

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

Application has been made for the entire issued and to be issued ordinary share capital and New Warrants of MediaZest Plc to be admitted to trading on the AIM Market of the London Stock Exchange plc ("AIM"). It is expected that Admission will become effective and dealings in the Ordinary Shares and New Warrants will commence on 22 February 2005.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks involved in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

A copy of this document, which comprises a prospectus drawn up in accordance with the Public Offers of Securities Regulations 1995 as amended (the "POS Regulations") and the rules of AIM (the "AIM Rules") has been issued in connection with the application for admission to trading of the Ordinary Shares and New Warrants on AIM and has been delivered to the Registrar of Companies in England and Wales in accordance with Regulation 4(2) of the POS Regulations.

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# MediaZest Plc

*(incorporated in England and Wales under the Companies Act 1985 with registered number 5151799)*

**Placing of up to 4,000,000 new Ordinary Shares  
of 10 pence each at 50 pence per share with New Warrants  
in the ratio of 1 New Warrant for every 2 new Ordinary Shares  
and  
Admission of the Ordinary Shares and New Warrants  
to trading on AIM**

**Nominated Advisor and Broker  
City Financial Associates Limited**

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## ORDINARY SHARE CAPITAL ON ADMISSION

<i>Authorised</i>			<i>Issued</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount up to</i>	<i>Number up to</i>
£10,000,000	100,000,000	Ordinary Shares of 10p each	£1,483,335	14,833,350

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To the best of the knowledge and belief of the Directors (who have taken all reasonable care that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors, whose names are set out on page 3 accordingly accept responsibility including individual and collective responsibility for compliance with the AIM Rules. In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document.

City Financial Associates Limited, which is authorised and regulated by the Financial Services Authority, is the Company's nominated adviser and broker and is acting exclusively for the Company in connection with the Placing and Admission, and will not be responsible to anyone other than the Company for providing the protections afforded to customers of City Financial Associates Limited or for advising any other person on the contents of this document or in connection with the Placing. City Financial Associates Limited's responsibilities as the nominated adviser to the Company are owed solely to London Stock Exchange plc. City Financial Associates Limited has not authorised the contents of, or any part of, this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by City Financial Associates Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information for which the Company and its Directors are solely responsible.

Copies of this document will be available to the public free of charge at the offices of City Financial Associates Limited, 6 Laurence Pountney Hill, London EC4R 0BL during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this document until one month from Admission.

Your attention is drawn to the Risk Factors set out in Part II of this document.

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Anthony Roger Moore, <i>Chairman</i> Sean Malachy Reel, <i>Chief Executive Officer</i> Nigel John Duxbury, <i>Finance Director</i> Christopher Lorne Dennis Jonathon Theis, <i>Executive Director</i> Lance Adrian Wingate O'Neill, <i>Non Executive Director</i>  All of: 1st Floor 46 Maddox Street London W1S 1QA
<b>Company Secretary and Registered Office</b>	Nigel John Duxbury 1st Floor 46 Maddox Street London W1S 1QA
<b>Nominated Adviser and Broker</b>	City Financial Associates Limited Pountney Hill House 6 Laurence Pountney Hill London EC4R 0BL
<b>Tax Adviser</b>	Smith & Williamson Limited No 1 Riding House Street London W1A 3AS
<b>Auditors and Reporting Accountants</b>	Nexia Audit Limited No 1 Riding House Street London W1A 3AS
<b>Solicitors to the Company</b>	Nabarro Nathanson The Anchorage 34 Bridge Street Reading RG1 2LU
<b>Solicitors to the Placing</b>	Memery Crystal 44 Southampton Buildings London WC2A 1AP
<b>Bankers</b>	Lloyds TSB Bank Plc 222 Strand London WC2R 1BB
<b>Registrars</b>	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

## DEFINITIONS

The following terms apply in this document unless the context requires otherwise:

