ordinary Share currently held. The Ordinary Shares will have the same rights (including voting and dividend rights and rights on a return of capital) as the Existing Ordinary Shares. The Deferred Shares will have minimal rights attaching to them and will be practically worthless. No application will be made for the Deferred Shares to be admitted to trading on AIM or any other recognised investment exchange.

No certificates will be issued in respect of the new Ordinary Shares resulting from the Capital Reorganisation. Share certificates in respect of Existing Ordinary Shares will continue to be valid. No share certificates will be issued in respect of the Deferred Shares.

Current Trading and Prospects

The Company announced its audited results for the 17 month period ended 31 March 2006 on 21 July 2006 and its unaudited interim results for the six months ended 30 September 2006 on 30 November 2006.

In the period ended 31 March 2006, Catalyst reported a loss after tax of £5.71 million on turnover of £2.88 million, compared with a loss after tax in the prior year of £5.41 million on turnover of £7.04 million. The significant decrease in turnover was primarily as a result of the disposal of Betelgeuse and Global Media Services which contributed £6.25 million of revenues.

The Company recorded a loss for the six month period ended 30 September 2006 of £0.5 million (compared to a loss of £1.4 million for the first six months to 30 April 2005 of the previous 17 month accounting period to 31 March 2006). As at 30 September 2006 Catalyst had net assets of £14.5 million.

In the current trading period to 31 March 2007, it is anticipated that a sale of Footage.net will be made and further details will be given as and when that disposal has occurred. In addition, the Directors believe that SIS continues to trade profitably and in line with expectations.

Following the Placing and Open Offer the Directors intend to review further the Company's future direction and strategy. However it is likely that any such review will await the decision by the SIS board on the timing and quantum of future dividend payments, at which time the Board will be in a better position to determine the most suitable strategy for the Company.

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 September 2006 set out in Part VI of this document and the Chairman's statement and Chief Executive's review in respect of the 17 month period ended 31 March 2006 set out in Part V of this document.

Principal terms of the Placing and the Open Offer

In order to repay a proportion of the Investec Facility, to provide funds for the expenses of the Placing and the Open Offer and to provide additional working capital for the Group, the Company is proposing to raise approximately £10.5 million before expenses (£10 million net of expenses) by the issue of 2,100,000,000 new Ordinary Shares pursuant to the Placing and the Open Offer at the Issue Price. The Placing will raise £4 million, before expenses, with a further £6.5 million before expenses, being raised through the Open Offer.

Qualifying Shareholders who wish to subscribe for Open Offer Shares are invited to apply at the Issue Price, free of expenses, *pro rata* to their existing shareholdings on the basis of:

20 Open Offer Shares for every 11 Existing Ordinary Shares

held at the close of business on the Record Date (and so in proportion to any number of Existing Ordinary Shares then held). Entitlements of Qualifying Shareholders to Open Offer Shares will be rounded down to the nearest whole number. Fractional entitlements to the Open Offer Shares will be aggregated and allotted to Placees pursuant to the Placing and Open Offer Agreement for the benefit of the Company. The Open Offer Shares are to be paid for in full on application.

The Placing Shares have been placed firm with institutional and other investors. Irrevocable commitments to take up their entitlements under the Open Offer in full have been received from Qualifying Shareholders in respect of 617,488,975 Open Offer Shares. The balance of the Open Offer Shares has been conditionally placed with institutional and other investors subject to clawback to the extent required to satisfy valid applications under the Open Offer. Further details of the terms of the Placing and the Open Offer are set out in paragraph 8 of Part VIII of this document.

The Placing and the Open Offer are conditional, *inter alia*, upon the passing of the Resolution to be proposed at the EGM, Admission and the Placing and Open Offer Agreement becoming unconditional in all respects (save only for the condition relating to Admission). It is expected that dealings in the New Ordinary Shares will commence on AIM at 8.00 a.m. on 5 April 2007. If Admission has not occurred by 20 April 2007, application monies will be returned to applicants without interest and at the applicants' risk as soon thereafter as is practicable.

Qualifying non-CREST Shareholders will receive with this document an Application Form containing details of their entitlement to subscribe for Open Offer Shares. To be valid, Application Forms must be received by Capita Registrars by post or (during normal business hours only) by hand at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 2 April 2007.

Qualifying CREST Shareholders will receive a credit to their appropriate stock account in CREST in respect of their Open Offer entitlements on 13 March 2007. The latest time and date for payment, in full, under the Open Offer is 11.00 a.m. on 2 April 2007.

Subject to the fulfilment of the conditions of the Placing Letters and the Placing and Open Offer Agreement, Placing Shares will be registered in the names of the relevant Placees and Open Offer Shares will be registered in the names of the Qualifying Shareholders validly applying for them and it is expected that certificates in respect of the New Ordinary Shares will be dispatched to relevant shareholders by first class post at their own risk by 12 April 2007 or, if appropriate, delivery will be made to their CREST accounts by 5 April 2007. No temporary documents of title will be issued.

Pending the receipt of definitive share certificates in respect of the New Ordinary Shares (other than in respect of those shares settled through CREST), transfers will be certified against the register.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for acceptance and payment, are contained in Part IV of this document and in the accompanying Application Form. The attention of Overseas Shareholders is drawn specifically to the section entitled "Overseas Shareholders" contained in paragraph 5 of Part IV of this document.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid.

The Company will make an appropriate announcement to a Regulatory Information Service giving details of the results of the Open Offer on or about 3 April 2007.

Use of proceeds

The net proceeds of the Placing and Open Offer will be applied as follows:

	<i>£ million</i>
Net proceeds of the Placing and Open Offer	10
Repayment of Investec Facility	(7.1)
Working capital	(2.9)

A further £1.9 million, comprising the proposed sale proceeds from the sale of 1.67 per cent. of the Company's stake in SIS will be applied to further reduce the Investec Facility. In the event that this sale to Fred Done does not complete by 30 April 2007, the Company has entered into an arrangement with Mentor Marketing & Investments Limited, which has agreed to provide a loan facility of up to £800,000 to the Company.

Directors' and Shareholders' intentions

Certain Qualifying Shareholders (excluding Directors), having entitlements under the Open Offer in respect of, in aggregate, 688,543,521 Open Offer Shares, representing 53.0 per cent. of the Open Offer Shares to be issued pursuant to the Open Offer, have irrevocably undertaken to take up 612,270,794 Open Offer Shares.

Michael Rosenberg having an entitlement under the Open Offer in respect of 218,181 Open Offer Shares, representing 0.02 per cent. of the Open Offer Shares to be issued pursuant to the Open Offer, has irrevocably undertaken to take up these entitlements. In addition, he has agreed to subscribe for 782,000 Placing Shares.

Sir David Frost having an entitlement under the Open Offer in respect of 18,225,227 Open Offer Shares, representing 1.40 per cent. of the Open Offer Shares to be issued pursuant to the Open Offer, has irrevocably undertaken to take up 5,000,000 Open Offer Shares.

Directors

The Board comprises:

Michael Samuel Rosenberg, OBE (executive Director and Chairman), aged 67

Michael Rosenberg OBE became the Chairman of Catalyst in September 2005 and was appointed executive chairman in December 2006 after being on the board since May 2004. He 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 Numis Corporation plc. He has been the chairman of Pilat Media Global plc, a media software company quoted on AIM, since 2002. Michael is a member of the Board of the China Britain Business Council and a non executive member of Dori Media Group Limited and Amiad Filtration Services Limited both listed on AIM. He is non executive chairman of Boomerang Media Group Ltd and of City Display Solutions Ltd.

Anna Marie Prestwich (Chief Finance Officer), aged 32

Anna Prestwich became Chief Finance Officer of Catalyst in September 2005, having joined the Company in June 2004. Anna started her career with Arthur Andersen in 1997 in the Commercial Markets Audit Division and was subsequently promoted to their Private Equity Transaction Services Group. She qualified with them as a Chartered Accountant in 2000. In 2001, she joined Candy and Candy Limited, a property development and interior design company where she was Head of Finance. In 2003, she joined Starbucks Coffee Company UK Limited as the UK Group Finance Manager.

Sir David Paradine Frost, OBE (Non-executive Director), aged 67

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. Sir David's current projects include weekly shows on ITV and Al Jazeera. He is also Executive Producer on the forthcoming feature film "The Dambusters" and has recently released the world-renowned Frost/Nixon-The Watergate interview on DVD. 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 5.4 of Part VIII of this document.

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 consists of Sir David Frost OBE (chairman of the Audit Committee) and Michael Rosenberg OBE, is 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.

The Remuneration Committee consists of Sir David Frost OBE and Michael Rosenberg OBE (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 a share dealing code for dealing in securities for AIM companies and will take proper steps to ensure compliance by the Board.

Share Options

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.

On Admission less than 10 per cent. of the Company's Enlarged Share Capital will be subject to options.

Further details of outstanding options are set out in paragraphs 5.1.2, 6 and 7 of Part VIII of this document.

Dividend Policy

The Company's dividend policy is reviewed regularly in light of the progress of the Group and the availability of distributable reserves.

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 10.00 a.m. on 4 April 2007, at which a special resolution will be proposed, conditional upon Admission, to:

- (1) (a) to subdivide each of the Existing Ordinary Shares into one Ordinary Share and one Deferred Share;
- (b) to subdivide each of the authorised but un-issued ordinary shares of 1p each into 10 new Ordinary Shares;
- (c) increase the authorised share capital of the Company by £3,500,000 from £9,500,000 to £13,000,000 by the creation of 3,500,000 new Ordinary Shares;
- (d) confer on the Directors authority under section 80 of the Act to allot (i) the New Ordinary Shares, (ii) Ordinary Shares up to a nominal value of £800,000 pursuant to the agreement with Mentor Marketing & Investments Limited, (iii) other than pursuant to (i) and (ii), relevant securities up to an aggregate nominal value of £938,107 (representing approximately 33 per cent. of the Enlarged Share Capital); and
- (e) empower the Directors to allot equity securities for cash other than *pro rata* to shareholders provided that the power is limited to (i) the New Ordinary Shares, (ii) the allotment of Ordinary Shares up to a nominal value of £800,000 pursuant to the agreement with Mentor Marketing & Investments Limited, (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 £281,432 (representing approximately 10 per cent. of the Enlarged Share Capital).

Overseas Shareholders

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom or who are citizens, residents or nationals of countries other than the United Kingdom is drawn to paragraph 5 of Part IV of this document, which sets out certain rights and restrictions applicable to such shareholders.

Except in respect of certain exempt Qualifying Shareholders, the Open Offer is not being made in the United States, Canada, Australia, the Republic of Ireland, Japan or the Republic of South Africa.

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 and the Open Offer Shares.

The information is general in character, is not exhaustive and may not apply to certain Qualifying Shareholders. Any person who is in any doubt as to his position or who may be resident in, or subject to tax in, any jurisdiction outside the UK, should consult an appropriate independent professional adviser immediately.

Action to be taken

In respect of the EGM

A Form of Proxy is enclosed for use by Shareholders in respect of the EGM. Whether or not you intend to be present at the EGM and whether or not you intend to apply for Open Offer Shares under the Open Offer, you are requested to complete this form in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by Capita Registrars not later than 10.00 a.m. on 2 April 2007, being 48 hours before the time appointed for holding the EGM. Completion of the Form of Proxy will not preclude you from attending the meeting and voting in person if you so choose.

In respect of the Open Offer

Qualifying Shareholders who wish to apply for Open Offer Shares under the Open Offer should follow the instructions set out in the letter from the Company in Part IV of this document and, if applicable, on the Application Form accompanying this document. Completed Application Forms should be returned, together with their application monies, so as to be received by post or (during normal business hours only) by hand to Capita Registrars, at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event no later than 11.00 a.m. on 2 April 2007.

If you do not wish to apply for any of the Open Offer Shares you should not complete or return an Application Form or send a CREST Instruction. Holders of Existing Ordinary Shares are nevertheless requested to complete and return the Form of Proxy.

Additional information

Your attention is drawn to the additional information set out in Parts II to VIII of this Prospectus. In addition, you should consider the risk factors set out on pages 8 to 10 of this Prospectus. Shareholders are advised to read the whole of this document and not rely solely on the summary information presented in this letter.

Recommendation

The Board considers the Placing and the Open Offer and the Capital Reorganisation to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the Extraordinary General Meeting.

At the date of this document, the Directors and certain other Shareholders have given irrevocable undertakings to vote in favour of the Resolution representing holdings of, in aggregate, 322,188,750 Existing Ordinary Shares over which they have control, that is approximately 45.1 per cent. of the existing issued share capital of the Company.

Yours faithfully

Michael Rosenberg OBE

Chairman

PART II

INFORMATION ON CATALYST AND SIS

Catalyst

Catalyst is a media company with a range of activities focused on the distribution of audio-visual content using Internet technology. The Group is a rights holder in television, music and film content, which it distributes via broadband and wireless platforms. In addition to distributing its own licensed content, the Group provides technical, content and website development services. Catalyst owns a portal for sourcing stock footage called Footage.net. Discussions are at an advanced stage which may lead to the disposal of this business.

Catalyst is launching an on-line gaming platform complete with a suite of fixed odds and exclusive head to head games. Catalyst has acquired an exclusive five year licence from YooMedia plc for the head to head version of Tringo, the interactive game that is a combination of Tetris and Bingo and has acquired Spooof.com Ltd which has developed an on-line, head to head version of the traditional pub game, "Spooof". It is anticipated that these games will be available for marketing by the second quarter of 2007.

Further information on Catalyst is contained in the Accountants' Report set out in Part V of this document and in the unaudited interim results set out in Part VI of this document.

SIS

Introduction and background

SIS is the leading provider of live television pictures, data display services and broadcast services for horse racing to the licensed betting industry in the UK and Ireland. With 20 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 26,000 horse and greyhound races a year to approximately 10,200 LBOs in the UK, Ireland, the Isle of Man and the Channel Islands.

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

The SIS business employs over 400 personnel across Europe, including France, Belgium and Ireland.

SIS has contracts with the High Street bookmakers to supply pictures and data. For approximately 7,000 of the 10,200 LBOs, these picture and data contracts have been extended until April 2011. SIS is in the process of negotiating new contracts with approximately 2,500 existing LBOs.

History

SIS is best known as a 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 direct-to-home ("DTH") television channel dedicated to a single sport in the UK. SIS also produced the BSkyB and Arena Leisure partnership "At the Races" television channel which focused on live horse racing and also produced the programme 'Winning Post'.

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 4 satellite to LBOs in the UK, Ireland and the rest of Europe.

Almost all British 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.

The International Service

The Racing FACTS service is delivered to LBOs in the rest of Europe, the Caribbean, South Africa and Sri Lanka. In addition, SIS is the broadcast production provider for “At the Races”, producing live coverage from the racecourses and all studio programming.

iSIS

iSIS is a data display system solution for LBOs, which works with bookmakers and their customers to provide the information they need to bet on a wide range of events. With up to 20 screens the system allows customers access to a choice of betting opportunities whilst increasing the control the bookmaker has over the data displayed. In addition to all horse and greyhound betting information, the system can display data on football, golf and cricket plus all other major sporting events, with the built-in capacity to display additional data as it becomes available in the future.

Data Services

SD – Sports Data

Sports Data is a new data feed that will replace SIS’s raw data service in 2007. Sports Data provides real-time coverage of major sporting events both in the UK and abroad.

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 15 years' experience in the broadcasting industry, SIS offers extensive expertise in both bespoke and contract client services from its major facility at Milton Keynes, providing services to broadcasters such as ITN, ITV, Sky News and European Tour productions.

SIS's horse and greyhound racing rights 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. 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 racecourses, 30 have granted the rights on an exclusive basis to Racecourse Media Services Limited, 10 courses have renewed their rights agreements directly with SIS and 16 have renewed their services with Bookmakers Afternoon Greyhound Services (BAGS) each of which have licensed SIS to cover and transmit coverage of these races in the Racing FACTS service.

A significant proportion of SIS's revenues are contracted. The SIS 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 April 2011.

SIS Shareholders

SIS's shareholders are as follows:

<i>SIS Shareholder</i>	<i>% Stake Held</i>
Ladbrokes PLC	24.93%
Caledonia Investments plc	24.36%
Catalyst (through Alternateport Limited)	22.19%
William Hill Organization Ltd	21.44%
Horsrace Totalisator Board	6.48%
Other	0.60%
	<hr/>
	100%

The shares held by Alternateport in SIS rank *pari passu* as regards dividends and return on capital with the other existing issued shares in SIS.

SIS trading record and financial position

SIS's historical financial record is as follows:

	<i>Year Ended</i> <i>31 March</i> <i>2004</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2005</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2006</i> <i>£'000</i>
Turnover	110,373	117,694	127,621
Operating profit	15,887	17,145	20,462
Profit on ordinary activities before taxation	14,918	17,082	20,961
Profit for the financial year	10,329	11,876	14,589
Dividends	(2)	(4)	(9,955)
Transfer (from)/to reserves	10,327	11,872	4,634

The majority of the contracts with LBOs in the UK, Isle of Man, Channel Islands and Ireland expire in April 2011.

	<i>As at</i> <i>31 March</i> <i>2004</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2006</i> <i>£'000</i>
Fixed Assets	21,373	21,898	23,338
Current Assets	33,815	29,668	20,103
Creditors due within one year	(26,667)	(30,484)	(29,239)
Creditors due after more than one year	(20,811)	(1,500)	(750)
Net assets/liabilities	<u>7,710</u>	<u>19,582</u>	<u>13,452</u>
	<i>Year Ended</i> <i>31 March</i> <i>2004</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2005</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2006</i> <i>£'000</i>
Net cash inflow from operating activities	20,677	26,345	29,052
Capital expenditure and financial investment	(4,676)	(7,307)	(8,876)
Net cash (outflow)/inflow before financing	10,470	13,571	15,516
Equity dividends paid to Shareholders	–	–	(9,952)
(Decrease) increase in net cash	7,970	(3,179)	(9,450)

Source: SIS audited accounts

PART III

OPERATING & FINANCIAL REVIEW AND LIQUIDITY & CAPITAL RESOURCES

(a) Operating & Financial Review

The selected historical information set out in the Operating and Financial Review of the Group has been extracted without material adjustment from the Group's annual report and audited financial statements for the years ended 31 October 2003 and 31 October 2004 and the 17 month period ended 31 March 2006, each prepared in accordance with UK GAAP.

The Group's annual report and audited financial statements for the years ended 31 October 2003 and 31 October 2004 and the 17 month period ended 31 March 2006 comprise the Group's consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet, consolidated cash flow statement and the accompanying notes. Such financial statements form the basis from which the financial information as set out in Part V of this Prospectus is produced, which is the subject of the Accountants' Report at the commencement of Part V of this document.

Investors should read the whole of this document and should not rely just on the summary operating financial information set out in this Part III. For the convenience of the reader, financial amounts have been rounded, and as a result of such rounding adjustments, figures shown as totals in the analysis may not be exact arithmetical aggregations of the figures shown in the annual reports referred to above.

Operating review for the three years and 5 months ended 31 March 2006

The financial information for the three years and 5 months ended 31 March 2006 (the "Review Period") was prepared in accordance with UK GAAP.

The following table indicates the development of the Group's business over the Review Period in terms of turnover and profit, and provides summary balance sheet information for that period.