“Act”	Companies Act 1985, as amended
“Admission”	admission of the Ordinary Shares and New Warrants to trading on AIM
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules regulating AIM
“Articles”	the Articles of Association of the Company
“Board” or “Directors”	the Directors of the Company
“CFA”	City Financial Associates Limited
“Company” or “MediaZest”	MediaZest Plc
“CREST”	the computerised settlement system operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
“CRESTCo”	CRESTCo Limited
“Enlarged Issued Share Capital”	the 14,833,350 Ordinary Shares in issue assuming the Maximum Subscription has been reached
“Existing Ordinary Shares”	the 10,833,350 Ordinary Shares in issue prior to the proposed Placing including the Shares referred to in paragraph 3.7.3 in Part IV
“Existing Warrants”	Warrants to subscribe for Ordinary Shares which have been issued to Directors and certain other parties, details of which are set out in paragraph 11 of Part IV
“FSA”	Financial Services Authority
“Group”	MediaZest Plc and its wholly owned subsidiary MediaZest Ventures Limited (formerly MediaZest Limited)
“London Stock Exchange”	London Stock Exchange plc
“Maximum Subscription”	4,000,000 Placing Shares
“Minimum Subscription”	2,600,000 Placing Shares
“New Warrants”	Warrants to subscribe for Ordinary Shares, details of which are set out in paragraph 11 of Part IV, to be issued to the Placees
“New Warrant Instrument”	the instrument of the Company dated 17 February 2005 which constitutes the New Warrants
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Placees”	those persons subscribing for the Placing Shares in the Placing at the Placing Price
“Placing”	the conditional placing of the Placing Shares as described in this document, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 17 February 2005, between the Company (1), the Directors (2), and CFA (3) relating to the Placing, details of which are set out in paragraph 11.1 of Part IV of this document
“Placing Price”	50p per Ordinary Share
“Placing Shares”	up to 4,000,000 new Ordinary Shares to be issued pursuant to the Placing at the Placing Price.
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Shareholders”	holders of Ordinary Shares in the Company
“UK Listing Authority”	the FSA as the competent authority for listing in the UK
“Warrants”	the Existing Warrants and New Warrants

## PLACING STATISTICS

Placing Price	50p
Number of Existing Ordinary Shares	10,833,350
Number of new Ordinary Shares being issued under the Placing	4,000,000
Number of Ordinary Shares in issue following the Placing	14,833,350
Number of Warrants in issue following the Placing	4,594,000
Percentage of Enlarged Issued Share Capital being placed	27%
Gross Proceeds of the Placing	£2,000,000
Net Proceeds of the Placing receivable by the Company	£1,579,000
Market Capitalisation following the Placing at the Placing Price	£7,416,675

Note: the table above, together with all figures in this document assumes that the Maximum Subscription is placed, except where otherwise indicated.

## EXPECTED TIMETABLE

	2005
Admission and dealings commence in the Ordinary Shares and New Warrants on AIM	22 February
CREST accounts credited by	22 February
Dispatch of definitive share certificates and warrant certificates by	1 March

# PART I

## INFORMATION ON THE COMPANY

### **Introduction**

MediaZest Plc and its subsidiary is a newly formed Group which intends to make a number of equity investments and enter into worldwide commercial agreements to create a “one-stop” provider of in-store media solutions for retailers and brand owners. The Company is currently in discussions with a number of established media marketing technology providers. In addition, the Company is pursuing opportunities that it believes will provide access to a number of in-store media networks with the potential to reach significant captive audiences. The Company’s mission is to become one of the leading total solutions providers in the process of converting shoppers to customers by providing innovative audio, visual, aromatic, consumer interactive, delivery and content management solutions to retailers and brand owners.

### **Group Structure**

On 13 October 2004 the Company acquired the entire share capital of Mediazest Ventures Ltd (formerly Mediazest Ltd) (“Ventures”) for a consideration of £116,667, satisfied by the issue of 116,667 ordinary shares of £1.

### **Business Strategy**

The Company has been created to deliver a one-stop audio, visual, aromatic, satellite delivery, content management and consumer interaction platform to retailers and brand owners wishing to communicate dynamically with their customers to increase sales and brand awareness.

The Company is looking to deliver leading in-store media products to clients in numerous business sectors including retail, transport, property, corporate and shopping centres.

As customers implement in-store media solutions across multiple sites, the Company intends to position itself as the preferred partner. By creating unique offerings in each element of in-store media solutions, MediaZest will seek long-term contracts with retailers and brand owners.

The Company believes it can, as demonstrated by independently verified trial data (proven sales uplifts) and market studies (consumer acceptance), influence large retailers and brand owners to work with the Company in rolling out large-scale total in-store media solutions. The Company has already generated strong interest from potential clients.