	<i>Year ended 31 October 2003 £'000</i>	<i>Year ended 31 October 2004 £'000</i>	<i>17 month period ended 31 March 2006 £'000</i>
Turnover	265	7,045	2,880
Gross Profit	146	201	643
Operating expenses	(4,672)	(3,360)	(6,696)
Dividends	–	–	2,205
Operating Loss	(4,526)	(3,159)	(3,848)
Loss on ordinary activities before taxation	(6,528)	(5,405)	(6,405)
Loss for the financial year	(6,324)	(5,406)	(5,705)
Transfer (from)/to reserves	(6,324)	(5,406)	(5,925)
	<i>Year ended 31 October 2003 £'000</i>	<i>Year ended 31 October 2004 £'000</i>	<i>17 month period ended 31 March 2006 £'000</i>
Fixed Assets	3,514	5,514	25,350
Current Assets	774	2,171	1,107
Creditors due within one year	(1,897)	(6,558)	(4,022)
Creditors due after more than one year	(160)	(1,012)	(9,049)
Net Assets	<u>2,231</u>	<u>116</u>	<u>13,385</u>

Operating results

The Group's operating results over the Review Period indicate that the Group has absorbed significant losses. However the Review Period has been one of significant change, with several acquisitions made in the US and one investment made in SIS in the UK. The Group has also actively diversified from being a media content provider and rights owner to a media technical services provider.

Set out in the table below is an analysis of the Group's underlying operating results, with 'exceptional' items separately identified.

	<i>Year ended 31 October 2003 £'000</i>	<i>Year ended 31 October 2004 £'000</i>	<i>17 month period ended 31 March 2006 £'000</i>
Turnover	265	7,045	2,880
Gross Profit	146	200	643
Operating Expenses	(3,275)	(2,697)	(1,171)
Depreciation	(93)	(152)	(185)
Amortisation	(621)	(511)	(677)
Write of prepayments	(682)	–	–
Impairment of goodwill	(1,995)	(2,194)	(2,457)
Loss on disposal of GMS	–	–	(1,947)
Interest Receivable	8	29	100
Interest Payable	(15)	(81)	(710)
Loss on ordinary activities before taxation	<u>(6,528)</u>	<u>(5,405)</u>	<u>(6,405)</u>

Acquisitions and disposals

Betelgeuse Production Inc

In March 2004 the Group completed the acquisition of Betelgeuse Production Inc ("BPI"), a New York based television production company, for consideration of £2.9 million.

The initial balance sheet impact of the BPI acquisition was to recognise £5.1 million of goodwill. The turnover of the Group increased significantly in 2004 with the effect of the acquisition of BPI. BPI contributed £6.2 million of revenue in the financial year ended 31 October 2004 primarily as a result of several contracts with major US television companies. However one fixed price contract to produce television coverage, production and editing services to the Champ Car World Race Series resulted in significant cost overruns being absorbed by the Group, which led to higher than expected direct costs. The poor performance of BPI resulted in the Board's decision to enter into an agreement with PowPix Productions in October 2005, who assumed responsibility for running the BPI business. This decision resulted in an acquisition goodwill write off of £2.5 million, and miscellaneous asset write offs of a further £0.95 million.

Global Media Services Inc

In September 2003, the Group completed the acquisition of Global Media Services Inc ("GMS") for consideration of 24.1 million new ordinary shares, with estimated deferred consideration of 11.9 million new ordinary shares, which with costs, totalled £3.3 million and resulted in goodwill of £3.2 million.

The acquisition of GMS increased revenues significantly. GMS provided technical services to its customers to assist with on line distribution of audio visual content (including real-time streaming, hosting, encoding and digital rights management), with the majority of contracts generating operating profits for the Group. However, the expected synergies between GMS and BPI failed to materialise and the decision was made in October 2005 to sell GMS back to its former owners, with a future royalty secured on a set percentage of GMS's revenue for the next 4 years. The sale resulted in the Group absorbing a loss on disposal of £1.9 million.

Satellite Information Services (Holdings) Limited

In September 2005, the Company completed the acquisition of an effective 20 per cent. stake in SIS. The acquisition of this stake for a consideration of £23 million before costs, resulted in goodwill of £2.9 million.

The acquisition was funded by the issue by CMH of two deep discount bonds, for £11.75 million, together with a placing by the Company of 425 million new ordinary shares at 4p per share. The excess capital was used to fund the working capital needs of the Group.

The acquisition of the SIS stake combined with the disposal of GMS and BPI allowed the Group to achieve its target of profitability for the 5 months to 31 March 2006, generating a profit after tax and minority interest of £1.4 million.

Balance sheet

The balance sheet of the Group at 31 March 2006 shows shareholders' funds of £13.4 million, principally as a result of the SIS acquisition and associated capital fundraising that the Group has undertaken in the Review Period, the effects of which have been offset by the Group's operating losses and miscellaneous asset write offs described above.

Additionally the investment in SIS has resulted in dividend income of £2.2 million being received by the Group which was applied to offset the deep discount bonds issued to partially finance the acquisition of the SIS interest.

As described above, the Group purchased the 20 per cent. interest for £23 million, which was financed through the issue of two deep discount bonds to Eureka for £11.75 million and the issue of 425 million ordinary shares raising a total of £17 million.

Share capital and share premium reserves increased during the Review Period to £34.2 million, as a result of the share capital issued to fund the acquisitions referred to above as well as a number of private placings to fund the on-going working capital requirements of the Company. As part of the financing of the SIS acquisition, the subscriber to the deep discount bonds retained a 20 per cent. interest in CMH, a subsidiary the Group used to acquire Alternatport, the holder of the Group's interest in SIS. This created a minority interest of £2.2 million.

Cash requirements

On 12 March 2007 the Group announced that it proposed to raise approximately £10.5 million, before expenses, by means of the Placing and Open Offer of 2,100 million new Ordinary Shares. The net proceeds of the issue, together with the proposed proceeds from the sale of the 1.67 per cent. interest in SIS to Fred Done, will be used to repay £7.1 million of the Investec Facility and to provide working capital to the Group. In the event that the sale to Fred Done does not complete by 31 March 2007, the Company has entered into an arrangement with Mentor Marketing & Investments Limited, which has agreed to provide a loan facility of up to £800,000.

The Company and the Directors (having made due and careful enquiry) are of the opinion that after taking into account the net proceeds of the Placing and Open Offer, the working capital available to the Group is and will be sufficient for the Group's present requirements, that is for at least the next 12 months from the date of this document.

Operating review for the six months ended 30 September 2006

The Group recorded a reduced loss of £0.5 million in the period, mainly as a result of a reduced cost base. No dividend was received from SIS in the period, so the half yearly report did not include any benefit from the Group's holding in SIS.

The main activity in the period was the Group acquiring the remaining 20 per cent. interest in CMH, thus increasing the Group's effective holding in SIS to 20 per cent. The total cost of the acquisition was £5.5 million.

The acquisition was funded by drawing down £17.3 million of an £18.625 million facility with Investec, with £10.156 million paying down existing loan facilities.

The Group additionally signed a £2 million partnership agreement with YooMedia plc through the issue of 44.4 million new ordinary shares at 4.5p per share to develop an online gaming platform. Additionally the Group acquired a 5 year licence for a number of fixed odds games.

A further acquisition in the period was the £1.1 million purchase, through the issue of 25.5 million new ordinary shares of 4.5p per share and a further 30.3 million to be issued subject to performance criteria, of the entire issued share capital of Spoof.com Limited, which has developed an online head to head version of the traditional pub game, "Spoof".

The Group has additionally issued 13.8 million new ordinary shares at 4p per share to the former owners of BPI in satisfaction of loan notes totalling £1.09 million.

(b) Liquidity & Capital Resources

Sources and uses of cash

	<i>Year ended</i> <i>31 October</i> <i>2003</i> £	<i>Year ended</i> <i>31 October</i> <i>2004</i> £	<i>17 month</i> <i>period ended</i> <i>31 March</i> <i>2006</i> £
Net cash outflow from operating activities	(1,355)	(2,087)	(2,236)
Returns on investments and servicing of finance	(1)	(51)	(610)
Taxation	204	(1)	334
Payments to acquire intangible fixed assets	(37)	(74)	(161)
Payments to acquire tangible fixed assets	(40)	(60)	(30)
Disposal of tangible fixed assets	–	–	171
Acquisition	(132)	(142)	(23,115)
Capital element of finance lease payments	–	(64)	(28)
Issue of convertible loan note	160	–	
Issue of ordinary share capital	1,349	2,661	17,068
Repayment of bank loan	–	(263)	(690)
Repayment of loan notes	–	(129)	(2,701)
Increase in bank loan	–	51	–
Issue of loans	–	–	12,206
Increase/(decrease) in cash	<u>148</u>	<u>(159)</u>	<u>208</u>

Through the Review Period the Group has financed its operating activities through revenue generated from its activities, as illustrated by the gross profit made in each period. However the acquisitions and administrative expenses of the Group have utilised available cash resources, with additional equity and debt instruments used to fund the acquisitions and working capital requirements of the Group as a whole.

In the short term the Group expects to be cash flow neutral, with the Group expecting to receive dividend income from its investment in SIS, although this will be used to repay the debt due to Investec in the first instance. Once this debt has been repaid any dividend income received from SIS will generate significant cash resources for the Group.

The Group receives significant sums from SIS in respect of payments for consortium relief which are available on the Group's losses. This cash flow is expected to continue in the short-term.

Debt instruments and Guarantees

At 31 March 2006, the Group's debt instruments and guarantees can be summarised as follows:

	<i>At 31 March</i>
	2006
	£000
Bank loans	121
Other loans (including convertible loan notes)	10,690
Finance leases	285
	<hr style="border-top: 1px solid black;"/>
	11,096
	<hr style="border-top: 3px double black;"/>

Bank loans

£0.1 million represents the outstanding balance due to Atlantic Bank of New York. This was a US\$1.4 million facility made available to BPI, a former subsidiary company. The Group acted as guarantor to the loan. The loan was being repaid monthly and was repaid in full by 31 December 2006. The loan bore interest at 1 per cent. above the bank base rate and was secured by guarantees given by the Company and certain of its subsidiaries.

Other loans (including convertible loan notes)

The other loans balance includes:

(i) *Deep discounted bonds*

A subsidiary issued two deep discount bonds in September 2005. The net proceeds received in respect of the two bonds was £11,750,000 with an ultimate potential liability on redemption of £10,648,000 in 2008 and £6,039,413 in 2010 (together the "Maturity Dates"). If the bonds are repaid prior to the Maturity Dates, they are redeemed at an amount per £1 as set out in the agreement between Catalyst Media Holdings and Eureka. The liability at 31 March 2006 totalled £9.1 million and these were repaid in full in September 2006.

(ii) *Loan notes*

The loan notes, which are denominated in US\$, to the BPI vendors, are repayable in 36 equal instalments with the final payment due on 1 March 2007. In the event of default in repayment of the loan notes, interest is payable at a rate of 12 per cent. per annum on the outstanding amount which may be deemed immediately due and payable. Otherwise the loan notes are interest free. At 31 March 2006 the liability totalled £1.1 million. In June 2006, there was an issue of new ordinary shares to the BPI vendors, in full and final satisfaction of the loan notes.

(iii) *Loan from SIS*

SIS advanced the Group £0.76 million which accrues interest at 2 per cent. above the bank base rate. The loan is to be repaid quarterly via the consortium relief tax loss surrendered to SIS from the Group. Catalyst is able to surrender its current year losses to SIS via consortium relief and claim back 98 per cent. in cash of the tax saved by SIS. The balance at 31 March 2006 was £0.4 million. In January 2007 the loan was repaid in full.

(iv) *Convertible loan note*

On 23 February 2003, the Company issued £0.16 million 6 per cent. convertible secured loan notes to the Trustees of the David Frost Retirement Benefit Scheme which are Michael Rosenberg, Sir David Frost and A and B Pension Trustees Limited. The £0.16 million convertible loan note unless previously repaid or converted can be redeemed at par from 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 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 Noteholders have indicated to the Board that they do not intend to convert the Notes, and the Company is forecasting to repay the Notes within the financial year ending 31 March 2008, unless the sale to Fred Done does not take place,

then they will be repaid after the loan from Mentor Marketing and Investments Limited has lapsed or been repaid.

Finance leases

The £0.3 million finance lease creditor relates to equipment used at the BPI production facility in New York. The balance relates to one remaining lease which is being repaid monthly, and will be repaid in full by mid 2007.

The Group's exposure to foreign exchange risks is immaterial, especially with the refocus of the Group's activities away from the US. Additionally the Group does not actively manage its exposure to the risk associated with fluctuating interest rates,

The Group has not entered into any borrowing related covenants other than disclosed above which would materially restrict the use of available credit facilities.

PART IV

LETTER FROM THE COMPANY RELATING TO THE OPEN OFFER



12 March 2007

To: *Qualifying Shareholders*

Dear Shareholder

Proposed Open Offer of 1,298,763,156 Open Offer Shares

1. Introduction

It was announced today that the Company is proposing to issue 2,100,000,000 new Ordinary Shares to raise approximately £10.5 million, before expenses, by way of the Placing and the Open Offer. £4 million, before expenses, is being raised through the Placing and £6.5 million, before expenses, is being raised through the Open Offer. Under the Placing Letters, the Company has conditionally placed firm with certain Shareholders all of the Placing Shares at the Issue Price.

In addition, certain Shareholders have irrevocably undertaken to subscribe for their *pro rata* entitlements in respect of a total of 617,488,975 Open Offer Shares. The remaining 681,274,181 Open Offer Shares have been conditionally placed by the Company subject to clawback to satisfy Qualifying Shareholders' valid applications under the Open Offer.

Your attention is drawn to my letter in Part I of this document, which sets out the background to and reasons for the Placing and the Open Offer.

This letter contains the formal terms and conditions of the Open Offer and should be read in conjunction with the remainder of this document and the accompanying Application Form.

2. The Open Offer

Subject to the terms and conditions set out in this letter and, if applicable, in the Application Form, the Company hereby invites applications from Qualifying Shareholders to subscribe for the Open Offer Shares at a price of 0.5p per share payable in full in cash on application, free from all commissions and expenses on the basis of:

20 Open Offer Shares for every 11 Existing Ordinary Shares

held by them at the close of business on the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held. You may apply for less than your *pro rata* entitlement to Open Offer Shares if you so wish.

Fractional entitlements to Open Offer Shares will not be issued to Qualifying Shareholders and no cash payments will be made in lieu of fractional entitlements. Accordingly the entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Any fractional entitlements arising under the Open Offer will be aggregated and allotted to Placees for the benefit of the Company. Qualifying Shareholders may apply for any number of Open Offer Shares up to, but not more than, their *pro rata* entitlement to Open Offer Shares.

Certain Shareholders have irrevocably undertaken to subscribe for their *pro rata* entitlement under the Open Offer representing in aggregate, 617,488,975 Open Offer Shares. The balance of 681,274,181 Open Offer Shares has been conditionally placed subject to clawback to satisfy valid applications under the Open Offer.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared or paid thereon following Admission. They will be issued free from all liens, charges and encumbrances.

The Open Offer is conditional, *inter alia*, upon:

- (a) the passing of the Resolution at the EGM;
- (b) the Placing and Open Offer Agreement not having been terminated in accordance with its terms; and
- (c) Admission becoming effective by 8.00 a.m. on 5 April 2007 (or such later time and date, not being later than 8.00 a.m. on 20 April 2007 as Strand Partners and the Company may agree).

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Open Offer entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying CREST Shareholders originally entitled or by a person entitled by virtue of a legitimate market claim raised by CRESTCo's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but will be allotted to Places pursuant to the Placing Letters.

The attention of Overseas Shareholders is drawn to paragraph 5 of this Part IV.

Further details of the Placing and Open Offer Agreement and the Placing Letters are set out in paragraph 8 of Part VIII of this document.

3. Procedure for Application

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer or you have Open Offer entitlements credited to your CREST stock account in respect of such entitlement.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service operated by the London Stock Exchange giving details of the revised dates.

Qualifying non-CREST Shareholders (Shareholders who hold share certificates)

(i) If you have an Application Form in respect of your entitlement under the Open Offer

(a) General

Subject to the provisions set out in this Part IV in relation to the Overseas Shareholders, Qualifying non-CREST Shareholders will have received an Application Form enclosed with this document. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date. It also shows the maximum number of Open Offer Shares for which you are entitled to apply under the Open Offer, as shown by the total number of Open Offer Shares allocated to you. You may apply for less, but not more,

than your maximum entitlement should you wish to do so. You may also hold such an Application Form by virtue of a legitimate market claim.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer.

(b) Market Claims

Applications may only be made on the Application Form which is personal to the Qualifying Shareholder(s) named thereon and may not be assigned, transferred or split except in the circumstances described below. **The Application Form represents the right to apply for Open Offer Shares and is not a document of title and cannot be separately traded.** It is transferable only to satisfy legitimate market claims in relation to market purchases pursuant to the rules of the London Stock Exchange prior to the Existing Ordinary Shares being marked “ex” the entitlement to the Open Offer. Applications may be split or consolidated only to satisfy legitimate market claims up to 3.00 p.m. on 29 March 2007. Any Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer, should consult his stockbroker or other professional adviser as soon as possible since the invitation to acquire Open Offer Shares under the Open Offer may represent a benefit which can be claimed from him by the purchaser or transferee under the rules of the London Stock Exchange. Qualifying non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 8 on the Application Form and immediately send it to the purchaser or transferee or the bank, stockbroker or other agent through whom or by whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into the United States, Australia, Canada, Japan or the Republic of South Africa.

(c) Application Procedures

Qualifying non-CREST Shareholders wishing to apply for all or some of your entitlement to Open Offer Shares should complete the Application Form in accordance with the instructions printed thereon and post it in the accompanying reply paid envelope or return it, together with payment in full for the number of Open Offer Shares applied for, to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone number 0870 162 3121, so as to arrive not later than 11.00 a.m. on 2 April 2007. After this time, applications will not be accepted.

If any Application Form is sent by first class post within the United Kingdom, Qualifying non-CREST Shareholders are recommended to allow at least four business days for delivery. The Company may elect, in its absolute discretion, to accept Application Forms and remittances received after 11.00 a.m. on 2 April 2007. The Company, in its sole discretion may also elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged.

The Company also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 2 April 2007 from an authorised person (as defined in FSMA) specifying the number of Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

(d) Payments

Cheques or bankers’ drafts should be made payable to “Capita IRG Plc a/c Catalyst Media Group plc” and crossed “a/c payee only”. All payments must be made for the full amount by cheques or bankers’ drafts drawn in pounds sterling on a bank or building society in the United Kingdom, the Channel Isles or the Isle of Man, which is either a settlement member of the Cheque & Credit Clearing Company Limited or the CHAPS Clearing Company Limited or a member of the Committee of Scottish Or Belfast Clearing Houses or which has arranged for its cheques and bankers’ drafts to be cleared through the facilities provided for the members of either of those companies or committees and must bear the appropriate sort code in the

top right hand corner. **No interest will be paid on payments made. No application will be considered unless these requirements are fulfilled. Eurocheques, unless drawn on a bank in the United Kingdom, the Channel Isles or the Isle of Man will not be accepted.**

Cheques or bankers' drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Registrars to seek special clearance of cheques and bankers' drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest earned on such payments will accrue for the benefit of the Company. It is a term of the Open Offer that cheques will be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid, acceptances in respect of which cheques are not so honoured. If cheques or bankers' drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account pending fulfilment of such conditions. If all the conditions of the Open Offer have not been fulfilled or (where appropriate) waived by 8.00 a.m. on 5 April 2007 (or such later date as the Company may, in its absolute discretion, elect, but in any event not later than 8.00 a.m. on 20 April 2007), the Open Offer will lapse and application monies will be returned to applicants (at the applicants' risk), without interest, by crossed cheque in favour of the applicant(s) within 14 days after that date.

(e) *Effect of Application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you accordingly agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation not contained in this document; and
- (iii) represent and warrant that if you have received some or all of your entitlements under the Open Offer from a person other than the Company, you are entitled to apply under the Open Offer in relation to such entitlements under the Open Offer by virtue of a legitimate market claim.