The Company is already creating a bespoke offering based on complementary technologies and services to provide a menu of best in breed in-store media solutions including:

- Innovative display systems (including plasma, Thin Film Transistors (“TFT”) and 3 Dimensional TV (“3D”))
- Audio delivery technologies
- Delivery infrastructure systems (satellite and internet)
- In-store radio (international roll out)
- Targeted in-store advertising based on consumer profiling
- In-store and outdoor kiosks & shelf edge devices

A number of these in-store media product and service offerings have been tested in retail stores resulting in a significant increase in revenue and brand awareness.

The Company has completed reviews of over 200 commercial opportunities to acquire the rights to third party products and services to support its strategy. Alongside certain transactions already completed which are highlighted in this document, discussions are at an advanced stage in relation to a number of other opportunities.

The Directors have recognized the need and demand by retailers and brand owners for a total in-store media marketing solution and believes the Company will be able to gain an advantageous position in the market place by offering best in breed products and services to clients.

The Company is building a business with the following corporate profile, goals and objectives:

- An experienced management team with domain expertise supported by strategic partner companies;
- An innovative technology platform with superior product and service offering;
- A customer base comprised of blue-chip clients;
- A business model that aims to produce a self-financing revenue stream within the first year;
- Significant long-term corporate and shareholder wealth creation.

The Directors believe that the specific area in which the Company operates does not have a large number of direct competitors and therefore provides the Company with a significant opportunity.

### **Acquisitions and Partnerships**

The Company is partnering, or will seek to partner, with companies offering cutting-edge in-store media solution technologies. The Company is looking to consolidate and commercialise complementary technology offerings for large retailers and brand owners delivering a holistic media marketing solution. The Company's model is based on key delivery strands.

Ventures has already secured a global exclusive licence agreement with FeONIC Plc to market the Whispering Window technology.

Ventures has also signed a Sales & Marketing agreement with Immedia Broadcast Limited ("Immedia"), a leading provider of in store radio solutions. This company provides in-store radio solutions to leading retailers. As a result of the agreement, Immedia will exclusively use Whispering Window technology as an addition to their live radio solutions. MediaZest will, on a territory-by-territory basis, obtain sales and marketing rights for Immedia's solutions worldwide and will receive commission on the sale of the solutions in the assigned territories. This is an important strategic partnership and represents a further step in the Company's stated objective of acquiring 'best in breed' solutions.

The Company is looking to partner with, and is in discussions with, a number of other in-store media providers including

- In-store display specialists
- A world leader in retail sound
- Cutting edge 3D digital signage
- "Horizon to Horizon" satellite

### **Directors**

The Company has in place an experienced management team which it is seeking to augment. The Board consists of business executives with significant experience in the field of corporate strategy, corporate law, finance and capital formation and intends to appoint a further non-executive director. Members of the Board have significant experience in retail, marketing, and in the management and development of media driven point-to-point marketing solutions.

#### **Anthony Moore, Chairman (age 59)**

Anthony Moore is Co-Chairman and Co-Chief Executive Officer of Moore Clayton & Co ("MCC"), a global private equity solutions firm represented by 75 people located worldwide. His experience covers private banking, asset management, stockbroking and international investment banking. He is also a director of Media Archway, Inc as well as holding a number of other board positions. Prior to co-founding MCC with Sharon Clayton, he was President and CEO of Los Angeles-based New Energy Technologies, a subsidiary of New Energy Inc., the largest deregulated energy services provider in the United States.

He previously served as Chairman of Corporate Finance at Barclays de Zoete Wedd in London, where he also held the position of CEO of Global Investment Banking Services and was a member of the board of Bankers Trust International. From 1982 to 1991, he held various senior positions with Goldman Sachs: Head of Investment Banking in Tokyo, Managing Director of Goldman Sachs Asia in Hong Kong and Executive Director responsible for large corporate clients in London. Throughout his career, he has built an extensive network of senior level contacts with governments, financial institutions and companies around the world.

**Sean Reel, Chief Executive Officer (age 40)**

Sean Reel has held a number of board positions in media companies. He was the sales director for Marketforce (IPC Media) during its management buy-out and subsequent sale to AOL/TimeWarner for £1.1 Billion. During this period he was responsible for sales and trade marketing for a portfolio of titles worth over £500 million. Recently as a director at Haymarket Consumer Publishing he managed the sales, subscriptions, and trade marketing for consumer titles such as Autocar, Stuff, What Car? and Classic FM. He has been an investor in the in-store media sector since 2001 and has provided business development support to a number of businesses in the sector. He held a number of senior posts in Boots Plc Group including head of trade marketing and head of sales for Crookes Healthcare. During his time with the Boots Group, Sean was responsible for the set up of the J. Sainsbury in-store Pharmacy.