The instructions, notes and other terms set out in the Application Form, form part of the terms of the Open Offer.

If you do not wish to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form. Shareholders are nevertheless requested to return the Form of Proxy for use at the EGM to be held at 10.00 a.m. on 4 April 2007.

If you are in doubt whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying non-CREST Shareholders under the Open Offer should be addressed to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone 0870 162 3121. Please note that Capita Registrars cannot provide financial advice on the merits of the Open Offer or as to whether or not you should take up your entitlement.

Qualifying CREST Shareholders (Shareholders who hold shares in CREST)

(ii) If you have Open Offer entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer

(a) *General*

The Directors have applied for the Open Offer Shares to be admitted to CREST with effect from Admission and CRESTCo has agreed to such admission. Accordingly, settlement of transactions in the Open Offer Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons subscribing for Open Offer Shares as part of the Open Offer may, however, elect to receive Ordinary Shares in uncertificated form if they are a “system member” (as defined in the CREST Regulations).

In general, the Ordinary Shares that are held in uncertificated form under CREST will be subject to the rules, regulations and procedures governing CREST and its system members as in effect from time to time. Ownership of an Ordinary Share held in uncertificated form under CREST may only be transferred in compliance with the procedures of CREST in effect from time to time.

Subject to the provisions set out in the relevant paragraph dealing with Overseas Shareholders in this Part IV, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer entitlements equal to the maximum number of Open Offer Shares for which he is entitled to apply under the Open Offer.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer entitlements have been allocated.

If for any reason the Open Offer entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited by close of business on 12 March 2007, or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer entitlements credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST members who wish to apply for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Capita Registrars on 0870 162 3121. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

The Open Offer entitlements will constitute a separate security for the purposes of CREST. Although Open Offer entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a legitimate market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *USE Instructions*

CREST members who wish to apply for Open Offer Shares in respect of all or some of their Open Offer entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“USE”) instruction to CRESTCo which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Registrars under the participant ID and member account ID specified below, with a number of Open Offer entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita Registrars in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph (i) above.

(d) *Content of USE Instructions*

The USE instruction must be properly authenticated in accordance with CRESTCo's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Open Offer entitlement. This is GB00B1TQ2K93;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Open Offer entitlements are to be debited;
- (v) the participant ID of Capita Registrars, in its capacity as a CREST receiving agent. This is 9RA01;
- (vi) the member account ID of Capita Registrars, in its capacity as a CREST receiving agent. This is CATALYST;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 2 April 2007; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 2 April 2007.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 2 April 2007 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 5 April 2007 or such later time and date as the Company may, in its absolute discretion, elect (being no later than 8.00 a.m. on 20 April 2007), the Open Offer will lapse, the Open Offer entitlements admitted to CREST will be disabled and Capita Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(e) *Deposit of Open Offer entitlements into and withdrawal from CREST*

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of a person entitled by virtue of a legitimate market claim). Similarly, Open Offer entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to so deposit the Open Offer Entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer entitlements following their deposit into CREST to take all necessary steps in connection with taking up the Open Offer entitlements prior to 11.00 a.m. on 2 April 2007.

In particular, having regard to normal processing times in CREST and on the part of Capita Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlement under the Open Offer set out in such Application Form as Open Offer entitlements in CREST, is 3.00 p.m. on 28 March 2007, and the recommended latest time for receipt by CRESTCo of a dematerialised instruction requesting withdrawal of Open Offer entitlements from CREST is 4.30 p.m. on 26 March 2007, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer entitlements prior to 11.00 a.m. on 2 April 2007.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Registrars by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for Depositing entitlements under the Open Offer into CREST" on page 3 of the Application Form, and a declaration to the Company and Capita Registrars from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of the United States, Australia, Canada, Japan or the Republic of South Africa and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a legitimate market claim.

(f) *Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 2 April 2007 will constitute a valid application under the Open Offer.

(g) *CREST Procedures and Timings*

CREST members and (where applicable) their CREST sponsors should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 2 April 2007. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(h) *Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita Registrars reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question;

or

- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question.

(i) *Effect of Valid Application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Registrars' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (ii) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the memorandum and articles of association of the Company;
- (iii) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) represent and warrant that he is not applying on behalf of any Shareholder, who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, Australia, Canada, Japan or Republic of South Africa and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, Australia, Canada, Japan or the Republic of South Africa except where proof satisfactory to the Company has been provided to the Company and that he is able to accept the invitation by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (v) represent and warrant that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (vi) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agree that having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained therein; and
- (vii) represent and warrant that he is the Qualifying CREST Shareholder originally entitled to the Open Offer entitlements or that he has received such Open Offer entitlements by virtue of a legitimate market claim.

(j) *Company's discretion as to Rejection and Validity of Applications*

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this section entitled "Procedure for Application";
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Capita Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Registrars have received actual notice from CRESTCo of any of the matters

specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita Registrars in connection with CREST.

All enquiries in connection with the procedure for application and completion of the Application Form should be referred to Capita Registrars, which is acting as receiving agent in respect of the Open Offer. The telephone number is 0870 162 3100 or, if calling from outside the UK +44 (0)208 639 2157.

4. Money Laundering Provisions

To ensure compliance with the Money Laundering Regulations 2003, it is a term of the Open Offer that Capita Registrars may require, in its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). The person (the “applicant”) who, by lodging an Application Form with payment, applies for Open Offer Shares (the “relevant shares”) and any agent lodging such Application Form on his/her behalf shall thereby be deemed to undertake to provide Capita Registrars with such information and other evidence as Capita Registrars may require to satisfy the verification of identity requirements.

If Capita Registrars determines that the verification of identity requirements apply to any application, the relevant shares will not be allotted to the applicant (notwithstanding any other term of the Open Offer) unless and until the verification of identity requirements have been satisfied. If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in a delay in the despatch of a share certificate or delivery of the relevant shares in CREST (as applicable). If the verification of identity requirements have not been satisfied within a reasonable period following a request for evidence of identity (and in any event not later than the latest time for acceptance and payment in full), the Company shall, at its sole discretion, be entitled to elect to treat the relevant application as invalid, in which case the monies paid by the applicant will be returned without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

Capita Registrars shall be entitled, at its sole discretion, to determine whether the verification of identity requirements apply to any applicant and whether such requirements have been satisfied, and neither Capita Registrars nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

Return of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations 2003 will not be breached by the acceptance of the remittance.

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the EU Money Laundering Directive (no. 91/308/EEC) as amended by Council Directive 2001/97/EC; or
- (b) if the applicant makes payment by post or any electronic means from an account held by the applicant alone or jointly at institutions authorised by the Financial Services Authority, a European authorised institution or any other authorised credit institution; or
- (c) if the aggregate subscription price for the relevant shares is less than €15,000 or its equivalent (unless there is a series of linked applications, the aggregate value of which exceeds that amount).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account in the name of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or banker's draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;
- (ii) if payment is not made by cheque drawn on an account in the name of the applicant and (i) above does not apply, the applicant should enclose with his/her Application Form evidence of his/her name and address from an appropriate third party, for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the applicant's name and address (originals of such documents (not copies) are required which will be returned in due course); and
- (iii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (a) above the agent should provide with the Application Form written confirmation that it has that status and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Capita Registrars.

In order to confirm the acceptability of any written assurances referred to in sub-paragraph (iii) above or in any other case, the applicant should contact Capita Registrars. The telephone number of Capita Registrars is 0870 162 3100 or, if calling from outside the UK +44 (0)20 8639 2157.

If (an) Application Form(s) in respect of Open Offer Shares with an aggregate subscription price of €15,000, or its equivalent, or more is/are lodged by hand by the applicant in person, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example his/her valid full passport) and evidence of his/her address.

If an Application Form is delivered by hand and the accompanying payment is not the applicant's own cheque, the applicant should ensure that he/she has with him/her evidence of identity bearing his/her photograph, for example a valid full passport.

5. Overseas Shareholders

The making of the Open Offer to persons not resident in the United Kingdom or who are citizens of countries other than the United Kingdom may be affected by the laws or regulatory requirements of such relevant jurisdiction. No person receiving a copy of this document and/or the Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him/her and such Application Form could lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which have been fulfilled.

It is the responsibility of any person resident outside the United Kingdom or who is a citizen of a country other than the United Kingdom wishing to apply for any Open Offer Shares under the Open Offer to satisfy himself/herself as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required and compliance with any other formalities needing to be observed in such territory and payment of any issue, transfer or other taxes due in such territory.

Persons (including, without limitation, nominees and trustees) receiving a copy of this document and/or an Application Form in connection with the Open Offer must not distribute or send either of these documents in or into the United States, Canada, Australia, the Republic of Ireland, Japan or South Africa or their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations (together the "prohibited territories"). If a copy of this document and/or the Application Form is received by a person in any of the prohibited territories or by his/her agent or nominee of such person, he/she must not seek to take up any Open Offer Shares under the Open Offer. Any person who does forward a copy of this document and/or the Application Form into any prohibited territory, whether

pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this letter.

Catalyst reserves the right to accept or reject in its absolute discretion Application Forms received from persons in any prohibited territory or persons it believes are acquiring any Open Offer Shares for resale in any such territory. A Shareholder who is in any doubt as to his/her position should consult an appropriate professional adviser without delay. All payments in connection with an accepted Application Form must be made in pounds sterling.

In particular, Shareholders should note the following:

United States and Canada

As the Open Offer Shares are not being registered under the Securities Act and as the relevant exemptions are not being obtained from the appropriate provincial authorities in Canada, the Open Offer Shares are not being offered in or for purchase by persons resident in the United States or Canada or any territory or possessions thereof (“North America”). Applications from any North American person who appears to be or whom Catalyst or Strand Partners have reason to believe to be so resident or the agent of any person so resident may be deemed to be invalid. No Application Form will be sent to any Shareholder whose registered address is in North America. If any Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a North American person or the agent of a North American person so resident, he/she should not apply under the Open Offer.

Catalyst reserves the right to invite a limited number of Shareholders in the United States to apply for Open Offer Shares who may qualify as an institutional “accredited investor” as defined in Rule 501(a) under the Securities Act, under restrictions designed to preclude a distribution which would require registration of such Open Offer Shares under the Securities Act and otherwise to ensure compliance with the laws of the United States. Any such Open Offer Shares acquired by an institutional “accredited investor” will be deemed “restrictive securities” for purposes of US securities laws and subject to restrictions on re-sale or transfer. In addition, any such investor will be required to make certain representations and warranties to Catalyst in connection with any such investment.

For the purposes of this document, “North American person” means a “U.S. Person” as defined in Regulation S of the Securities Act or citizen or resident of North America including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of North America or any state or trust, the income of which is liable to Canadian income tax regardless of its services or any political sub-division thereof.

Australia

No prospectus in relation to the Open Offer Shares has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:

- (a) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or
- (b) distribute any draft or definitive document in relation to any such offer, invitation or sale

in the Commonwealth of Australia, its states, territories or possessions (“Australia”) or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including permanent establishment of such a corporation or entity located outside Australia).

Accordingly, this document and the Application Form will not be issued to Shareholders with registered addresses in, or to residents of, Australia.

Republic of Ireland

In order to comply with the laws of the Republic of Ireland, no Application Forms will be sent to Shareholders with registered addresses in the Republic of Ireland.

Japan

The Open Offer is not being made in Japan and the Open Offer Shares will not be available for purchase by any resident of Japan, including any corporations organised under the laws of Japan.

Other overseas territories

Shareholders resident in other overseas territories should consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

6. Taxation

The attention of Shareholders is drawn to paragraph 9 of Part VIII of this document. Shareholders who are in any doubt as to their tax position should consult a suitable professional adviser immediately.

7. Admission, dealings and settlement

Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the Open Offer becoming unconditional in all respects, it is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence on 5 April 2007.

Subject to the satisfaction of the conditions of the Open Offer, the Open Offer Shares will be registered in the names of the Qualifying Shareholders validly applying for them and issued as applicable either:

- (a) in certificated form, with the relevant share certificate expected to be dispatched by post, at the applicant's sole risk by 12 April 2007; or
- (b) in CREST, with delivery (to the designated CREST account) of the Open Offer Shares applied for expected to take place on 5 April 2007 unless the Company exercises its right to issue such Open Offer Shares in certificated form.

No temporary documents of title will be issued. All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her sole risk. Pending the dispatch of definitive share certificates, instruments of transfer will be certified against the register.

8. Further information

Your attention is drawn to the additional information set out in Parts I to III and V to VIII (inclusive) of this document and to the terms and conditions set out in the enclosed Application Form.

Yours faithfully

For and on behalf of
Catalyst Media Group plc

Michael Rosenberg
Chairman

PART V

ACCOUNTANTS' REPORT ON CATALYST

Nexia Smith & Williamson

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

12 March 2007

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

Dear Sirs

**Catalyst Media Group plc (“the Company”) together with its subsidiary undertakings
 (“the Group”)**

We report on the financial information set out on pages 52 to 73. This financial information has been prepared for inclusion in the Prospectus dated 12 March 2007 (“the Prospectus”) of the Company on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Paragraph 20.1 of Annex I of the Prospectus Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Rules, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records 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, other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 12 March 2007, a true and fair view of the state of affairs of Catalyst Media Group plc as at the dates stated and of its results, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1, and in accordance with UK GAAP as described in note 1 and has been prepared in a form that is consistent with the accounting policies adopted in Catalyst Media Group plc's latest annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Rules.

Yours faithfully

Nexia Smith & Williamson

25 Moorgate
London, EC2R 6AY

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<i>Year ended</i> <i>31 October</i> <i>2003</i>	<i>Year ended</i> <i>31 October</i> <i>2004</i>	<i>Period ended</i> <i>31 March</i> <i>2006</i>
	<i>Note</i>	£	£	£
Turnover				
Existing operations		264,522	794,623	391,003
Acquisitions		–	6,249,912	2,488,937
	1	<u>264,522</u>	<u>7,044,535</u>	<u>2,879,940</u>
Cost of sales	3	(118,485)	(6,843,917)	(2,237,219)
Gross profit		146,037	200,618	642,721
Operating expenses	4	(6,684,149)	(5,704,240)	(7,000,089)
Dividend income		–	–	2,205,403
		<u>–</u>	<u>–</u>	<u>2,205,403</u>
Operating loss				
Existing operations		(6,538,112)	(4,442,779)	(2,635,509)
Acquisitions		–	(1,060,843)	(1,516,456)
	5	<u>(6,538,112)</u>	<u>(5,503,622)</u>	<u>(4,151,965)</u>
Loss on sale of subsidiary		–	–	(1,946,513)
Interest receivable and similar income		7,673	29,195	99,704
Interest payable and similar charges	6	(15,341)	(80,660)	(710,334)
Loss on ordinary activities before taxation		(6,545,780)	(5,555,087)	(6,709,108)
Taxation on ordinary activities	7	204,269	(1,166)	699,249
Loss on ordinary activities after taxation	16	(6,341,511)	(5,556,253)	(6,009,859)
Minority interest		–	–	(219,750)
		<u>(6,341,511)</u>	<u>(5,556,253)</u>	<u>(6,229,609)</u>
Loss per ordinary share (pence)	19	<u>(7.76)</u>	<u>(4.13)</u>	<u>(1.27)</u>
Diluted loss per ordinary share (pence)	19	<u>(7.76)</u>	<u>(4.13)</u>	<u>(1.27)</u>

All activities are classed as continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Loss for the year	(6,341,511)	(5,556,253)	(6,229,609)
Currency translation differences	16,566	3,063	(69,746)
Total recognised losses in the year	<u>(6,324,945)</u>	<u>(5,553,190)</u>	<u>(6,299,355)</u>

CONSOLIDATED BALANCE SHEET

		<i>31 October</i> 2003	<i>31 October</i> 2004	<i>31 March</i> 2006
	<i>Note</i>	£	£	£
FIXED ASSETS				
Intangible assets	9A	3,342,067	5,255,822	3,067,352
Tangible assets	9b	171,617	258,216	89,367
Investments		–	–	22,193,670
		<u>3,513,684</u>	<u>5,514,038</u>	<u>25,350,389</u>
CURRENT ASSETS				
Debtors	11	186,595	1,744,291	472,438
Cash at bank		587,323	427,160	634,250
		773,918	2,171,451	1,106,688
CREDITORS – amounts falling due within one year	12	<u>(1,896,570)</u>	<u>(6,557,561)</u>	<u>(4,022,475)</u>
NET CURRENT LIABILITIES		<u>(1,122,652)</u>	<u>(4,386,110)</u>	<u>(2,915,787)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,391,032	1,127,928	22,434,602
CREDITORS – amounts falling due after more than one year (including convertible debt)	13	<u>(160,000)</u>	<u>(1,012,122)</u>	<u>(9,049,491)</u>
NET ASSETS		<u>2,231,032</u>	<u>115,806</u>	<u>13,385,111</u>
CAPITAL AND RESERVES				
Called up share capital	14	1,214,624	1,405,099	6,272,361
Shares to be issued	15	1,029,986	643,978	472,446
Share premium account	16	12,775,192	15,303,683	27,928,193
Merger reserve	16	1,295,676	2,402,674	2,402,674
Profit and loss account	16	<u>(14,089,438)</u>	<u>(19,642,628)</u>	<u>(25,941,983)</u>
		2,229,040	115,806	11,136,691
Minority interest		1,992	–	2,248,420
EQUITY SHAREHOLDERS' FUNDS		<u>2,231,032</u>	<u>115,806</u>	<u>13,385,111</u>

CONSOLIDATED CASH FLOW STATEMENT

		<i>Year ended</i> <i>31 October</i> <i>2003</i>	<i>Year ended</i> <i>31 October</i> <i>2004</i>	<i>Period ended</i> <i>31 March</i> <i>2006</i>
	<i>Note</i>	£	£	£
Net cash outflow from operating activities	(b)	(1,355,300)	(2,087,355)	(2,236,529)
Returns on investments and servicing of finance	(c)	(1,013)	(51,465)	(610,630)
Taxation		204,436	(1,166)	334,249
Capital expenditure and financial investment	(c)	(76,922)	(133,806)	(20,482)
Acquisition	(c)	(131,825)	(141,911)	(23,115,000)
Cash outflow before use of liquid resources and financing		(1,360,624)	(2,415,703)	(25,648,392)
Financing	(c)	1,509,073	2,255,540	25,855,482
Increase/(decrease) in cash	(a)	148,449	(160,163)	207,090

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> <i>2003</i>	<i>Year ended</i> <i>31 October</i> <i>2004</i>	<i>Period ended</i> <i>31 March</i> <i>2006</i>
		£	£	£
Increase/(decrease) in cash in the year		148,449	(160,163)	207,090
Issue of convertible loan note		(160,000)	–	–
Repayment of loan notes		–	129,470	–
Repayment of bank loan		–	263,318	699,301
Increase in bank loan		–	(51,494)	–
Increase in loans		–	–	(9,444,491)
Repayment of finance leases		–	63,868	44,161
Change in net debt resulting from cash flows		(11,551)	244,999	(8,493,939)
Loans and finance leases acquired with subsidiary		–	(2,551,366)	–
Translation difference		–	(2,850)	(86,182)
Movement in net funds/(debt)		(11,551)	(2,309,217)	(8,580,121)
Net funds/(debt) at beginning of period		438,874	427,323	(1,881,894)
Net funds/(debt) at end of period		427,323	(1,881,894)	(10,462,015)

(b) RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOW

	<i>Year ended</i> <i>31 October</i> 2003 £	<i>Year ended</i> <i>31 October</i> 2004 £	<i>Period ended</i> <i>31 March</i> 2006 £
Operating loss	(6,520,766)	(5,352,990)	(3,847,497)
Impairment of Intellectual Property Rights	1,995,235	2,194,000	2,457,021
Amortisation of Intellectual Property Rights	555,101	–	–
Amortisation of goodwill on acquisition	65,358	510,702	677,334
Prepayment write off	682,058	–	–
Depreciation	92,827	152,013	185,301
Loss on sale of fixed asset investments	12,755	803	–
Decrease/(increase) in debtors	199,019	(478,873)	1,314,051
Increase/(decrease) in creditors	1,547,567	875,955	(2,919,925)
Increase in minority interest	1,992	–	–
Exchange adjustment	13,554	11,035	(102,814)
Net cash outflow from operating activities	<u>(1,355,300)</u>	<u>(2,087,355)</u>	<u>(2,236,529)</u>

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

	<i>Year ended</i> <i>31 October</i> 2003 £	<i>Year ended</i> <i>31 October</i> 2004 £	<i>Period ended</i> <i>31 March</i> 2006 £
Returns on investments and servicing of finance			
Interest received	7,674	29,195	99,704
Dividends received	–	–	2,205,403
Interest paid	(8,687)	(66,559)	(692,406)
Interest on finance leases	–	(14,101)	(17,928)
	<u>(1,013)</u>	<u>(51,465)</u>	<u>1,594,773</u>
Capital expenditure and financial investment			
Purchase of intangible fixed assets	(37,093)	(73,811)	(161,446)
Purchase of tangible fixed assets	(39,829)	(59,995)	(30,467)
Disposal of tangible fixed assets	–	–	171,431
	<u>(76,922)</u>	<u>(133,806)</u>	<u>(20,482)</u>
Acquisitions			
Purchase of subsidiary/business	(131,825)	(141,911)	(23,115,000)
Financing			
Capital element of finance lease payments	–	(63,868)	(28,141)
Issue of convertible loan note	160,000	–	–
Issue of ordinary share capital	1,349,073	2,660,702	17,068,272
Repayment of bank loan	–	(263,318)	(690,106)
Repayment of loan notes	–	(129,470)	(2,700,509)
Increase in bank loan	–	51,494	–
Issue of loans	–	–	12,205,966
	<u>1,509,073</u>	<u>2,255,540</u>	<u>25,855,482</u>

(d) ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)**Year ended 31 October 2003**

	<i>At</i> <i>31 October</i> <i>2002</i> £	<i>Cash flows</i> £	<i>At</i> <i>31 October</i> <i>2003</i> £
Cash at bank and in hand	438,874	148,449	587,323
Debt due after one year	–	(160,000)	(160,000)
	<u>438,874</u>	<u>(11,551)</u>	<u>427,323</u>

Year ended 31 October 2004

	<i>At</i> <i>31 October</i> <i>2003</i> £	<i>Cash flows</i> £	<i>Acquisition</i> £	<i>Exchange</i> <i>Movement</i> £	<i>At</i> <i>31 October</i> <i>2004</i> £
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>

Period ended 31 March 2006

	<i>At</i> <i>31 October</i> <i>2004</i> £	<i>Cash flows</i> £	<i>Exchange</i> <i>Movement</i> £	<i>At</i> <i>31 March</i> <i>2006</i> £
Cash at bank and in hand	427,160	207,090	–	634,250
Loan notes	(1,024,645)	–	(60,967)	(1,085,612)
Bank loans	(811,134)	699,301	(9,195)	(121,028)
Convertible loan note	(160,000)	–	–	(160,000)
Finance leases	(313,275)	44,161	(16,020)	(285,134)
Other loans	–	(9,444,491)	–	(9,444,491)
Total	<u>(1,881,894)</u>	<u>(8,493,939)</u>	<u>(86,182)</u>	<u>(10,462,015)</u>

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

The financial information is prepared in accordance with applicable United Kingdom accounting standards and in accordance with UK GAAP. The particular accounting policies adopted are described below. All the accounting policies have been applied consistently throughout the period.

The financial information has been extracted from the financial statements of Catalyst Media Group plc, other than the amendments set out in note 23 made to comply with the provisions of FRS20: Share-based payments which the Group will have to comply with in the year end 31 March 2007 financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Going concern

The directors have prepared the financial information on the basis that the Group is a going concern as the forecasts the directors have prepared indicate that the Group will have sufficient cash resources to satisfy liabilities as they fall due. The principal assumption underlying the forecasts relates to a dividend receipt from Satellite Information Services (Holdings) Limited in 2007 as well as securing additional financing. The financial statements do not include any adjustments that would result if this going concern basis was not appropriate.

Basis of consolidation

This financial information consolidates the financial statements of Catalyst Media Group Plc and all of its subsidiaries at the period end.

Newsplayer Limited has been consolidated using acquisition accounting principles but the difference between the nominal value of the shares issued by Catalyst Media Group Plc in exchange for shares in Newsplayer Limited and the nominal value of the shares held in Newsplayer Limited has been transferred to a merger reserve.

The Group's interest in Satellite Information Services (Holdings) Limited is held as a fixed asset investment reflecting the underlying nature and purpose of the stake. All other subsidiaries 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 the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between 10 years to 20 years. Provision is made for any impairment in value.

Intangible fixed assets– intellectual property rights

The Group writes off intellectual property rights in full during the period in which they are 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.

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

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

Investments

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

Deep discounted bonds

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

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when 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 and related lease obligations are recorded in the balance sheet at the fair value of the leased asset at the inception of the lease. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

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

Foreign currency

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

Revenue recognition and turnover

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

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

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

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 2003 Number</i>	<i>Year ended 31 October 2004 Number</i>	<i>Period ended 31 March 2006 Number</i>
Sales	3	5	4
Administration	6	61	26
	<u>9</u>	<u>66</u>	<u>30</u>

(b) Employee Costs

were as follows:

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Wages and salaries (including executive Directors)	726,109	2,422,690	2,326,788
Social security costs	86,515	202,026	188,329
	<u>812,624</u>	<u>2,624,716</u>	<u>2,515,117</u>

(c) Emoluments of Directors

of the company were as follows:

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Emoluments	481,351	809,853	809,243

Directors' emoluments includes bonuses of £47,757 (2004: £125,535; 2003: £50,000).

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Highest paid Director's emoluments	<u>193,162</u>	<u>187,741</u>	<u>275,548</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 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Existing operations	118,485	547,427	428,418
Acquisitions	–	6,296,490	1,808,801
	<u>118,485</u>	<u>6,843,917</u>	<u>2,237,219</u>

4. OPERATING EXPENSES

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Existing operations	6,635,517	5,704,240	4,804,497
Acquisitions	48,632	–	2,195,592
	<u>6,684,149</u>	<u>5,704,240</u>	<u>7,000,089</u>

5. OPERATING LOSS

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Operating loss is arrived at after charging:			
Depreciation – owned assets	92,827	152,013	185,301
Amortisation of rights	555,101	–	–
Amortisation of goodwill	65,359	510,702	677,334
Auditors' remuneration:			
group audit fees	35,500	32,000	29,000
non-audit services	–	73,778	15,164
non-audit services (paid to related companies of the auditors)	55,035	23,500	85,000
Rentals under operating leases	69,375	321,790	390,268
Exceptional items:			
Impairment of intellectual property rights	1,995,234	–	–
	<u>1,995,234</u>	<u>–</u>	<u>–</u>

Audit fees of £14,000 (2004: £10,333; 2003: £15,000) were paid in respect of the holding company.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Interest on other loans	15,341	80,660	710,334

7. TAX ON LOSS ON ORDINARY ACTIVITIES

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

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
United Kingdom corporation tax at 30% (2004: 30%: 2003: 30%) of taxable profit	–	–	–
Overcharge for prior years	(205,631)	–	–
Foreign tax	1,362	–	–
Consortium relief	–	–	(700,000)
Adjustments to prior year tax provisions	–	1,166	751
	<u>(204,269)</u>	<u>1,166</u>	<u>(699,249)</u>

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

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Loss on ordinary activities before taxation	(6,341,511)	(5,556,253)	(6,229,609)
Loss for the period multiplied by the standard rate of corporation tax of 30%	(1,902,453)	(1,666,876)	(1,868,883)
Effects of:			
Expenses not deductible for tax purposes	138,011	71,785	2,121,341
Income not taxable	–	–	(661,620)
Non-utilisation of tax losses	2,172,980	1,591,033	(499,084)
Capital allowances in excess of depreciation	–	4,058	214
Other timing differences	–	–	208,032
Foreign tax	1,362	–	–
(Over)/under provision in respect of prior periods	(205,631)	1,166	751
Current tax (credit)/charge for the period	<u>(204,269)</u>	<u>1,166</u>	<u>(699,249)</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 £3,012,950 (2004: £989,200, 2003: £1,874,280).

8. LOSS OF PARENT COMPANY

	<i>Year ended 31 October 2003 £</i>	<i>Year ended 31 October 2004 £</i>	<i>Period ended 31 March 2006 £</i>
Parent company's loss for the financial period	(2,051,949)	(12,494,120)	(6,567,880)

9. (a) INTANGIBLE FIXED ASSETS

	<i>Development Expenditure £</i>	<i>Goodwill £</i>	<i>Intellectual property rights £</i>	<i>Total £</i>
COST				
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	64,484	7,975,331	4,213,834	12,253,649
Additions	30,467	2,950,000	–	2,980,467
Disposals	–	(2,668,912)	–	(2,668,912)
Foreign exchange adjustment	–	11,079	–	11,079
	94,951	8,267,498	4,213,834	12,576,283
AMORTISATION				
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)
Foreign exchange movement	–	5,541	–	5,541
At 31 October 2004	–	(2,783,993)	(4,213,834)	(6,997,827)
Charge for the period	(94,951)	(582,383)	–	(677,334)
Disposal	–	627,700	–	627,700
Impairment	–	(2,457,021)	–	(2,457,021)
Foreign exchange movement	–	(4,449)	–	(4,449)
At 31 March 2006	(94,951)	(5,200,146)	(4,213,834)	(9,508,931)
NET BOOK VALUE				
At 31 October 2003	–	3,342,067	–	3,342,067
At 31 October 2004	64,484	5,191,338	–	5,255,822
At 31 March 2006	–	3,067,352	–	3,067,352

9. (b) TANGIBLE FIXED ASSETS

*Fixtures, fittings and
computer equipment*
£

COST

At 31 October 2002	369,423
Acquired with subsidiary	20,345
Additions	19,484
Disposals	(28,180)
At 31 October 2003	381,072
Acquired with subsidiary	141,303
Additions	59,995
Disposals	(1,133)
Foreign exchange movement	29,498
At 31 October 2004	610,735
Additions	161,446
Disposals	(343,938)
Foreign exchange movement	26,438
At 31 March 2006	454,681

DEPRECIATION

At 31 October 2002	(132,053)
Charge for the period	(92,827)
Disposals	15,425
At 31 October 2003	(209,455)
Charge for the period	(152,013)
Disposals	330
Foreign exchange movement	8,619
At 31 October 2004	(352,519)
Charge for the period	(185,301)
Disposals	172,506
At 31 March 2006	(365,314)

NET BOOK VALUE

At 31 October 2003	171,617
At 31 October 2004	258,216
At 31 March 2006	89,367

The net book value includes an amount of £nil (2004: £101,335, 2003: nil) in respect of assets held under finance leases.

10. FIXED ASSET INVESTMENTS

	<i>Unlisted Shares</i>
	£
Cost	
At 31 October 2003 and 31 October 2004	–
Additions	23,193,670
At 31 March 2006	<u>23,193,670</u>

Unlisted investments

The Group holds share capital in the following unlisted company:

	<i>Country of incorporation and operation</i>	<i>Activity</i>	<i>Percentage of ordinary shares held</i>
Satellite Information Services (Holdings) Limited*	England & Wales	Data display systems and broadcast services	17.7%

* the Group's investment is held through a subsidiary undertaking, Alternateport Limited.

Analysis of material acquisitions

On 2 September 2005 the Group acquired 100 per cent. of Alternateport Limited for cash consideration of £23 million, including costs, the total consideration was £26.43 million.

Analysis of the Alternateport Limited acquisition

	<i>Book Value and fair value to Group</i>
	£
Fixed asset investment	23,115,000
Creditors	(12,740,000)
Net assets	<u>10,375,000</u>
Less: minority interest	(2,075,000)
Goodwill arising on consideration	2,950,000
Consideration	<u>11,250,000</u>

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

10. FIXED ASSET INVESTMENTS (continued)

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.

Analysis of the Global Media Services acquisition

	<i>Book Value and fair value to Group £</i>
Tangible fixed assets	20,345
Investments	5,032
Debtors	22,453
Net assets	<u>47,830</u>
Goodwill arising on acquisition	3,205,551
Consideration	<u>3,253,381</u>

11. DEBTORS

	<i>As at 31 October 2003 £</i>	<i>As at 31 October 2004 £</i>	<i>As at 31 March 2006 £</i>
Trade debtors	89,069	658,335	112,547
Other debtors	52,608	144,808	201,478
Called up share capital not paid	1,000	10,500	–
Prepayments and accrued income	43,918	930,648	158,413
	<u>186,595</u>	<u>1,744,291</u>	<u>472,438</u>

12. CREDITORS: amounts falling due within one year

	<i>As at 31 October 2003 £</i>	<i>As at 31 October 2004 £</i>	<i>As at 31 March 2006 £</i>
Bank loans	–	759,640	121,028
Other loans (including convertible loan note)	–	387,138	1,640,612
Obligations under finance leases and hire purchase contracts	–	191,012	285,134
Trade creditors	275,370	2,234,625	296,980
Taxation and social security	32,419	238,657	61,799
Other creditors	905,031	1,314,948	516,390
Accruals and deferred income	683,750	1,431,541	1,100,532
	<u>1,896,570</u>	<u>6,557,561</u>	<u>4,022,475</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>2003</i> £	<i>As at</i> <i>31 October</i> <i>2004</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Bank loan	–	51,494	–
Other loans (including convertible loan note)	160,000	797,507	–
Deep discounted bonds	–	–	9,049,491
Obligations under finance leases and hire purchase contracts	–	122,263	–
Other creditors	–	40,858	–
	<u>160,000</u>	<u>1,012,122</u>	<u>9,049,491</u>

Bank loan

At 31 March 2006 the Group bank loan is bearing interest at 1 per cent. above the bank base rate. The bank loan is secured by guarantees given by the Company and certain of its subsidiaries, and is repayable by 31 October 2006.

Other loans (including convertible loan note)

The £160,000 convertible loan note, unless previously repaid or converted, was due to be redeemed at par on 23 February 2006. Interest is payable at 6 per cent. per annum. The note may be converted at any time in multiples of £10,000 into ordinary 1p shares and the rate of conversion will be 20p nominal amount of ordinary shares for every £1 nominal of the notes converted. Conversion is at the option of the Noteholder. The Noteholder has not demanded repayment at the period end, nor has the note been converted.

The other loans balance includes loan notes repayable over 3 years that are deemed to include imputed interest, and an additional loan of £395,000 attracting interest at a rate of 2 per cent. above LIBOR per annum, that is secured on future tax consortium relief payments.

Loan notes

The loan notes, which are denominated in US\$, to the BPI vendors, are repayable in 36 equal instalments with the final payment due on 1 March 2007. In the event of default in repayment of the loan notes, interest is payable at a rate of 12 per cent. per annum on the outstanding amount which may be deemed immediately due and payable. Otherwise the loan notes are interest free.

Deep discounted bonds

To facilitate the acquisition of Alternateport Limited, Catalyst Media Holdings Limited, a subsidiary, issued two deep discount bonds to Eureka Interactive Fund Limited (“Eureka”). The net proceeds received in respect of the two bonds was £11,750,000 with an ultimate potential liability on redemption of £10,648,000 in 2008 and £6,039,413 in 2010 (together the “Maturity Dates”). If the bonds are repaid prior to the Maturity Dates, they are redeemed at an amount per £1 as set out in the agreement between Catalyst Media Holdings Limited and Eureka.

The Directors have estimated the likely level of repayment prior to the Maturity Date and the total amount payable. The difference between the net proceeds and the estimate of the total amount payable has been spread over the expected period of the loan as a finance cost, resulting in a charge to the profit and loss account in the period of £611,542.

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

Financial instruments

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

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 the risk, but monitors the change in rates and takes appropriate action as deemed necessary. The Group's overall exposure to the US dollar at 31 March 2006 was immaterial due to its withdrawal from the US market.

Of the Group's financial instruments at 31 March 2006 a total of £516,028 (31 October 2004: £811,134, 31 October 2003: £nil) attracts floating interest rates, the remaining debt at 31 March 2006 of £10,580,237 (31 October 2004: £1,497,920, 31 October 2003: £160,000) has fixed interest rates. All debt is subject to interest charges. The directors believe the fair value of the Group's financial instruments is not materially different to their book value.

14. CALLED UP SHARE CAPITAL

	<i>As at 31 October 2003 £</i>	<i>As at 31 October 2004 £</i>	<i>As at 31 March 2006 £</i>
Authorised			
950,000,000 (2004: 200,000,000; 2003: 130,000,000) ordinary shares of 1p each	1,300,000	2,000,000	9,500,000
	£	£	£
Allotted, issued and fully paid			
627,236,153 (2004: 140,509,939; 2003: 121,462,433) ordinary shares of 1p each	1,214,624	1,405,099	6,272,361

14. CALLED UP SHARE CAPITAL (continued)

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

	<i>Date</i>	<i>Number of shares</i>	<i>Price</i>	<i>Consideration (£)</i>
At 31 October 2002	69,268,797			
	April 2003	3,000,000	5p	150,000
	August 2003	16,455,003	4.5p	740,475
	September 2003	7,546,154	6.5p	490,500
	September 2003	24,067,489	8.5p	2,045,737
	October 2003	1,125,000	5p	56,250
At 31 October 2003		<u>121,462,443</u>		
	November 2003	125,000	20p	25,000
	February 2004	13,096,191	21p	2,750,200
	April 2004	5,826,305	20p	1,165,261
At 31 October 2004		<u>140,509,939</u>		
	November 2004	22,000,000	5p	1,100,000
	December 2004	14,678,968	7.75p	1,137,620
	May 2005	7,274,286	3.5p	254,600
	May 2005	5,600,000	1p	5,600
	July 2005	367,404	7.75p	28,474
	September 2005	2,500,000	4p	100,000
	September 2005	555,556	18p	100,000
	September 2005	433,750,000	4p	17,350,000
At 31 March 2006		<u>627,236,153</u>		

At 31 March 2006 there were 9,245,083 (2004: 9,164,000; 2003: 7,500,000) unapproved share options under the Executive Share Option Scheme and 27,385,869 (2004: nil; 2003: nil) share options under the Enterprise Management Incentive scheme. There were 18,000,000 warrants in issue, exercisable at any time up to and including 21 May 2010 and further warrants in issue for 1 per cent. of the issued share capital of the company at the time of exercise of the warrant exercisable at any time up to and including 4 August 2010.

15. SHARES TO BE ISSUED

Under the arrangements of the deferred consideration on the purchase of Global Media Services (“GMS”) in the year ended 31 October 2004 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. The deferred consideration was finalised in the period ended 31 March 2006, with 5,600,000 issued.