**Nigel Duxbury, Finance Director and Company Secretary (age 45)**

Nigel Duxbury is currently a director of EP&F Capital Plc and Ragusa Capital Plc, both quoted on AIM, and has extensive experience both as a Finance Director and Senior Executive in small and large quoted and unquoted companies within Europe, Asia and the USA. He has a background in finance and accountancy, having qualified as a chartered accountant (ACA) with Touche Ross, London.

**Christopher Theis, Executive Director (age 45)**

Christopher Theis is an experienced investment banker, corporate financier and entrepreneur. He trained in the capital and equity markets in both New York and London. He has led City teams, including Smith New Court and Hoare Govett Ltd in the origination, structuring and placement of flotation and secondary market transactions of numerous successful companies. He has extensive experience in the valuation, purchase and sale of businesses, both in the UK and abroad. He co-founded U4EA Limited, a leading networking solutions business, and Athanor Capital Partners, a FSA registered corporate finance firm.

**Lance O'Neill, Non-Executive Director (age 48)**

Lance O'Neill is a London-based director of DFB (Australia) Pty. Ltd, a Sydney based investment adviser. He is also chairman of EP&F Capital Plc and Ragusa Capital Plc, both quoted on AIM. He has worked in international securities and investment markets since 1981. During this time, he spent over ten years based in London and Sydney with periodic work in the United States and the Far East, principally with Prudential-Bache Securities Inc., Societe Generale (Australia) Securities and Rivkin Securities Limited, working in institutional equity and fixed income sales/trading as well as in corporate finance. He is a director of, and investor in, a number of private and public companies in the UK, USA and Australia. He holds a BSc (Econ) Hons in Accountancy and Law from the University of Wales and is an affiliate member of the Securities Institute of Australia.

The interests of the Directors on Admission are set out in paragraph 5 of Part IV.

Each of the Directors and certain other significant shareholders have agreed, in accordance with Rule 7 of the AIM Rules, that they will not dispose of any interest in Ordinary Shares for a period of one year from Admission, save as permitted under the AIM Rules. Each of these parties has further agreed with CFA and the Company to dispose of any interest in Ordinary Shares held by him only through the Company's broker or elsewhere with the Company's broker's approval for a further twelve months after the first anniversary of the date of Admission. Furthermore Shareholders who subscribed for Ordinary Shares as outlined in paragraph 3.8 of Part IV of this document have agreed not to dispose of their Shares for a period of six months following the date of Admission.

## **Capital Structure**

The bonus issue approved by Shareholders on 25 October 2004 will be effected on Admission.

Certain of the Directors and other shareholders have already subscribed £550,000 in aggregate to fund the costs of the Placing and initial working capital.

The entire history of the capital structure of the Company is set out in paragraph 3 of Part IV of this document.

## **Reasons for the Placing**

The proceeds of the Placing will be used to provide the funds needed by the Company to identify and carry out due diligence on potential acquisitions, investments and licence agreements and to provide working capital for the Company's initial operations in line with its business strategy.

The Directors believe that the benefits of the Placing and Admission will include:

- the ability to enter into negotiations with vendors of businesses or companies, to whom the issue of publicly traded shares as consideration is potentially more attractive than the issue of shares in an equivalent private company for which no regulated market exists; and
- the ability to raise further funds in the future, either to enable a proposed acquisition to be completed and/or to raise additional working capital or development capital for the Company.

## **Details of the Placing**

The Company is raising up to £2,000,000 (before expenses) through the Placing of up to 4,000,000 Placing Shares at the Placing Price with investors, representing approximately 27 per cent of the Enlarged Issued Share Capital of the Company on Admission.

All of the Directors are participating in the Placing.

The Placing is conditional, *inter alia*, on Admission and raising a minimum of £1,300,000 through the Placing. Admission is expected to occur on 22 February 2005.

Further details of the Placing Agreement are set out in paragraph 11.1 of Part IV of this document.

## **Employee Share Options**

In order to incentivise the management and key employees of the Company and any company that is acquired, the Directors intend to adopt a share option scheme.