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 2002	692,688	–	11,707,380	(509,386)	(7,761,493)	4,129,189
Loss for the year	–	–	–	–	(6,341,511)	(6,341,511)
Foreign exchange movement	–	–	–	–	16,566	16,566
Acquisition of Global Media						
Services (GMS)	240,675	1,012,640	–	1,805,062	–	3,058,377
Issue of share options	–	17,346	–	–	–	17,346
Share issue	281,261	–	1,067,812	–	–	1,349,073
At 31 October 2003	1,214,624	1,029,986	12,775,192	1,295,676	(14,089,438)	2,229,040
Loss for the year	–	–	–	–	(5,556,253)	(5,556,253)
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
Issue of share options	–	150,632	–	–	–	150,632
Reduction in estimated deferred consideration		(536,640)	–	–	–	(536,640)
At 31 October 2004	1,405,099	643,978	15,303,683	2,402,674	(19,642,528)	115,806
Loss for the period	–	–	–	–	(6,229,609)	(6,229,609)
Share issue (net of costs)	4,867,262	(476,000)	12,624,510	–	–	17,015,772
Issue of share options	–	304,468	–	–	–	304,468
Foreign exchange movement	–	–	–	–	(69,746)	(69,746)
	6,272,361	472,446	27,928,193	2,402,674	(25,941,983)	11,136,691

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 2003</i>	<i>As at 31 October 2004</i>	<i>As at 31 March 2006</i>
	£	£	£
Less than one year	69,375	–	73,587
Within two to five years	–	305,229	50,000
More than five years	–	53,831	–

18. FINANCE LEASE COMMITMENTS

	<i>As at 31 October 2003</i>	<i>As at 31 October 2004</i>	<i>As at 31 March 2006</i>
	£	£	£
Less than one year	–	183,210	285,134
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 £6,229,609 (2004: £5,556,253; 2003: £6,229,609), by 488,640,167 issued ordinary shares (2004: 134,349,876; 2003: 80,225,329), being the weighted average number of ordinary shares in issue during each period.

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.

20. RELATED PARTY TRANSACTIONS

Sir David Frost OBE

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 5 years in respect of royalties for rights to his interviews.

On 23 February 2003, the company issued £160,000 6 per cent. convertible secured loan notes 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.

Royalty payments of £705,250 were due to David Paradine Productions Limited, a company controlled by Sir David Frost OBE, in the period of which £200,000 was settled in shares and £176,500 was paid during the period. The balance outstanding at 31 March 2006 of £328,750, of which £152,500 was settled in shares in May 2006.

Adam Cohen

During the period the Group paid Adam Cohen a total of US\$8,000 (2004: US\$48,000; 2003: US\$nil) for rent and storage of Group equipment. In February 2006 the Group paid Adam Cohen \$19,500 in respect of loans to the company from Mr Cohen which were outstanding at the date of acquisition of GMS Inc. Adam Cohen resigned as a director on 27 May 2005.

Steven Smith

During the period ended 31 March 2006 the Group paid Steven Smith £365,245 (2004: £118,811; 2003: £nil) in respect of director fees and consultancy fees and repaid loans of £639,101 to Reef Securities, a company of which Steven Smith is a director. The Group issued 18 million warrants at 2.5p per warrant to Reef Securities which have not yet been exercised. Steven Smith resigned as a director on 27 May 2005.

21. POST BALANCE SHEET EVENTS

In May 2006, 3,100,264 new ordinary shares of 1 pence each were issued at 3.79 pence per share to settle the total sum of £117,500, 437,500 new ordinary shares of 1 pence each were issued at 4 pence per share to settle the total sum of £17,500 and 97,222 new ordinary shares of 1 pence each were issued at 18 pence per share to settle the total sum of £17,500 all to Paradine Productions, a company owned by Sir David Frost OBE.

In June 2006, CMG plc reached an agreement in principle with Eureka Interactive Fund Ltd to purchase their 20 per cent. stake in CMH for £5.5 million in cash. This consideration will be funded from the proceeds of the anticipated SIS dividend and if necessary through bank finance secured against the shares in SIS. This transaction will result in CMH becoming a wholly-owned subsidiary of the Group, which will then benefit from the full 22.19 per cent. shareholding in SIS.

In June 2006, 44,444,446 new ordinary shares of 1 pence were agreed to be issued at 4.5 pence per share to YooMedia plc for an exclusive five year licence for the head to head version of Tringo, fixed odds games such as Roulette, Keno and Dice games, and a 5 year licence for the Engage technology platform. 32.78 million shares were issued immediately and the remaining 11.66 million shares will be issued once the business specification work is completed.

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

In August 2006, CMG acquired the entire issued share capital of Spoof.com Ltd which has developed an on-line, head to head version of the traditional pub game, "Spoof". CMG acquired 9.09 per cent. of Spoof.com Ltd in November 2005 for £25,000. The agreed acquisition of the remaining 90.91 per cent. will be satisfied by the issue up to 55,556,107 new ordinary shares of 1 pence at 4.5 pence per share.

22. CONTINGENT LIABILITIES

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

Claims have been lodged by creditors against Betelgeuse Productions Inc, alleging breach of contract. The claims have been estimated that the maximum liability should the actions be successful is the order of \$175,000. The group has taken legal advice to the effect that one of these legal actions is likely to succeed and an accrual of \$55,000 has been made in the financial statements accordingly.

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

23. SHARE BASED OPTIONS

Equity settled share option scheme

The Company has a share option scheme for certain employees. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. Options are forfeited if the employee leaves the Group before the options vest.

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

	<i>31 October 2003</i>		<i>31 October 2004</i>		<i>31 March 2006</i>	
	<i>No of Share Options</i>	<i>Weighted average exercise price (p)</i>	<i>No of Share Options</i>	<i>Weighted average exercise price (p)</i>	<i>No of Share Options</i>	<i>Weighted average exercise price (p)</i>
Outstanding at beginning of period	–	–	7,350,000	5.22	11,264,000	10.40
Granted during the period	7,350,000	5.22	4,164,000	20.00	30,130,952	4.00
Lapsed during the period	–	–	(250,000)	(18.00)	(11,424,451)	(8.12)
Outstanding at the end of the period	<u>7,350,000</u>	<u>5.22</u>	<u>11,264,000</u>	<u>10.40</u>	<u>29,970,501</u>	<u>4.83</u>
Exercisable at the end of the period	–	–	–	–	–	–

No share options were exercised in the period.

The exercise price of the share options outstanding at 31 March 2006, 31 October 2004 and 31 October 2003 ranged from 4p to 20p, with a weighted average contractual life of 3 years. The aggregate of the estimated fair value of the options at 31 March 2006 is £304,468 (31 October 2004: £150,632; 31 October 2003: £17,346).

The inputs into the Black-Scholes model used to value options granted before 4 August 2005 are as follows:

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

The inputs into the Monte Carlo model used to value the remaining options are as follows:

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

PART VI

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The following is the full text of the unaudited interim results for Catalyst for the period ended 30 September 2006, announced on 30 November 2006.

“OVERVIEW

CMG is a media company that manages and distributes high quality audio-visual content using interactive digital technology. Through its subsidiary and associated companies, CMG provides services to support clients' online strategies and is a partner to media companies in the digitalisation and distribution of broadcast content. CMG also holds its own rights, specialising in historic entertainment and educational content, generating revenues from the licensing of content globally to third parties.

CMG also owns a 22.2 per cent. stake in Satellite Information Services (Holdings) Limited (“SIS”), the leading producer of video, audio and data to over 9,700 licensed betting offices in the UK and Ireland. SIS is also the leading satellite uplink contractor in Europe, providing link units to a variety of clients including television news companies and sports event organisers.

OPERATIONAL HIGHLIGHTS

In September 2006, the Company exercised its call option to acquire the 20 per cent. interest not held by it in its subsidiary Catalyst Media Holdings Limited (“CMHL”) from Eureka Interactive Fund Ltd (“Eureka”), for a cash consideration of £5.5 million. CMHL is now a wholly owned subsidiary of CMG. As a result of this transaction CMG now owns a 22.2 per cent. stake in SIS and will therefore receive 22.2 per cent. of future dividends paid by SIS. The Board are confident that the enhanced interest will strengthen our earnings and net asset base.

In September 2006 CMG also repaid the balance of £10.64 million to redeem the Deep Discount Bonds held by Eureka, which were issued to Eureka at the time of CMG's acquisition of an interest in SIS. In order to finance these transactions and the associated costs, CMG has drawn down £17.3 million of an £18.625 million facility that has been arranged with Investec Bank (UK) Limited (“Investec”), on terms which are more favourable than those provided by Eureka.

SIS continues to perform ahead of expectations and the Board believes that a substantial dividend is to be paid in the first quarter of 2007, which, if paid, would be applied to the repayment of a significant proportion of the Investec facility. For the financial year ended 31 March 2006, SIS generated turnover of £127.6 million (2005: £117.7 million) and profit after tax of £14.6 million (2005: £11.8 million).

In June 2006, the Company announced its intention to launch an on-line gaming platform complete with a suite of fixed odds and exclusive head to head games. CMG acquired an exclusive five year licence from YooMedia plc (“YooMedia”) for the head to head version of Tringo and acquired the entire issued share capital of Spoof.com Limited which has developed a head to head version of the traditional pub game, “Spoof”. YooMedia are developing the technology platform and integrating the games which will enable players to compete across mobile phones, television and computers. The platform is expected to be launched in the second quarter of 2007.

FINANCIAL RESULTS

The Company recorded a loss for the six month period ended 30 September 2006 of £0.5 million (compared to a loss of £1.4 million for the first six months to 30 April 2005 of the previous 17 month accounting period to 31 March 2006). This reflects the Board's continued commitment to reduce costs and de-risk the business following the acquisition of a stake in SIS in September 2005. There is no contribution in these results from the investment in SIS as no dividend was received during the period. SIS has, in the recent past, had a policy of declaring a dividend every four years. In line with this policy, the Board believes a significant dividend from SIS will be paid in the first quarter of 2007 which, if paid will have a direct impact on profits and earnings. No dividend has been paid or is proposed by the Company.

OUTLOOK

The acquisition of the remaining stake in SIS is a very positive development for the Group enhancing both asset value and dividend earnings potential. CMG is well placed to seek opportunities that will leverage our existing operating businesses and drive value for shareholders and is now actively examining ways to achieve this objective.

Paul Duffen

Chief Executive Officer

Results for the 6 months ended 30 September 2006

Consolidated profit and loss account

For the 6 months ended 30 September 2006

	Note	6 months ended 30 September 2006 (Unaudited) £	5 months ended 31 March 2006 (Unaudited) £	17 months ended 31 March 2006 (Audited) £
Turnover				
Continuing operations	1	138,949	166,217	391,003
Discontinued operations		–	74,583	2,488,937
		<u>138,949</u>	<u>240,800</u>	<u>2,879,940</u>
Cost of sales		(11,695)	(60,643)	(2,237,219)
		<u>127,254</u>	<u>180,157</u>	<u>642,721</u>
Gross profit				
Operating expenses:				
– goodwill impairment		–	–	(2,457,021)
– other		(661,558)	(73,353)	(4,238,600)
Dividend income		–	–	2,205,403
Operating profit/(loss)	2			
Continuing operations		(534,304)	(1,406,367)	(2,331,041)
Discontinued operations		–	1,513,171	(1,516,456)
		<u>(534,304)</u>	<u>106,804</u>	<u>(3,847,497)</u>
Loss on disposal of subsidiary		–	(310,519)	(1,946,513)
Interest receivable and similar income		3,112	1,619,488	99,704
Interest payable		(493,771)	(427,827)	(710,334)
		<u>(1,024,963)</u>	<u>987,946</u>	<u>(6,404,640)</u>
Profit/(loss) on ordinary activities before taxation				
Taxation		329,500	547,250	699,249
		<u>(695,463)</u>	<u>1,535,196</u>	<u>(5,705,391)</u>
Profit/(loss) on ordinary activities after taxation				
Minority Interest		198,371	(150,957)	(219,750)
		<u>(497,092)</u>	<u>1,384,239</u>	<u>(5,925,141)</u>
Profit/(loss) for the period				
Note 3:				
Basic and diluted loss per ordinary share		(0.07p)	0.28p	(1.21p)
Basic and diluted loss per ordinary share:				
continuing operations		(0.07p)	(0.45p)	(0.94p)
Basic and diluted loss per ordinary share:				
discontinued operations		–	0.74p	(0.27p)

Consolidated Statement of Total Recognised Gains and Losses

For the six months ended 30 September 2006

	<i>6 months ended 30 September 2006 £</i>	<i>17 months ended 31 March 2006 £</i>
Loss for the period	(497,092)	(5,925,141)
Currency translation difference	32,848	(69,746)
Total recognised loss for the period	<u>(464,244)</u>	<u>(5,994,887)</u>

Consolidated Balance Sheet

As at 30 September 2006

		At 30 September 2006 £	At 31 March 2006 £
	<i>Note</i>		
Fixed assets			
Intangible assets	4	10,072,760	3,067,352
Tangible assets		68,636	89,367
Investments		22,240,000	22,193,670
		<u>32,381,396</u>	<u>25,350,389</u>
Current assets			
Debtors	5	414,908	472,438
Cash at bank		773,636	634,250
		<u>1,188,544</u>	<u>1,106,688</u>
Creditors: amounts falling due within one year	6	(1,732,185)	(4,022,475)
Net current liabilities		<u>(543,641)</u>	<u>(2,915,787)</u>
Total assets less current liabilities		31,837,755	22,434,602
Creditors: amounts falling due after more than one year	7	(17,305,000)	(9,049,491)
Net assets		<u>14,532,755</u>	<u>13,385,111</u>
Capital and reserves			
Called up share capital		7,143,196	6,272,361
Share premium account		30,896,287	27,928,193
Merger reserve		2,402,674	2,402,674
Profit and loss account		(25,909,402)	(25,466,537)
Equity shareholders' funds	9	14,532,755	11,136,691
Minority interest		–	2,248,420
		<u>14,532,755</u>	<u>13,385,111</u>

Consolidated Cash Flow Statement

For the six months ended 30 September 2006

		6 months ended 30 September 2006	17 months ended 31 March 2006
	Note	£	£
Net cash inflow/(outflow) from operating activities	10	190,240	(2,236,529)
Returns on investment and servicing of finance	11	(490,659)	(610,630)
Taxation		329,500	334,249
Capital expenditure	11	(616)	(20,482)
Acquisitions	11	(5,979,695)	(23,115,000)
Cash outflow before financing		(5,951,230)	(25,648,392)
Financing	11	6,090,616	25,855,482
Increase in cash	12	139,386	207,090

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES AND ADDITIONAL INFORMATION

These interim results for the six month period ended 30 September 2006 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have been neither reviewed nor audited by our auditors. The financial information for the 17 month period ended 31 March 2006 is derived from the statutory accounts for that period and have been delivered to the Registrar and included the auditors' report which was unqualified and did not contain a statement either under section 237(2) or 237(3) of the Companies Act 1985.

The accounting policies are consistent with those applied in the preparation of the statutory accounts for the 17 month period ended 31 March 2006.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

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

Newsplayer Limited has been consolidated using acquisition accounting principles but the difference between the nominal value of the shares issued by Catalyst Media Group plc in exchange for shares in Newsplayer Limited and the nominal value of the shares held in Newsplayer Limited has been transferred to a merger reserve. The interest in Satellite Information Services (Holdings) Limited is held as a fixed asset investment reflecting the underlying nature and purpose of the stake. All other subsidiaries have been consolidated using acquisition accounting principles.

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.

2. OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<i>6 months ended 30 September 2006 £</i>	<i>17 months ended 31 March 2006 £</i>
Operating loss is stated after charging:		
Amortisation of goodwill	9,783	677,334
Depreciation	12,939	185,301
	<hr/>	<hr/>

3. LOSS PER SHARE

The calculation of basic loss per share has been based on the loss after taxation and minority interest for the period 6 months to 30 September 2006 of £497,092 (17 months to 31 March 2006; £5,925,141) and the weighted average number of ordinary shares in issue during the period of 686,217,802 (17 months to 31 March 2006; 488,640,167).

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 22 "Earnings per Share".

4. INTANGIBLE FIXED ASSETS

	<i>Development Expenditure</i>	<i>Licences</i>	<i>Goodwill</i>	<i>Intellectual Property</i>	<i>Total</i>
	£	£	£	£	£
Cost					
At 1 April 2006	94,951	–	8,267,498	4,213,834	12,576,283
Additions	1,212,845	950,000	4,860,354	–	7,023,199
Disposals	–	–	–	–	–
Foreign exchange adjustments	–	–	(14,449)	–	(14,449)
At 31 March 2006	<u>1,307,796</u>	<u>950,000</u>	<u>13,113,403</u>	<u>4,213,834</u>	<u>19,585,033</u>
Amortisation					
At 1 April 2006	(94,951)	–	(5,200,146)	(4,213,834)	(9,508,931)
Charge for the period	–	–	(9,783)	–	(9,783)
Disposals	–	–	–	–	–
Foreign exchange adjustments	–	–	6,441	–	6,441
At 31 March 2006	<u>(94,951)</u>	<u>–</u>	<u>(5,203,488)</u>	<u>(4,213,834)</u>	<u>(9,512,273)</u>
Net book value					
At 30 Sept 2006	<u>1,212,845</u>	<u>950,000</u>	<u>7,909,915</u>	<u>–</u>	<u>10,072,760</u>
At 31 March 2006	<u>–</u>	<u>–</u>	<u>3,067,352</u>	<u>–</u>	<u>3,067,352</u>

4. INTANGIBLE FIXED ASSETS (continued)

Analysis of Acquisition

During the period, Catalyst Media Group plc purchased the remaining 20 per cent. of its subsidiary Catalyst Media Holdings Limited (“CMHL”) for £5.5 million, with costs total consideration was £5.97 million. The group also acquired the entire issued share capital of Spoof.com Limited for total consideration of £1.16 million. The fair value and book value of these companies’ assets were;

	<i>At</i> <i>30 September</i> <i>2006</i> £	<i>At</i> <i>30 September</i> <i>2006</i> £	<i>At</i> <i>30 September</i> <i>2006</i> £
	<i>CMHL</i>	<i>Spoof.com</i> <i>Limited</i>	<i>Total</i>
Fixed Assets	4,623,000	150,287	4,773,287
Current Assets	–	42,871	42,871
Creditors	(2,548,000)	–	(2,548,000)
Net Assets	2,075,000	193,158	2,268,158
Goodwill arising on consideration	3,892,137	968,217	4,860,354
Consideration	<u>5,967,137</u>	<u>1,161,375</u>	<u>7,128,512</u>

5. DEBTORS

	<i>At</i> <i>30 September</i> <i>2006</i> £	<i>At</i> <i>31 March</i> <i>2006</i> £
Trade debtors	99,316	112,547
Other debtors (including £116,717 due in greater than one year)	209,177	201,478
Prepayments and accrued income	106,415	158,413
	<u>414,908</u>	<u>472,438</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>At</i> <i>30 September</i> <i>2006</i> £	<i>At</i> <i>31 March</i> <i>2006</i> £
Bank loan and overdraft	47,457	121,028
Other loans (including convertible loan note)	390,000	1,640,612
Obligations under finance leases	116,562	285,134
Trade creditors	363,294	296,980
Other taxation and social security	93,198	61,799
Other creditors	338,522	516,390
Accruals and deferred income	383,152	1,100,532
	<u>1,732,185</u>	<u>4,022,475</u>

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<i>At</i> <i>30 September</i> <i>2006</i> £	<i>At</i> <i>31 March</i> <i>2006</i> £
Loan	17,305,000	–
Deep Discount bonds	–	9,049,491
	<u>17,305,000</u>	<u>9,049,491</u>

8. CHANGES IN SHARE CAPITAL

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

In June 2006, 13,751,375 new 1p ordinary shares were issued at 4 pence per share to settle the sum of £1,085,612 payable to J. Servidio and S. Domenico under the Betelgeuse Stock Purchase Agreement resulting in a cash saving of £535,557.