## **Warrants**

### **Existing Warrants**

1,750,000 Existing Warrants have been granted to Directors and 444,000 Existing Warrants have been granted to significant shareholders as detailed in paragraph 5 of Part IV. A further 400,000 Existing Warrants have been granted to other parties.

Included in the 400,000 Existing Warrants referred to above are 50,000 Existing Warrants which have, subject to Admission, been granted to CFA as part of its fee arrangement exercisable at the Placing Price.

All the Existing Warrants are exercisable at any time between the date following 7 days after the announcement of the Company's preliminary results for the year ended 31 December 2005 and the tenth anniversary of Admission. Further details of the Existing Warrants are set out in paragraph 11 of Part IV.

### **New Warrants**

The Company has created up to 2,000,000 New Warrants (representing approximately 13.5% of the Enlarged Issued Shared Capital on an undiluted basis) which will be issued to Placees in the ratio of one New Warrant for every two new Placing Shares issued. The New Warrants are exercisable at any time prior to the second anniversary of the date of Admission at the Placing Price. Further details of the New Warrants are set out in paragraph 11 of Part IV.

Application has been made for the New Warrants to be admitted to AIM.

### **Corporate Governance and Internal Controls**

The Directors recognise the importance of sound corporate governance whilst taking into account the size and nature of the Company. As the Company grows, the Directors intend that the Company should develop policies and procedures which reflect the principles of good governance and Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the “Combined Code”), to the extent that they are appropriate to the size of the Company.

The Directors will comply with Rule 19 of the AIM Rules relating to Directors’ dealings and will take all reasonable steps to ensure compliance by the Company’s applicable employees as well.

### **Dividend Policy**

It is the intention of the Directors to aim for capital growth. It is inappropriate to give an indication of the likely level of future dividends.

### **Taxation**

Advance assurance has been received from the Inland Revenue that the Company’s shares will be eligible to qualify as an investment under the Enterprise Investment Scheme (“EIS”) and a “Qualifying Holding” for the purpose of an investment by Venture Capital Trusts.

Further information regarding taxation in relation to the Placing and Admission is set out in paragraph 8 of Part IV of this document. If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

To meet the qualifying criteria the funds must be used for trading activities within 24 months following Admission.

### **Admission to trading on AIM**

The Company has applied for the Ordinary Shares and New Warrants in issue immediately following the Placing to be admitted to trading on AIM. Dealings in the Ordinary Shares and New Warrants are expected to commence on 22 February 2005.

### **CREST**

The Company’s Articles permit the Company to issue shares in un-certificated form in accordance with the Uncertificated Securities Regulations 2001. The New Warrant Instrument allows the New Warrants to be held and transferred in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. Application has been made for the Ordinary Shares and the New Warrants to be admitted to CREST upon Admission.

## PART II

### RISK FACTORS

The Directors consider the following risks and other factors 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 and the risks listed below are not set out in any particular order of priority. Potential investors should carefully consider the risks described below before making a decision to invest in the Company. If any of the following risks actually occur, the Company's business, financial condition, results or future operations could be materially adversely affected. In such a case, the price of the Company's Ordinary Shares could decline and investors may lose all or part of their investment:

- (i) the success of the Company depends largely upon the expertise of the Directors and their ability to develop, identify and acquire suitable companies or businesses;
- (ii) the market price of the Ordinary Shares may not reflect the underlying value of the Company;
- (iii) the Company believes that potential opportunities lie in the chosen sector, which may have higher than average market associated risks;
- (iv) although it is the Company's intention to issue Ordinary Shares to satisfy all or part of any consideration payable on an acquisition, vendors of suitable companies or businesses may not be prepared to accept shares traded on AIM or may not be prepared to accept Ordinary Shares at the quoted market price;
- (v) the Company's future success will depend *inter alia* on its Directors and future management team. The retention of their services or the services of any future management team cannot be guaranteed;
- (vi) the Company has no substantial established trading record.
- (vii) the share prices of public companies, particularly those operating in high growth sectors, are often subject to significant fluctuations. Following Admission, the market price of the Ordinary Shares may be volatile;
- (viii) it is likely that the Company will need to raise further funds in the future, either to complete a proposed acquisition or to raise further working or development capital for such an acquisition. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price, or higher.
- (ix) the market price for shares in smaller companies is less liquid than for larger corporations. The Company's Ordinary Shares are intended for capital growth and therefore may not be suitable as a short-term investment. Consequently, the Company's Ordinary Shares may be difficult to buy and sell and may be subject to greater fluctuations. Investors may therefore not realise their original investment. Investment in shares traded on AIM carries a higher degree of risk than an investment in shares quoted on the Official List of the UK Listing Authority.
- (x) although the Directors are unaware of any such issue the intellectual property licensed to the Company may infringe upon intellectual property rights owned by third parties who may challenge the licensor's and/or the Company's rights. In addition, agreements concerning intellectual property rights entered into by the Company could be terminated which would have an adverse effect upon the Company's business.

**The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000, who specialises in advising on investments of this nature before making their decision to invest.**

## PART III

# Nexia Audit

— · Limited · —

Chartered Accountants and Registered Auditors

## ACCOUNTANT'S REPORT

17 February 2005

*The Directors*

City Financial Associates Limited  
6 Laurence Pountney Hill  
London EC4R 0BL

*The Directors*

MediaZest plc  
1st Floor  
46 Maddox Street  
London W1S 1QA

Dear Sirs

**MediaZest Plc (the “Company”)**

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 17 February 2005 relating to the admission to AIM of the Company.

The Company was incorporated on 11 June 2004 by the Registrar of Companies for England and Wales with registered number 05151799. On 13 October 2004 the Company acquired the entire share capital of MediaZest Limited. The Company has not prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared dividends nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the issue of shares described below. Accordingly no profit and loss or cashflow information is present in this report.

**Basis of preparation**

The financial information set out on pages 13 to 14 is extracted without material adjustment from the unaudited financial statements of MediaZest plc for the period ended 30 November 2004. It has been drafted in accordance with accounting policies adopted by MediaZest plc and is presented in accordance with United Kingdom Generally Accepted Accounting Principles. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

**Responsibility**

The financial records and financial information are the responsibility of the directors of the Company. The directors of the Company are responsible for the contents of the Admission Document dated 17 February 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you. Our work has been undertaken so that we might state those matters that we are required to state in our report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone for any other purpose for our work, this report or for the opinions we have formed.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. 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 Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 17 February 2005, a true and fair view of the state of affairs of the Company at the date stated.

### Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b) and paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## BALANCE SHEET

	<i>30 November</i>
	<i>2004</i>
	<i>Note</i>
	<i>£</i>
<b>FIXED ASSETS</b>	
Investments	2 116,667
<b>CURRENT ASSETS</b>	
Cash	<u>50,000</u>
<b>NET ASSETS</b>	<u>166,667</u>
<b>CAPITAL AND RESERVES</b>	
Called up share capital	3 <u>166,667</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### (a) Basis of preparation

The financial information has been prepared in accordance with applicable accounting standards.

#### (b) Basis of accounting

The financial statements are prepared under the historical cost convention and on a going concern basis.

#### (c) Investments

Investments are stated at cost.

### 2. Investments

	<i>Fixed asset</i>
	<i>investments</i>
	<i>£</i>
On incorporation	–
Additions	<u>116,667</u>
At 30 November 2004	<u>116,667</u>

At 30 November 2004 investments comprise an investment in a subsidiary undertaking. The Company's investment in its subsidiary company at £116,667 represents the cost of acquisition of the whole of the ordinary share capital of MediaZest Limited (now Mediazest Ventures Limited), which owns the rights to certain licences set out in Part IV of this document. The balance sheet of MediaZest Limited on acquisition and at 30 November 2004 was:

	<i>£</i>
Debtors – unpaid share capital	<u>100</u>
Net assets	<u>100</u>
Share capital	<u>100</u>

### 3. Share capital

30 November  
2004  
£

#### Authorised

100,000,000 10p ordinary shares 10,000,000

#### Allotted

1,666,670 10p ordinary shares 166,667

The Company was incorporated on 11 June 2004, with the issue of 1 £1 ordinary share at par. On 11 October 2004 the Company issued 49,999 £1 ordinary shares at par.

On 13 October 2004 the Company issued 116,667 £1 ordinary shares at par to the shareholders of MediaZest Limited.

On 25 October 2004 the £1 ordinary shares were subdivided into 10p ordinary shares.