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

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

At 30 September 2006, there were 8,245,083 (2004: 9,164,000) unapproved share options under the Executive Share Option Scheme and 27,385,869 EMI share options. There were 18 million warrants in issue, exercisable at any time up to and including 27 May 2010 and further warrants in issue for 1 per cent of the issued share capital of the company at the time of exercise of the warrant exercisable at any time up to and including 4 August 2010.

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>6 months</i> <i>ended</i> <i>30 September</i> <i>2006</i> £	<i>17 months</i> <i>ended</i> <i>31 March</i> <i>2006</i> £
Loss for the period	(497,092)	(5,925,141)
Issue of shares	870,835	4,867,262
Premium on issue of shares	2,968,094	12,624,510
Finalisation of deferred consideration	–	(476,000)
Minority Interest	21,379	–
Currency translation difference	32,848	(69,746)
Net increase in shareholders' funds	<u>3,396,064</u>	<u>11,020,885</u>
Opening shareholders' funds	11,136,691	115,806
Closing shareholders' funds	<u>14,532,755</u>	<u>11,136,691</u>

10. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	<i>6 months ended 30 September 2006 £</i>	<i>17 months ended 31 March 2006 £</i>
Operating loss	(534,353)	(3,847,497)
Impairment of goodwill	–	2,457,021
Depreciation	12,939	185,301
Amortisation of goodwill on acquisition	9,783	677,334
Decrease in debtors	75,401	1,314,051
Increase/(decrease) in creditors	577,158	(2,919,925)
Exchange adjustment	49,312	(102,814)
Net cash inflow/(outflow) from operating activities	<u>190,240</u>	<u>(2,236,529)</u>

11. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	<i>At 30 September 2006 £</i>	<i>At 31 March 2006 £</i>
Returns on investments and servicing of finance		
Interest paid	(493,771)	(692,406)
Interest paid on finance leases	–	(17,928)
Interest received	3,112	99,704
	<u>(490,659)</u>	<u>(610,630)</u>
Capital expenditure and financial investment		
Purchase of intangible assets	–	(161,446)
Purchase of tangible assets	(616)	(30,467)
Proceeds on the disposal of fixed assets	–	171,431
	<u>(616)</u>	<u>(20,482)</u>
Financing		
Capital element of finance lease payments	(168,572)	(28,141)
Repayment of bank loan	(73,571)	(690,106)
Repayment of loan notes	(10,972,241)	(2,700,509)
Issue of ordinary share capital	–	17,068,272
Issue of loans	17,305,000	12,205,966
	<u>6,090,616</u>	<u>25,855,482</u>
Acquisition		
Purchase of business	(5,979,695)	(23,115,000)
	<u>(5,979,695)</u>	<u>(23,115,000)</u>

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

	<i>At</i> <i>30 September</i> <i>2006</i> £	<i>At</i> <i>31 March</i> <i>2006</i> £
Increase in cash in the period	139,386	207,090
Repayment of loan notes	10,465,103	–
Repayment of bank loan	68,578	699,301
Repayment of finance leases	113,977	44,161
Disposal of finance leases	15,153	–
Increase in loans	(17,305,000)	(9,444,491)
Exchange adjustments	44,439	(86,182)
Movement in debt in the period	(6,455,954)	(8,580,121)
Net debt at start of period	(10,462,015)	(1,881,894)
Net debt at end of period	<u>(16,920,379)</u>	<u>(10,462,015)</u>

13. ANALYSIS OF NET DEBT

	<i>At</i> <i>31 March</i> <i>2006</i> £	<i>Cash</i> <i>flow</i> £	<i>Decrease</i> <i>in Debt</i> £	<i>Exchange</i> <i>Movement</i> £	<i>At</i> <i>30 September</i> <i>2006</i> £
Cash at bank	634,250	139,386	–	–	773,636
Bank loan	(121,028)	68,578	–	4,998	(47,452)
Convertible loan note	(160,000)	–	–	–	(160,000)
Finance leases	(285,134)	113,977	15,153	39,441	(116,563)
Loan notes	(1,085,612)	–	1,085,612	–	–
Other Loans	(9,444,491)	(7,925,509)	–	–	(17,370,000)
	<u>(10,462,015)</u>	<u>(7,601,158)</u>	<u>1,100,765</u>	<u>44,439</u>	<u>(16,920,379)</u>

14. POST BALANCE SHEET EVENTS

There have been no post balance events.

This Interim Report was approved by the Directors on 29 November 2006.

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 Portland House, 4 Great Portland Street, London W1W 8QJ and online from the Company's corporate website at www.CMG-plc.com."

PART VII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

Set out below is an unaudited pro forma statement of net assets of the Group, prepared on the basis of the notes set out below, to illustrate how the Placing and the Open Offer might have affected the balance sheet of the Group if it had occurred on 30 September 2006, the date to which the latest financial information of Catalyst Media Group plc, as set out in the unaudited interim statement in Part VI of this document, was prepared. This statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not reflect the Group's financial position or results.

	<i>Unaudited interim results 30 September 2006 £000 (Note 1)</i>	<i>Adjustments</i>		<i>Unaudited pro forma net assets of the Group after the Placing and the Open Offer £000</i>
	<i>Placing and Open Offer £000 (Note 2)</i>	<i>Other £000 (Note 3)</i>		
Fixed assets				
Intangible assets (including goodwill)	10,073	–	–	10,073
Tangible assets	69	–	–	69
Investments	22,240	–	(1,925)	20,315
	32,382	–	(1,925)	30,457
Current assets				
Debtors	415	–	–	415
Cash at bank	773	2,925	–	3,698
	1,188	2,925	–	4,113
Creditors: amounts falling due in less than one year	(1,732)	–	–	(1,732)
Net current (liabilities)/assets	(544)	2,925	–	1,881
Total assets less current liabilities	31,838	2,925	(1,925)	32,838
Creditors: amounts falling due in more than one year	(17,305)	7,075	1,925	(8,305)
Net assets	14,533	10,000	–	24,533

Notes:

1. The consolidated financial information relating to Catalyst Media Group plc has been extracted, without material adjustment, from the unaudited interim financial information on Catalyst Media Group plc as at 30 September 2006, which is included as Part VI of this document.
2. The adjustment reflects the minimum expected gross cash proceeds of the Placing and the Open Offer of approximately £10.5 million, less estimated expenses of approximately £0.5 million. The proceeds will be used to pay approximately £7.075 million of existing long term loan facilities with £2.925 million retained as working capital.
3. The adjustment reflects the proposed sale of 1.67 per cent. of the Group's interest in SIS for a consideration of £1.925 million. The proceeds have been directly offset against existing loan facilities.
4. The pro forma financial information does not constitute statutory accounts within the meaning of section 240 of the Act.
5. Other than the matters set out in note 2 and 3, no adjustment has been made to take account of trading, capital or other movements subsequent to the latest balance sheet and profit and loss account included in the financial information on Catalyst Media Group plc set out in Part VI of this Prospectus, and such basis is consistent with the accounting policies of the Company.

6. Had the Placing and Open Offer occurred on 1 November 2004, the only effect it is likely to have had on the earnings of the Group would be to reduce the interest payable on the existing debt. This would have reduced the overall loss of the Group for that period, but it is unlikely that the additional proceeds would have materially affected the operating results of the business.

Nexia Smith & Williamson

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

12 March 2007

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

Dear Sirs

Catalyst Media Group plc (“the Company”) together with its subsidiary undertakings (“the Group”)

We report on the pro forma financial information set out in Part VII of the Prospectus dated 12 March 2007 (“the Prospectus”), issued by Catalyst Media Group plc in connection with the proposed Placing and Open Offer (“the Placing and Open Offer”), and the subsequent application for all New Ordinary Shares to be admitted for trading on AIM, which has been prepared, for illustrative purposes only, to provide information about how the Placing and Open Offer might have affected the financial information presented on the basis of the accounting policies adopted by Catalyst Media Group plc in preparing its unaudited interim statements for the period ended 30 September 2006. This report is required by paragraph 20.2 of Annex I of the Prospectus Rules and is given for the purpose of complying with paragraph 20.2 of Annex I of the Prospectus Rules and for no other purpose.

Responsibilities

It is the sole responsibility of the Directors of the Company to prepare the pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules, as to proper compilation of the pro forma statement of net assets and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any underlying financial information, consisted primarily of comparing the unadjusted financial information from source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

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 pro forma financial information has been properly compiled on the basis stated and such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Rules.

Yours faithfully

Nexia Smith & Williamson

25 Moorgate
London, EC2R 6AY

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 Catalyst is a media company that distributes audio-visual content using digital technology and provides services in the digitalisation and distribution of broadcast content and internet website development. CMG also holds its own rights, specialising in historic entertainment and educational content, and licensing the content globally to third parties. Catalyst owns a portal for sourcing stock footage and is launching an on-line gaming platform complete with a suite of fixed odds and exclusive head to head games.
- 1.3 The principal legislation under which the Company operates is the Act and regulations made thereunder.
- 1.4 The Company's registered office and principal place of business is 5th Floor, Portland House, 4 Great Portland Street, London, W1W 8QJ. The Company's telephone number is 0207 9276699.
- 1.5 The liability of the members of the Company is limited.

2 SHARE CAPITAL

- 2.1 As at the date of this document the Company's authorised share capital is £9,500,000 divided into 950,000,000 ordinary shares of 1p each. The Company's issued share capital is £7,143,197.36 divided into 714,319,736 ordinary shares of 1p each.
- 2.2 The following changes have taken place in the authorised and issued share capital of the Company since 1 November 2002:
 - (a) on 24 March 2003, the authorised share capital was increased from £900,000 to £1,300,000 by the creation of 40,000,000 additional ordinary shares;
 - (b) on 24 March 2003, 3,000,000 new ordinary shares were issued for cash at 5p per share;
 - (c) on 17 July 2003, 16,455,003 new ordinary shares were issued for cash at 4.5p per share;
 - (d) on 4 September 2003, 7,546,154 new ordinary shares were issued for cash at 6.5p per share;
 - (e) on 10 September 2003, 24,067,489 new ordinary shares were issued in consideration for the acquisition of the entire issued share capital of GMS Inc. at 9p per share;
 - (f) on 2 October 2003, 1,125,000 new ordinary shares were issued for cash at 5p per share;
 - (g) on 28 November 2003, 125,000 new ordinary shares were issued for cash at 20p per share;
 - (h) on 27 February 2004, the authorised share capital was increased from £1,300,000 to £2,000,000 by the creation of an additional 70,000,000 ordinary shares;
 - (i) on 4 March 2004, 13,096,191 new ordinary shares were issued for cash at 21p per share;
 - (j) on 21 April 2004, 5,826,305 new ordinary shares were issued as consideration for the acquisition of the entire issued share capital of Betelguese Productions Inc. at 20p per share;
 - (k) on 24 November 2004, 22,000,000 new ordinary shares were issued for cash at 5p per share;
 - (l) on 17 December 2004, 14,678,968 new ordinary shares were issued for cash at 7.75p per share;

- (m) on 24 May 2005, 5,600,000 new ordinary shares were issued as deferred consideration for the acquisition of GMS, Inc.;
- (n) on 27 May 2005, 6,417,143 new ordinary shares were issued for cash at 3.5p per share;
- (o) on 21 July 2005, 367,404, new ordinary shares were issued for cash at 7.75p per share;
- (p) on 28 July 2005, 857,143 new ordinary shares were issued for cash at 3.5p per share;
- (q) on 30 August 2005, the authorised share capital was increased from £2,000,000 to £9,500,000 by the creation of 750,000,000 ordinary shares;
- (r) on 2 September 2005, 3,055,556 new ordinary shares were issued of which 2,500,000 were issued for cash at 4p per share and 555,556 were issued for cash at 18p per share;
- (s) on 2 September 2005, 425,000,000 new ordinary shares were issued for cash at 4p per share;
- (t) on 2 September 2005, 8,750,000 new ordinary shares were issued for cash at 4p per share;
- (u) on 9 May 2006, 3,100,264 new ordinary shares were issued for cash at 3.8p per share;
- (v) on 9 May 2006, 437,500 new ordinary shares were issued for cash at 4p per share;
- (w) on 9 May 2006, 97,222 new ordinary shares were issued for cash at 18p per share;
- (x) on 29 June 2006, 13,751,375 new ordinary shares were issued for cash at 4p per share;
- (y) on 6 July 2006, 32,777,782 new ordinary shares were issued for cash at 4.5p per share;
- (z) on 22 August 2006, 25,252,776 new ordinary shares were issued as initial consideration for the acquisition of 90.91 per cent. of the issued share capital of Spooof.com Limited at 4.5p per share; and
- (aa) on 22 September 2006, 11,666,664 new ordinary shares were issued for cash at 4.5p per share.

2.3 At the Extraordinary General Meeting, a special resolution will be proposed such that, conditional upon Admission:

- 2.3.1 each Existing Ordinary Share be subdivided into one Ordinary Share and one Deferred Share;
- 2.3.2 each of the authorised but un-issued ordinary shares of 1p each be subdivided into 10 Ordinary Shares;
- 2.3.3 the authorised share capital of the Company be increased by £3,500,000 from £9,500,000 to £13,000,000 by the creation of 3,500,000,000 additional Ordinary Shares;
- 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):
 - 2.3.4.1 up to an aggregate nominal value of £2,100,000 pursuant to the Placing and Open Offer;
 - 2.3.4.2 up to an aggregate nominal amount of £800,000 pursuant to the facility agreement with Mentor Marketing & Investments Limited; and
 - 2.3.4.3 (other than pursuant to sub-paragraphs 2.3.4.1 and 2.3.4.2 above), up to an aggregate nominal value of £938,107,

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;

2.3.5 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:

2.3.5.1 the allotment of equity securities up to an aggregate nominal amount of £2,100,000 pursuant to the Placing and Open Offer;

2.3.5.2 up to an aggregate nominal amount of £800,000 pursuant to the facility agreement with Mentor Marketing & Investments Limited;

2.3.5.3 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

2.3.5.4 the allotment (other than pursuant to sub-paragraphs 2.3.5.1 to 2.3.5.3 above) of equity securities up to a maximum aggregate nominal amount of £281,432,

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.

2.4 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, the EMI Scheme, the warrants referred to in paragraphs 2.5 and 2.6 below, the conversion rights under the Loan Note Instrument, the facility agreement with Mentor Marketing & Investments Limited and the issue of Ordinary Shares pursuant to the agreement referred to in paragraph 8.1.13 of this Part VIII, no such issue is presently in contemplation.

2.5 Pursuant to the terms of the Reef Warrant Instrument, the Company issued to Reef Securities Limited a single series of 18,000,000 warrants, each of which entitle the holder 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. In October 2005 Reef Securities Limited transferred 800,000 warrants to Kevin Cubitt.

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 the warrant holder 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.

- 2.6 Pursuant to the terms of the Strand Warrant, the Company issued to Strand Associates Limited 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 5 September 2010. If not exercised by such date any warrants outstanding at that date will lapse. On 31 August 2006, the Strand Warrant was transferred to Strand Partners Securities Limited.

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 the warrant holder 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.

- 2.7 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 were to 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. As at the date of this document, the Notes have not been repaid and are continuing to accrue interest at 6 per cent. per annum. Repayment of the Notes is subject to the terms of the agreement referred to in paragraph 8.1.22 of this Part VIII.

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 Loan Note Instrument) will be 20p nominal amount of Ordinary Shares for every £1 nominal of the Notes converted.

- 2.8 Save as disclosed in this paragraph 2 and in paragraphs 5.1.2, 6, 7 and 8.1.16 of this Part VIII no share capital of any member of the Group is under option or has been agreed conditionally or unconditionally to be put under option.
- 2.9 Otherwise than pursuant to the Placing and the Open Offer, none of the New Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for Admission.
- 2.10 The amount payable on application and allotment of each New Ordinary Share is 0.5p. The premium payable is 0.4p per New Ordinary Share.
- 2.11 There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.
- 2.12 The Ordinary Shares are subject to the rules regarding mandatory takeover offers set out in the City Code on Takeovers and Mergers (the "City Code"). Under rule 9 of the City Code when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent., or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent., but not more than 50 per cent., of the voting rights of a company subject to the City Code and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then in either case that person together with the persons acting in concert with him is normally required to make a general offer in cash, at the highest price paid by him, or any person acting in concert with him, for shares in the company within the preceding 12 months, for all the remaining equity share capital of the company.

- 2.13 The Ordinary Shares are subject to the compulsory acquisition procedures set out in sections 428 to 430F (inclusive) of the Act. Under section 429 of the Act, where an offeror makes a takeover offer (as defined in section 428 of the Act) and receives valid acceptances in respect of, or acquires, 90 per cent., or more of the Ordinary Shares to which the offer relates, that offeror is entitled to acquire compulsorily those shares not assented to the offer.
- 2.14 There were, and there have been, no public takeover bids for the Ordinary Shares during the 17 month period ended 31 March 2006 or during the current financial year.
- 2.15 The Company had 140,509,939 Ordinary Shares in issue on 1 November 2004 and 627,236,153 Ordinary Shares in issue on 31 March 2006. The Company has not used more than 10 per cent. of the issued share capital for the purchase of assets other than cash during the period.
- 2.16 There are no shares in the Company which are held by, or on behalf of, the Company and none of the Company's subsidiaries holds any shares in the Company.
- 2.17 Other than as set out in paragraph 2.4 of this Part VIII, no person has any rights to purchase the authorised but unissued capital of the Company and no person has been given an undertaking by the Company to increase its authorised capital.
- 2.18 On completion of the Placing and Open Offer, the issued share capital of the Company shall be increased by 74.6 per cent. resulting in an immediate dilution of 74.6 per cent. to Shareholders if they do not take up their entitlements under the Open Offer.

3 SUBSIDIARIES

- 3.1 The Company is a member of a group of which it is the holding company.
- 3.2 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
Catalyst Media Holdings BV	Netherlands	100	the Company
Catalyst Media Holdings	England and Wales	100	the Company
Alternatport Limited	England and Wales	100	Catalyst Media Holdings
Stable Technology Investments Limited	England and Wales	100	the Company

* The Company has entered into a stock pledge agreement over 15 per cent. of the issued share capital of Newsplayer Group Inc.

- 3.3 In addition, the Company has 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	22.19	Alternatport 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*

4.2.5.1 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.

4.2.5.2 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.

4.2.5.3 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.

4.2.5.4 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.

4.2.5.5 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.

4.2.5.6 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.

4.2.5.7 There is no fixed date on which an entitlement to dividend arises.

4.2.5.8 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.

4.2.10 *Remuneration of Directors*

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Directors may from time to time determine (not exceeding £50,000 per annum in aggregate or such other sum as the Company in general meeting by ordinary resolution shall from time to time determine).

The Directors are entitled to be repaid all travelling, hotel and other expenses incurred while engaged on the business of the Company.

4.2.11 *Indemnity*

Subject to the provisions of the Act, but without prejudice to any indemnity to which a Director or officer may otherwise be entitled, each Director and officer of the Company is indemnified out of the assets of the Company against any losses or liabilities incurred by him in the execution of the duties of his office or otherwise in relation thereto.

4.2.12 *Pensions and gratuities for Directors*

The Directors may exercise all the powers of the Company to provide and maintain pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of any company in the Company group and their relatives or dependants.

4.2.13 *Directors' interests in contracts*

Subject to the provisions of the Act and provided that his interest is disclosed at a meeting of the Directors in accordance with the Articles, a Director, notwithstanding his office, may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, may hold any other office or place of profit under the Company (except that of auditor of the Company or of a subsidiary of the Company in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange, and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested and shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal. No such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

4.2.14 *Restrictions on Directors' voting*

Save as provided in the Articles, a Director shall not vote on any resolution of the Directors or of a committee of the Directors concerning any matter in which he has a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company or a duty which conflicts or may conflict with the interests of the Company, unless the resolution concerns any of the following matters:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity of by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company of any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any proposal concerning any other body corporate in which he (together with persons connected with him) does not to his knowledge have an interest (as the term is used in Part VI of the Act) in one per cent, or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;

- (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (f) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

A Director shall not vote or be counted in the quorum on any resolution of the Directors or committee of the Directors concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

4.2.15 *Number of Directors*

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall be no less than two but shall not be subject to any maximum.

4.2.16 *Directors' appointment and retirement by rotation*

Directors may be appointed by the Company by ordinary resolution or by the Directors. If appointed by the Directors, a Director holds office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation. A director shall not be required to hold any shares in the Company.

At each annual general meeting of the Company one-third of the Directors who are subject to retirement by rotation or if their number is not three or a multiple of three, the number nearest to but not exceeding one-third will retire by rotation and be eligible for re-election. Subject to the Act and to the Articles, the Directors to retire will, first, be any Director who wishes to retire and not offer himself for re-election and secondly, will be those who have been longest in office since their last appointment or re-appointment, but as between those who have been in office an equal length of time, those to retire shall (unless they otherwise agree) be determined by lot.

4.2.17 *General Meetings*

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a Director, shall be called by at least 21 clear days' notice in writing. All other extraordinary general meetings shall be called by at least 14 clear days' notice in writing. The notice shall specify the day, time and place of the meeting and the general nature of the business to be transacted, whether the meeting is an annual general or an extraordinary general meeting and if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution as such. Notice of every general meeting shall be given to all members other than any who, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company. Subject to any terms as to voting upon which any shares may be issued, or may for the time being be held and subject to the Act and to any suspension or abrogation of voting rights pursuant to these Articles, at any general meeting, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote on a show of hands, and on a poll every member shall have one vote for each share of which he is the holder.

5 INTERESTS OF DIRECTORS

- 5.1 The interests (all of which are beneficial) of the Directors 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 as they are expected to be immediately 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>
Sir D.P. Frost OBE*	10,023,875	15,023,875	0.53
M.S Rosenberg OBE**	120,000	1,120,181	0.04
A.M. Prestwich	–	–	–

* If the Loan Note Instrument referred to in paragraph 2.7 is converted in full Sir David Frost will be interested in a further 3,200,000 Ordinary Shares.

** 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.*

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>
Sir D.P. Frost OBE	2,000,000	08.07.2003	4.25p	08.07.2006	08.07.2013
	1,248,361	04.08.2005	4p	04.08.2008	04.08.2013
M.S. Rosenberg OBE	500,000	20.05.2004	20p	20.05.2007	20.05.2014
	2,496,722	04.08.2005	4p	04.08.2008	04.08.2013

EMI Scheme

	<i>Number of Options</i>	<i>Grant Date</i>	<i>Exercise Price</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>
A.M. Prestwich	3,120,903	04.08.2005	4p	04.08.2008	04.08.2013

For the above options to vest, certain performance conditions have to be satisfied. In respect of the options granted to Anna Prestwich and those granted to Sir David Frost and Michael Rosenberg on 4 August 2005, 25 per cent. of the share options have vested, 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.

- 5.2 Save as disclosed in paragraph 5.1, no 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.
- 5.3 No loan or guarantee has been granted or provided by the Company to any Director or any person connected with them.
- 5.4 The Directors have been appointed to the offices set out against their respective names. Their service contracts and letters of appointment are summarised below:
- 5.4.1 The services of Sir David Frost OBE, 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 £25,000 per annum is payable.
- 5.4.2 The services of Michael Rosenberg OBE, as executive Chairman 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 30 January 2007 pursuant to which remuneration of £50,000 per annum is payable. This replaces the letter agreement entered into on 24 June 2004.

- 5.4.3 Anna Prestwich has entered into a service agreement with the Company dated 9 February 2007 which is subject to termination upon twelve months' notice by either party. The agreement provides for an annual remuneration of £95,000 plus a £5,000 annual car allowance, membership of a critical illness scheme and income protection insurance. This replaces the service agreement entered into on 27 July 2005.
- 5.5 Save for payments during respective notice periods, none of the Directors are entitled to a payment on termination of their service agreement or letter of appointment.
- 5.6 The aggregate remuneration paid and benefits in kind granted to the directors of the Company for the 17 month period to 31 March 2006 was £809,243 and it is estimated that the aggregate emoluments (including benefits in kind and pension contributions) of the Board for the year ending 31 March 2007, will amount to approximately £195,000.
- 5.7 There are no amounts set aside or accrued by the Group to provide pension, retirement or similar benefits to the Directors.
- 5.8 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 who are expected to have such an interest following Admission:

<i>Name</i>	<i>Number of Ordinary Shares before Admission</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Maximum Number of Ordinary Shares after Admission</i>	<i>Percentage of Enlarged Share Capital</i>
Marshall Wace LLP	151,950,000	21.3	551,950,000	19.6
Gartmore Investment Management Plc	88,504,492	12.4	588,504,492	20.9
Universities Superannuation Scheme	65,050,000	9.1	255,050,000	9.1
Charles Stanley	53,538,917	7.5	118,538,917	4.2
Lawson M Esq	45,444,446	6.4	345,444,446	12.3
Canada Life Assurance Co	34,250,000	4.8	34,250,000	1.2
Williams de Broë plc	29,390,282	4.1	29,390,282	1.0
Reef Securities Limited	24,325,720*	3.4	24,325,720	0.9
Deutsche (MM)	21,257,000	3.0	21,257,000	0.8
Schroders Investment Management Limited	19,000,000	2.7	104,014,929	3.7
Oryx International Growth Fund Limited	–	–	339,075,800	12.0
Empire On Line	15,150,000	2.1	111,000,000	3.9

* 17,200,000 of these Ordinary Shares can be acquired by Reef at any time up to 26 May 2010 pursuant to the Reef Warrant Instrument.

None of the Ordinary Shares held by the Shareholders listed above carry different voting rights.

- 5.9 Save as disclosed above, the Company is not aware of any person, 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.
- 5.10 The directorships held by each of the Directors over the five years preceding the date of this document, other than in the Company or any other member of the Group, and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

Anna Marie Prestwich*Current Directorships*
None*Former Directorships*
None*Partnerships*
None**Sir David Paradine Frost, OBE***Current Directorships*David Paradine Limited
David Paradine Productions Limited
David Frost Enterprises Limited
Glebe Music Company Limited
Discovery Productions Limited
Paradine Co-productions Limited
Tele-Circuit Limited
Rogue Trader Productions Limited
Magnet Films Limited
In Your Dreams Limited*Former Directorships*Charterhouse Paradine Limited
(dissolved)
Demob Limited (dissolved)
Hotcourses Limited
West 175 Media Group
Eurodisney SCA
Paradine Documentaries Limited
(dissolved)
Paradine Castle Communications Limited (dissolved)*Partnerships*

None

Michael Samuel Rosenberg, OBE*Current Directorships*Eastkings Limited
Montrose Securities Limited
Montrose Ventures Limited
Umedco (Far East) Limited (Hong Kong)
Talsarn Investments Limited
SRK Ventures Limited (Hong Kong)
David Paradine Limited
David Paradine Productions Limited
David Frost Enterprises Limited
Paradine Co-Productions Limited
Discovery Productions Limited
Tele-Circuit Limited
Glebe Music Company Limited
D.F. (Overseas) Limited
Boomerang Media Group Limited
Magnet Films Limited
Gibbsfield Limited
Kenningdale Limited
The Rosenberg Group Plc
Pilat Media Global Plc
Cavendish AIM Fund VCT Limited
Dori Media Group Limited (Israel)
Rosetta SRK Partnership Limited (Hong Kong)
Guardwood Limited
City Display Solutions Limited
Amiad Filtration Systems Limited (Israel)
Satellite Information Services (Holdings) Limited*Former Directorships*Kioskpoint Ltd (dissolved)
The Guaranteed Investment Property Company Plc.
Wired Sussex Ltd
Infection Management Ltd. (dissolved)
Pilat Technologies International Ltd. (Israel)
E-Daily Limited (in liquidation)
B. Rosenberg Ltd (dissolved)
BR Light Technologies Ltd (Dissolved)
Paradine Documentaries Ltd (dissolved)
Paradine Castle Communications Ltd. (dissolved)*Partnerships*

None

- 5.11 No Director has had any convictions relating to fraudulent offences for the previous five years or has any unspent convictions in relation to indictable offences.
- 5.12 No Director has been bankrupt or has made or been the subject of any individual voluntary arrangement.
- 5.13 Michael Rosenberg was a director of B. Rosenberg Limited which was placed into administration on 9 February 2004 and subsequently dissolved on 29 September 2006. He resigned as a director of Kioskpoint Limited on 10 December 2003, which company was subsequently placed into administration on 3 March 2004 and dissolved on 28 December 2004.
- 5.14 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.
- 5.15 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.
- 5.16 Save as disclosed in paragraphs 5.13 to 5.15 above, none of the Directors, acting in the capacity of director or senior manager, has been associated with any bankruptcies, receiverships, liquidations, administrations, company voluntary arrangements or any composition or arrangement with his creditors generally or any class of its creditors.
- 5.17 None of the Directors has been a partner of any partnership which went into compulsory liquidation, administration or partnership voluntary arrangement or had a receiver appointed to any partnership asset where such director was a partner at the time or within the twelve months preceding such events.
- 5.18 There have been no official public criticisms, incriminations and/or sanctions of any of the Directors by statutory or regulatory authorities including designated professional bodies), and no Director has ever 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.
- 5.19 There are no conflicts of interest between any duties the Directors may have to the Company and their private interests and/or other duties they may have other than for any such conflict which may arise in respect of Sir David Frost and Michael Rosenberg by virtue of their respective positions as joint holders of the Notes issued pursuant to the Loan Note Instrument referred to in paragraph 2.7 above.
- 5.20 Save for the Loan Note Instrument referred to in paragraph 2.7 above, and the transactions referred to in note 20 of Part V, the Company has not entered into any related party transactions during the three accounting periods ended 31 March 2006 and during the interim period from 1 April 2006 to 2 March 2007 (being the latest practicable date prior to the publication of this document).

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>
2,000,000	8 July 2003	4.25p	8 July 2006	15 December 2007
1,000,000	5 March 2004	20.00p	15 December 2006	15 December 2007
10,604,556	4 August 2005	4.00p	15 December 2006	15 December 2007

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

The Enterprise Management Incentive Plan (“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. In addition to the options referred to in paragraph 5.1.2 above, the following options are outstanding under the EMI:

<i>Number of Options</i>	<i>Grant Date</i>	<i>Exercise Price</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>
4,999,950	4 August 2005	4.00p	15 December 2006	15 December 2007
500,000	12 October 2005	4.00p	12 October 2008	12 October 2013
500,000	12 October 2005	4.00p	31 May 2006	31 May 2007
1,000,000	25 November 2005	4.00p	25 November 2008	25 November 2013

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.

7.5 *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.

7.6 *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.

7.7 *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.

7.8 *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.

7.9 *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.

7.10 *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 or have been entered into before that time and contain provisions under which a member of the Group has an obligation or entitlement which is material to the Group at the date of this document:

8.1.1 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. Champ Car undertook to satisfy certain financial obligations of BPI.

If, on a sale of the above shares, Champ Car receives less than US\$1.4 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\$1.4 million it will pay the excess to BPI. Based on the market price of Catalyst's shares on 8 March 2007, the shortfall would be £671,000;

8.1.2 a Promissory Note and Security Agreement dated 23 May 2005 between (1) NPG Inc., and (2) Reef Securities Limited pursuant to which Reef lent £450,000 to NPG Inc. at an interest rate of 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 was 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. This loan was repaid in September 2005;

8.1.3 the Reef Warrant Instrument;

8.1.4 the Strand Warrant;

8.1.5 a placing agreement dated 5 August 2005 between the Company (1) Paul Duffen and others (2) Evolution Securities (3) and Strand (4) pursuant to which Evolution Securities procured subscribers for 425,000,000 new Ordinary Shares at 4p per share. The agreement contains warranties from the Company and the directors and indemnities from the Company, the Executive Directors (as defined in the agreement) and David Holdgate in favour of Strand Partners and Evolution Securities. Pursuant to the agreement, Strand Partners received a fee of £650,000 (£350,000 of which was satisfied by the issue and allotment of 8,750,000 new

Ordinary Shares) excluding any applicable VAT and Evolution Securities received a fee of £500,000 (excluding any applicable VAT);

- 8.1.6 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 subscribed £11.75 million for such bonds in September 2005. These bonds were repaid in full on 29 September 2006;
- 8.1.7 an investment and shareholders' agreement dated 5 August 2005 between (1) Catalyst (2) Eureka and (3) Catalyst Media Holdings regulating the relationship between Catalyst and Eureka as shareholders in Catalyst Media Holdings. Under the terms of the agreement, Catalyst subscribed £11.25 million for A shares in Catalyst Media Holdings to provide finance for the acquisition of Alternateport. The A shares represent 80 per cent. of the issued share capital of Catalyst Media Holdings. Eureka subscribed £20 for B Shares in Catalyst Media Holdings representing 20 per cent. of the issued share capital of Catalyst Media Holdings. On 29 September 2006 the Company purchased Eureka's B Shares pursuant to the agreement referred to in paragraph 8.1.14 below and this shareholders' agreement terminated;
- 8.1.8 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, were settled. Under the settlement agreement, in September 2005 Catalyst paid to EMI the sum of US\$1,024,617 including accrued interest 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.
- As part of the settlement arrangements, Catalyst and Newsplayer International Limited irrevocably waived all and any claims of whatever nature arising out of or in connection with the licence agreement against EMI;
- 8.1.9 an acquisition agreement dated 5 August 2005 between Dragontown Limited (1) Catalyst Media Holdings (2) the Company (3) and Vavasieur International Holdings SARL (4) pursuant to which Catalyst Media Holdings acquired the entire issued share capital of Alternateport from Dragontown Limited for a cash consideration of £23 million. The agreement contains limited warranties and indemnities in favour of Catalyst Media Holdings;
- 8.1.10 an agreement by the Company to pay a prospective funder of the acquisition of SIS a fee of £150,000 as compensation for abortive due diligence costs. As at 31 December 2006 the balance remaining payable was £76,000;
- 8.1.11 a stock purchase agreement dated as of 28 October 2005 between (1) Catalyst and (2) JSAC L.L.C. relating to the sale by Catalyst of the entire issued share capital of Media Services Acquisition Corporation ("MSAC") for a consideration equal to 15 per cent. of gross revenues earned by MSAC or one of its subsidiaries during the period 1 January 2006 to 1 January 2010. Payments in respect of such gross revenues are to be paid quarterly commencing with the quarter ended 31 March 2006. Limited warranties were given by Catalyst to JSAC. In addition Catalyst entered into a non-competition covenant in relation to the business carried on by MSAC for a period ending on 1 January 2014 and entered into non-solicitation covenants with regard to employees and clients for the period ending on 1 January 2010;
- 8.1.12 an agreement dated 29 June 2006, as supplemented by an agreement dated 21 September 2006, between YooMedia plc and the Company pursuant to which the Company agreed to issue 44,444,446 new Ordinary Shares to YooMedia plc at 4.5p per share in consideration of YooMedia plc granting licences to the Company in respect of various on-line games including Tringo. YooMedia plc undertook to retain 14,814,815 of such shares until 29 September 2006 and a further 14,814,816 shares until 29 December 2006;
- 8.1.13 an agreement dated 24 August 2006 between (1) Michael Robinson and others and (2) Catalyst pursuant to which Catalyst acquired 90.91 per cent of the issued share capital of Spoofo.com Limited (being the balance of the issued share capital not already owned by Catalyst) for a

consideration to be satisfied by the issue of up to 55,556,107 new Ordinary Shares at 4.5p per share. Of these, 25,252,776 new Ordinary Shares were issued at completion with the balance of up to 30,303,331 new Ordinary Shares to be issued over three years, dependent on Spooof.com Limited achieving specified target revenues over that period. Those shareholders holding more than 10 per cent. of the issued share capital of Spooof.com Limited have undertaken not to dispose of any new Ordinary Shares issued to them as consideration for a period of six months from the date of allotment of such shares. Catalyst received the benefit of warranties and a tax indemnity from certain of the vendors;

8.1.14 an agreement dated 29 September 2006 between (1) Eureka and (2) the Company pursuant to which the Company acquired the 20 issued 'B' shares in the capital of CMH for a cash consideration of £5,500,000 paid in full on completion. Simultaneously with completion of the purchase of the 'B' shares the Company procured the repayment by CMH of the sum of £10,642,241.38 in full repayment of the outstanding balance of the DDB;

8.1.15 a facility agreement dated 29 September 2006 between (1) CMH, (2) Alternateport, (3) the Company, (4) Investec as original lender and (5) Investec as agent under which Investec made available to CMH a facility of up to £18,625,000. Of the total facility, £16,805,000 has been drawn down to enable CMH to repay the DDB and to put Catalyst in funds to enable it to buy the 'B' shares from Eureka as referred to in paragraph 8.1.14 above. The balance of the facility of £1,820,000 is available as a working capital loan of which £500,000 has been drawn down to date. The balance of £1,320,000 may only be drawn down once the outstanding loan (including accrued interest and any further draw down of the working capital loan) does not exceed £10,000,000. The Investec Facility must be repaid in full by 31 December 2010. It must also be repaid in full prior to 31 December 2010 in the following circumstances:

- (a) in the case of the acquisition of more than 25 per cent. of the issued share capital of SIS, within four months of the date of that acquisition;
- (b) in the case of the acquisition of more than 50 per cent. of the issued share capital of Catalyst, within 21 days of an offer becoming wholly unconditional;
- (c) in the case of the disposal of the business or substantially the whole of the business of SIS, within 21 days of the completion of such disposal.

If at any time Alternateport receives any amount from the sale of any of its shares in SIS or receives any dividend or distribution by virtue of its shareholding in SIS ("SIS Receipt"), CMH must repay so much of the Investec Facility as is equal to the amount of the SIS Receipt unless at the time of such receipt by Alternateport, the outstanding amount under the Investec Facility (together with accrued and estimated interest) is equal to or less than £5,000,000. In such event CMH is not obliged to repay any of the Investec Facility but must, if it chooses not to do so, pay the holder of the Investec Warrant a fee equal to the amount of the dividend such holder would have received had it exercised the Investec Warrant and the amount of the SIS Receipt had been declared as a dividend by CMH.

To the extent that repayment following any SIS Receipt would reduce the outstanding amount under the Investec Facility (including accrued and estimated interest) below £5,000,000, then CMH is only obliged to apply such amount of the SIS Receipt towards repayment of the Investec Facility as is necessary to reduce the aggregate amount outstanding below £5,000,000.

Interest is accrued on amounts drawn down at a current rate equal to 3.5 per cent above the Investec base rate rising to 6.5 per cent. above such base rate if the amount outstanding is greater than £10,000,000 at any time after 31 March 2007. Interest is capitalised and must be paid in full on 31 December 2010.

CMH paid Investec an arrangement fee of £375,000 on signing of the Facility Agreement.

The Investec Facility is secured by debentures granted by CMH and Alternateport (which includes a charge over Alternateport's shares in SIS) and is guaranteed by Alternateport.

The facility agreement includes certain covenants and warranties in favour of Investec given by CMH and Alternatport and usual events of default triggering immediate repayment including the insolvency of any of CMH, Alternatport, Catalyst or SIS;

8.1.16 a warrant instrument dated 29 September 2006 between (1) CMH, (2) Catalyst, (3) Alternatport and (4) Investec (as amended by the deed referred to in paragraph 8.1.18 below) pursuant to which Investec has been granted a warrant to subscribe for 'B' shares in CMH in certain circumstances at a price of 1p per share.