On 25 October 2004, the Company resolved to, on condition of Admission, to capitalise the sum of £668,668 from the share premium arising from the Placing to pay up at par 6,666,680 Ordinary Shares and to allot and distribute the shares to holders of Ordinary Shares at the close of business on 25 October 2004. Further details are disclosed in Part IV paragraph 3.7.3 of the Admission Document.

On 29 December 2004 and 17 February 2005, the Company created Warrants to subscribe for Shares, which are described in paragraph 11 of Part IV of this document.

### 4. Reconciliation of movements in Shareholders funds

Period ended  
30 November  
2004  
£

Issue of share capital 166,677  
Closing shareholder's funds 166,677

### 5. Post balance sheet events

A mezzanine fund raising commenced at the end of October 2004. 2,500,000 10p shares at a price of 20p per share were allotted on 29 December 2004.

Additional information regarding the Company, the Warrants and post balance sheet events is given in Parts I and IV of the Admission Document.

Yours faithfully

*Nexia Audit Limited*

Nexia Audit Limited  
Chartered Accountants  
No 1 Riding House Street  
London W1A 3AS

## **PART IV**

### **ADDITIONAL INFORMATION**

#### **1. The Company**

1.1 The Company was incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5151799 on 11 June 2004 as a private company limited by shares with the name of Shelfco (No. 2998) Limited.

1.2 On 26 October 2004 the Company was re-registered as a public limited company with the name MediaZest Plc.

1.3 The Company operates under the Act and the liability of its members is limited.

#### **2. Subsidiary undertakings**

The Company has one wholly owned subsidiary, MediaZest Ventures Limited, which is registered in England and Wales with company number 4040233.

#### **3. Share capital**

3.1 The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1.00 each of which one was issued nil paid to the subscriber to the memorandum of association. On 11 October 2004 one subscriber share was transferred to Lance O'Neill and was paid up in full.

3.2 By a written resolution passed on 11 October 2004 the authorised share capital was increased from £1,000 to £50,000 by the creation of 49,000 new ordinary shares of £1.00 each in the capital of the Company.

3.3 On 11 October 2004 the Company issued an aggregate of 49,999 ordinary shares of £1.00 each at a subscription price of £1.00 per share.

3.4 By a written resolution passed on 13 October 2004 the authorised share capital was increased to £200,000 by the creation of 150,000 ordinary shares of £1.00 each in the capital of the Company.

3.5 On 13 October 2004 116,667 ordinary share of £1 each were allotted at par to the shareholders in MediaZest Ventures Limited in consideration for the transfer to the Company of the entire issued share capital of MediaZest Ventures Limited.

3.6 By a written resolution passed on 25 October 2004 resolutions were passed:

3.6.1 to increase the authorised share capital to £10,000,000 by the creation of 9,800,000 ordinary shares of £1.00 each;

3.6.2 to subdivide each of the then existing 10,000,000 ordinary shares of £1.00 each into ten Ordinary Shares of 10p each.

3.7 By a written resolution passed on 25 October 2004, resolutions were passed:

3.7.1 to authorise the Directors to allot relevant securities (as defined in section 80 of the Act) in the Company up to an aggregate nominal amount of £3,000,000, such authority to expire on the earlier of the next annual general meeting of the Company and 25 January 2006;

3.7.2 to empower the Director to allot equity securities (as defined in section 94 of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment, such power limited to (a) the allotment of 6,500,000 Ordinary Shares in connection with the placing of Ordinary Shares in connection with the application for Admission; (b) the grant of warrants to subscribe for Ordinary Shares to CFA, the Directors and others; (c) otherwise in relation to rights issues and other pre-emptive issues in favour of ordinary shareholders; and (d) otherwise up to an aggregate nominal amount of £400,000 such power to expire on the earlier of the next annual general meeting of the Company or 25 January 2006; and

3.7.3 subject to and conditional on Admission to capitalise the sum of £666,668 from the Company's share premium account arising from the Placing to pay up in full at par 6,666,680 Ordinary Shares and to allot and distribute the shares to the holders of Ordinary Shares at the close of business on 25 October 2004 on the basis of 4 unissued Ordinary Shares for every Ordinary Share held by such person which will be allotted as follows: Anthony Moore (952,000), Sean Reel (1,540,040), Nigel Duxbury (800,000), Christopher Theis (746,676), Lance O'Neill (800,000). Gary Wyatt (1,072,764), Grahame Cook (400,000) and others (355,200).