The Investec Warrant is exercisable for a period of 10 years from the earlier of ("Subscription Period"):

- (a) the due date for final repayment of the Investec Facility;
- (b) the acquisition of more than 25 per cent. of the issued share capital of SIS or more than 50 per cent. of the issued share capital of the Company by a person or group of persons acting in concert or the disposal of the business or substantially the whole of the business of SIS; and
- (c) a listing of any shares in SIS on a recognised investment exchange.

The number of 'B' shares to be subscribed depends upon the maximum total amount outstanding under the Investec Facility (including accrued interest) at any time after 31 March 2007 and prior to the commencement of the Subscription Period. The number to be subscribed is that number of 'B' shares which, when added to the number of shares in CMH then in issue, results in the economic interest of those 'B' shares in the shares held by Alternatport in SIS being the percentage specified in the table below:

	<i>Equal to or more than £10,000,000</i>	<i>Equal to or more than £7,000,000 but less than £10,000,000</i>	<i>Equal to or more than £5,000,000 but less than £7,000,000</i>	<i>Equal to or more than £2,500,000 but less than £5,000,000</i>	<i>Less than £2.5m</i>
<i>Loans and accrued interest</i>					
Subscription Period commences before 30/09/2007	10%	1%	1%	0%	0%
Subscription Period commences before 30/09/2008	10%	2%	1.5%	1.25%	1%
Subscription Period commences before 30/09/2009	10%	2.5%	2.0%	1.5%	1%
Subscription Period commences before 31/12/2010	10%	3%	2.5%	1.75%	1.5%

The percentage figures in the table above are calculated on the basis that Catalyst (either directly or indirectly) holds 22.16 per cent of the issued share capital of SIS. If, as a result of the issue of new shares by SIS, the percentage of the issued share capital of SIS held (directly or indirectly) by Catalyst is reduced, then the percentage figures in the table above shall reduce on a *pro rata* basis.

The Investec Warrant shall be exercisable in full only, by the warrant holder serving a subscription form on CMH at any time during the Subscription Period, accompanied by a cheque for the aggregate subscription monies. CMH shall, within three business days thereafter, allot and issue, fully paid, the specified number of 'B' shares and dispatch to the warrant holder a duly executed share certificate in respect of such 'B' shares;

8.1.17 an investment and shareholders' agreement dated 29 September 2006 ("Shareholders' Agreement") between (1) Catalyst (2) Investec and (3) Catalyst Media Holdings pursuant to

which the relationship between Catalyst and Investec as shareholders in Catalyst Media Holdings will be regulated. The rights and obligations of the parties under the Shareholders' Agreement are conditional on Investec exercising the Investec Warrant.

Should Investec exercise the Investec Warrant then the following provisions will apply:

Catalyst has the right at any time to place Catalyst Media Holdings in funds so as to enable it to repay all outstanding amounts under the Investec Facility. Catalyst also has the right, during the period commencing on the date of exercise of the Investec Warrant and ending on 31 December 2011 or one year after exercise of the Investec Warrant, whichever is the later, to buy out Investec's shares in Catalyst Media Holdings for a sum equal to 6.25 times SIS's EBITDA minus debt plus cash.

If Catalyst does not exercise its buy-out option, then Investec shall be entitled to market for sale either of Alternatport or Alternatport's shares in SIS.

Investec 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.

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 Investec, 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 Investec Facility, then Investec 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 nor Investec 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;

- 8.1.18 a deed of variation, consent and release dated 8 March 2007 between (1) CMH, (2) the Company, (3) Alternatport, (4) Investec as original lender and (5) Investec as agent pursuant to which Investec has agreed, in consideration of the Company paying to Investec £7.075 million from the proceeds of the Placing and Open Offer in part repayment of the Investec Facility and reimbursing Investec its reasonable legal and professional fees, to amend the Investec Warrant so that the date of 31 March 2007, being the trigger date used for calculating the number of shares in CMH in respect of which the Investec Warrant is exercisable, is changed to 10 April 2007.

Under this deed, Investec has also consented to the sale ("Sale") of 3,345 shares in SIS ("Sale Shares") by the Company to Fred Done (or as he shall direct) and unconditionally released such shares from the debenture given by Alternatport to Investec as security for amounts outstanding under the Investec Facility. Alternatport has undertaken to pay to Investec, and CMH and the Company have undertaken to procure such payment by Alternatport, the sum of £1,925,000 to be received in respect of the Sale provided that if the Sale is not completed by 10 April 2007 Investec has agreed that the Company may pay to Investec, on or prior to 10 April 2007, an additional £1,925,000 from the proceeds of the Placing and Open Offer, in which case if the Sale subsequently completes, Alternatport shall be entitled to retain all proceeds from the Sale;

- 8.1.19 a placing and open offer agreement dated 12 March 2007 between the Company (1), the Directors (2), Strand Partners (3) and Evolution Securities (4), pursuant to which Strand Partners has agreed to provide certain corporate finance services to the Company and Evolution Securities has agreed to act as the Company's intermediary in connection with the Placing and Open Offer. Although Evolution Securities are the Company's broker, they are acting as intermediary only in respect of the Placing and Open Offer.

The agreement provides, *inter alia*, for payment of the following amounts by the Company to Strand Partners and Evolution Securities:

- (a) to Strand Partners a corporate advisory fee of £200,000; and
- (b) to Evolution Securities a fee of £40,000.

The Company will bear all other costs and expenses of and incidental to the Placing and Open Offer including the fees of the London Stock Exchange, printing costs, postage, the Registrars' fees, all legal and accounting fees of the Company and of Strand Partners and any stamp duty and other taxes and duties payable.

The agreement contains certain warranties from the Company and the Directors to Strand Partners as to the accuracy of the information in the Prospectus and other matters relating to the Group and its business and indemnities from the Company in favour of Strand Partners and Evolution Securities against any losses, claims and liabilities incurred by either of them in carrying out their services to the Company pursuant to this agreement or in connection with the Placing or Open Offer.

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

- (a) the Placing and Open Offer Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission;
- (b) the passing of the Resolution at the EGM; and
- (c) Admission becoming effective not later than 8.00 a.m. on 5 April 2007 or such later time and/or date as Strand Partners may, in its absolute discretion, elect, being not later than 20 April 2007.

Strand Partners may terminate the agreement in certain circumstances prior to Admission if, *inter alia*, an event occurs, or if there is a change in national or international financial, monetary, economic, political or market conditions, which in its reasonable opinion arrived at in good faith would or would be likely to be materially adversely prejudicial to the Company, SIS or to the Placing and/or the Open Offer or render the creation of a market in the ordinary share capital of the Company temporarily or permanently impracticable;

8.1.20 placing letters between the Company and each of the following:

Marshall Wace LLP
Gartmore Investment Management Plc
Universities Superannuation Scheme
Lawson M Esq
Charles Stanley
Schroders Investment Management Limited
Empire On Line
Oryx International Growth Fund Limited
Evolution Securities Limited
Pershing Keen Nominees Limited
Apace Media plc
Strand Partners Limited

pursuant to which the Placees have irrevocably undertaken, subject to the Placing and Open Offer Agreement becoming unconditional (other than as to Admission) and not having been terminated in accordance with its terms, to subscribe at the Issue Price for the Placing Shares, to take up their entitlements under the Open Offer in respect of 612,270,794 Open Offer Shares and to subscribe at the Issue Price for the balance of the Open Offer Shares, subject to clawback to satisfy valid applications under the Open Offer;

8.1.21 a legally binding term sheet dated 8 March 2007 between the Company and Mentor Marketing & Investments Limited ("Mentor") pursuant to which Mentor has agreed to make a loan facility of up to £800,000 available to the Company. The Company shall be entitled to draw down

£500,000, subject to the sale of shares to Fred Done to raise £1.9 million not having completed prior to drawdown, between 1 April 2007 and 31 March 2008 and drawdown a further £300,000 between 1 April 2008 and 31 March 2009. The facility will be secured by a first charge over the Company's shareholding in CMH. The £800,000 will be repayable by 31 March 2009.

Interest is payable on the amount of the facility outstanding from time to time at the rate of 5.5 per cent. above the base rate from time to time of Barclays Bank plc. Interest will be capitalised and repaid with the principal.

The £800,000 is convertible, at Mentor's option at any time prior to 31 March 2009, into Ordinary Shares at a price per share equal to a 20 per cent. discount to the mid market price of an Ordinary Share on the dealing day immediately prior to the date of service of a conversion notice.

Fees are payable to Mentor of £8,000 on the earlier of Admission and 30 April 2007, £5,000 when the first tranche of £500,000 is drawn down and £3,000 when the second tranche of £300,000 is drawn down.

8.1.22 an agreement dated 9 March 2007 between (1) the Company (2) Sir David Frost OBE ("Sir David") and (3) David Paradine Productions Limited ("Paradine") pursuant to which Sir David and Paradine have agreed in respect of sums due to them totalling, in aggregate, approximately £395,000:

- (a) that, until the facility to be provided by Mentor as referred to in paragraph 8.1.21 ceases to be available or is repaid in full (which must be by 31 March 2009), the Company shall not be required to pay, and neither Sir David nor Paradine shall seek repayment of, any such sums; and
- (b) once the facility with Mentor has ceased to be available or has been repaid in full, the amounts owing to Sir David and Paradine will be paid by the Company in 12 equal monthly instalments commencing the month after repayment of the facility from Mentor together with interest at an annual rate equal to 5.5 per cent. above the base rate of Barclays Bank plc from time to time.

Save as set out in paragraphs 8.1.1 to 8.1.22 above, there are no contracts entered into by any member of the Group (not being contracts entered into in the ordinary course of business) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

9 UK TAXATION

The following paragraphs summarise 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 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 19 per cent. and 30 per cent. (for accounting periods beginning on or after 1 April 2006).

9.2 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 2006/2007 would be equal to one-ninth of the cash amount received.

The aggregate of the net dividend and tax 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 on the net dividend received. 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 be liable to additional tax at 22.5 per cent. of the gross dividend equivalent to 25 per cent. of the net dividend received.

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

For 2006/2007 onwards, UK resident trustees of discretionary trusts are liable to income tax on UK company dividends at 32.5 per cent. of the aggregate of the net dividend received 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 net 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.

9.3 *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 subject to available reliefs.

9.4 *Stamp Duty*

No UK stamp duty will generally be payable on the issue by the Company of the New Ordinary 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 notifiable and payable on the seventh day of the month following the month in which the charge arises (unless a different date has been agreed). 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 SDRT at the rate of 0.5 per cent.

10 WORKING CAPITAL

The Company is of the opinion that, after taking into account the net proceeds of the Placing and the Open Offer and available facilities, the working capital available to the Group is sufficient for its present requirements; that is, for at least twelve months from the date of this document. This statement has been included for the purposes of the Prospectus Rules.

The Directors are of the opinion that, having made due and careful enquiry and after taking account of the net proceeds of the Placing and the Open Offer and available facilities, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months following Admission. This statement has been included for the purposes of the AIM Rules.

11 LITIGATION

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

12 CAPITALISATION AND INDEBTEDNESS

The following table sets out the indebtedness and capitalisation of Catalyst, based on the Group's unaudited interim results as at 30 September 2006:

	<i>£'000</i>
Total Current debt	
- Guaranteed	–
- Secured	324
- Unguaranteed/Unsecured	65
	<hr/> 389
Total Non-Current debt (excluding current portion of long-term debt)	
- Guaranteed	–
- Secured	17,305
- Unguaranteed/Unsecured	–
	<hr/> 17,305
Total indebtedness as at 30 September 2006	17,305
Shareholder's equity	
Share capital	7,143
Merger reserve	2,403
Share premium	30,896
	<hr/> 40,442
Total	<hr/> <hr/> 40,442

The following table sets out the net financial indebtedness of Catalyst as at 30 September 2006:

	<i>£'000</i>
Net Financial Indebtedness	<i>£'000</i>
Cash	774
Cash equivalents	–
Trading securities	–
	<hr/> 774
Liquidity	774
Current Financial Receivable	
Current bank debt	(47)
Current portion of non current debt	–
Other current financial debt	(342)
	<hr/> (389)
Current Financial Debt	(389)
Net Current Financial Indebtedness	385
Non current bank loans	–
Bonds issued	–
Other non current loans	(17,305)
	<hr/> (17,305)
Non current Financial Indebtedness	(17,305)
Net Financial Indebtedness	<hr/> (16,920)

1. Capital and reserves does not include the profit and loss account reserve. There has been no material change in capital and reserves other than trading losses arising in the course of operating the business.
2. The £17.3 million non current debt relates to the Investec Facility which is secured by a charge over Catalyst Media Holdings and Alternateport.

13 GENERAL

- 13.1 The accounting reference date of the Company is 31 March.
- 13.2 The total costs and expenses payable by the Company in connection with the Placing and the Open Offer, (including professional fees, commissions, the costs of printing and the fees payable to the Registrars) are estimated to amount to approximately £503,000 (excluding VAT).
- 13.3 Save as disclosed in this document, no person (other than professional advisers disclosed in this document and trade suppliers) 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 Issue Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 13.4 The financial information for the relevant accounting period set out in the Accountants' Report in Part V of this document concerning Catalyst does not constitute statutory accounts of that company within the meaning of section 240 of the Act.
- 13.5 Monies received from applicants pursuant to the Placing and the Open Offer will be held in accordance with the terms of the Placing Letters issued by the Company and the terms of the Application Forms until such time as the Placing and Open Offer Agreement becomes unconditional in all respects. If the Placing and Open Offer Agreement does not become unconditional in all respects by 20 April 2007, application monies will be returned to applicants at their risk without interest.
- 13.6 The Existing Ordinary Shares and the New Ordinary 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 or Qualifying Shareholders who have elected to receive New Ordinary 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 or Qualifying Shareholders who elect to receive New Ordinary 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 or the Open Offer.
- 13.7 Save for the change in the SIS dividend policy, described in detail under the heading "Background to Catalyst and reasons for the Placing and Open Offer" in Part I of this document, there has been no significant change in the financial or trading position of the Company since 30 September 2006, being the date to which the latest interim results of the Company for the six month period ended on that date were prepared as set out in Part VI of this document.
- 13.8 Save for its investments in its subsidiaries and in SIS, the Company has no investments in any shares or other securities, nor are there any such investments in progress. As at the date of this document there are no future investments on which firm commitments have been made.
- 13.9 Nexia Smith & Williamson has given and not withdrawn its written consent to the inclusion of its name and its report in the form set out in Parts V and VII of this document and the references to its name and to such report in the form and context in which they appear and has authorised the contents of its report for the purposes of rule 5.5.3R(2)(f) of the Prospectus Rules.
- 13.10 Nexia Smith & Williamson, who are a member of the Institute of Chartered Accountants in England and Wales, and whose registered office is 25 Moorgate, London EC2R 6AY have been the auditors of the Company for the period from 1 November 2002 to 30 September 2006. The accounts of the Company for the two years ended 31 October 2004 and the 17 month period ended 31 March 2006 were audited in accordance with national law and the auditors reports thereon were unqualified and did not contain a statement under section 237(2) or (3) of the Act.
- 13.11 Copies of this document will be available free of charge at the Company's registered office and from the offices of Lewis Silkin, 5 Chancery Lane, Clifford's Inn, London, EC4A 1BL 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.

14 DOCUMENTS

14.1 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, 5 Chancery Lane, Clifford's Inn, London, EC4A 1BL for a period of one month from the date of this document:

14.1.1 the memorandum and articles of association of the Company;

14.1.2 the statutory financial statements of the Company for the two years ended 31 October 2004 and the 17 month period ended 31 March 2006;

14.1.3 Catalyst's unaudited interim results for the six months ended 30 September 2006;

14.1.4 the report from Nexia Smith & Williamson set out in Part V of this document;

14.1.5 the unaudited pro forma statement of net assets of the Group prepared by Nexia Smith & Williamson set out in Part VII of this document;

14.1.6 the Share Option Plan and the EMI Scheme;

14.1.7 the service agreements and letter of appointment referred to in paragraph 5.4 of this Part VIII;

14.1.8 the irrevocable undertakings to vote in favour of the Resolution referred to in Part I of this document;

14.1.9 the material contracts referred to in paragraph 8 of this Part VIII; and

14.1.10 the consent letter referred to in paragraph 13.9 of this Part VIII.

Dated 12 March 2007

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 10.00 a.m. on 4 April 2007 for the purpose of considering and, if thought fit, passing the following special resolution conditional upon Admission (as defined in the prospectus of the Company dated 12 March 2007 (the "Prospectus")):

SPECIAL RESOLUTION

1. (A) the existing share capital of the Company be re-organised as follows:
 - (a) each of the existing issued ordinary shares of 1p each in the capital of the Company be and is hereby subdivided and converted into one new ordinary share of 0.1p and one deferred share of 0.9p, each such ordinary share of 0.1p ranking *pari passu* and forming one uniform class of share with the new ordinary shares of 0.1p each to be created by paragraph 1(A)(b) below and each such deferred share of 0.9p having the rights and being subject to the restrictions set out in paragraph 1(A)(c) below;
 - (b) each of the unissued ordinary shares of 1p each in the capital of the Company be and are hereby subdivided and converted into 10 unissued new ordinary shares of 0.1p each;
 - (c) the existing articles of association of the Company be and hereby amended, so as to incorporate the special rights and restrictions attaching to the deferred shares of 0.9p by insertion of the following as a new article 3.1:

"3.1 The share capital of the Company is £13,000,000 divided into 6,571,122,380 ordinary shares of 0.1p each ("Ordinary Shares") and 714,319,736 deferred shares of 0.9p each ("Deferred Shares").

Deferred Shares

The Deferred Shares shall have attached to them the following rights and restrictions:

- (i) as regards income:

the Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution;
- (ii) as regards voting:

the Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any General Meeting of the Company;
- (iii) as regards capital:

on a return of capital on a winding up the holders of Deferred Shares shall only be entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of £1,000,000 for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company;
- (iv) as regards transfer:

the Company is authorised at any time:

 - (aa) to appoint a person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof and persons so entitled, to such

persons as the Company may determine as holder thereof beneficially entitled thereto;

(bb) pending any such transfer not to issue certificates for the Deferred Shares;

(v) as regards variation of rights:

neither

(aa) the passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor

(bb) the purchase by the Company in accordance with the provisions of the Act of any of its own shares or other securities or the passing of a resolution to permit any such purchase,

shall constitute a variation or abrogation of the rights attaching to the Deferred Shares; and

(vi) as regards further issues:

the rights conferred by the Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the Deferred Shares.”

(B) the authorised share capital of the Company be increased by £3,500,000 from £9,500,000 to £13,000,000 by the creation of 3,500,000 additional ordinary shares of 0.1p 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 of the Company;

(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 £2,100,000 pursuant to the Placing and Open Offer (as defined in the Circular);

(ii) up to an aggregate nominal amount of £800,000 pursuant to the facility agreement with Mentor Marketing & Investments Limited, as described in the Prospectus; and

(iii) (other than pursuant to sub-paragraphs (i) and (ii) above), up to an aggregate nominal value of £938,107,

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 £2,100,000 pursuant to the Placing and Open Offer;
- (ii) up to an aggregate nominal amount of £800,000 pursuant to the facility agreement with Mentor Marketing & Investments Limited, as described in the Prospectus;
- (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 £281,432 (being ten per cent. of the issued share capital of the Company immediately following Admission),

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.

By Order of the Board

Anna Prestwich
Company Secretary

Registered Office:
Portland House
4 Great Portland Street
London W1W 8QJ

Dated 12 March 2007

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 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, Proxy Processing Centre, Telford Road, Bicester OX26 4LD or by hand to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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 2 April 2007 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.