3.8 On 29 December 2004 the Company issued an aggregate of 2,500,000 Ordinary Shares at a subscription price of 20p per share.

3.9 As at the date of this document, and following the Placing (assuming the Maximum Subscription is placed), the Company's authorised and issued share capital is, and will be, as follows:

	<i>Existing</i>		<i>Following Admission</i>	
	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>
Authorised	£10,000,000	100,000,000	£10,000,000	100,000,000
Issued and fully paid	£416,667	4,166,670	£1,483,335	14,833,350

3.10 Save in connection with the Placing and as disclosed in paragraphs 3.7.3, 11.2, 11.3 and 11.4 below, no share or loan capital of the Company is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.

3.11 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 allotments of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital except to the extent disapplied by written resolution of the Company as referred to in paragraph 3.7.2 above.

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

In this paragraph 4 of Part IV, "Statutes" means the Act and every other statute or statutory instrument, rule, order or regulation from time to time in force concerning companies so far as they apply to the Company.

##### **4.1 Memorandum of association**

The objects of the Company are set out in clause 4 of the Company's memorandum of association and its principal objects are, among others, to carry on business as a general commercial company.

##### **4.2 Articles of association**

The articles of association of the Company ("Articles") contain provisions, among others, to the following effect:

###### *4.2.1 Voting rights*

Subject to any special terms as to voting upon which any share may be issued, or may be held, and subject to the provisions of the Articles, on a show of hands every member of the Company ("Member") present in person and entitled to vote shall have one vote and on a poll every Member present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder.

No Member is entitled to be present or to be counted in the quorum or vote, either in person or by proxy, at any general meeting or at any separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll, unless all calls or other moneys due and payable in respect of the Member's share or shares have been paid.

Where a notice is served by the Company under section 212 of the Act (a "section 212 notice") on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any shares (the "default shares" which expression includes any shares issued after the date of the section 212 notice in respect of those shares) to give the Company the information required within 14 days from the date of service of the section 212 notice then, unless the Board otherwise decides, the Member is not entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll.

#### 4.2.2 *Dividends*

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid. Dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend which has remained unclaimed for a period of 12 years from the date it became due for payment is forfeited and ceases to remain owing by the Company.

Where a section 212 notice is served on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any default shares to give the Company the information required within 14 days of the service of the section 212 notice and the default shares represent at least 0.25 per cent in nominal value of the issued shares of their class then, unless the Board otherwise decides, any dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it and the Member is not entitled to elect to receive shares instead of a dividend.

#### 4.2.3 *Distribution of assets on a winding up*

If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of an extraordinary resolution and any sanction required by law, divide among the Members in kind the whole or any part of the assets of the Company and whether or not the assets consist of property of one kind or of different kinds and may for this purpose set such value as he deems fair on any class or classes of property and may determine on the basis of that valuation and in accordance with the then existing rights of Members how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the same authority, vest any part of the assets in the trustees upon such trust for the benefit of Members as the liquidator may think fit but so that no member shall be compelled to accept any asset in respect of which there is a liability or potential liability.

#### 4.2.4 *Purchase of own shares*

Subject to the Statutes, the Company may purchase its own shares (including any redeemable shares) or enter into such agreement (contingent or otherwise) in relation to the purchase of its own shares on such terms and in such manner as may be permitted by the Statutes.

#### 4.2.5 *Variation of class rights*

Subject to the Statutes, the rights attached to any class of shares may be modified, varied or abrogated (a) in such manner (if any) as may be provided by those rights or (b) in the absence of provision, either with the consent in writing of the holders of at least three fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of that class and then only subject to the provisions of section 127 of the Act.

#### 4.2.6 *Transfer of shares*

Subject to the provisions of the Articles, any Member may transfer all or any of his certificated shares by instrument of transfer in any usual form or in such other form as the Board may approve and the instrument must be executed by or on behalf of the transferor and (except in the case of a share which is fully paid up) by or on behalf of the transferee but need not be under seal. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of Members in respect of it.

Subject to the following paragraph, the Board may refuse to register a transfer of a certificated share unless it is (a) in respect of only one class of shares, (b) in favour of not more than four joint transferees, (c) duly stamped (if required), and (d) delivered for registration to the registered office of the Company from time to time or such other place as the Board may decide accompanied by the certificate for the shares to be transferred (save in the case of a transfer by a recognised person to whom no certificate was issued) and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so. The Board may impose restrictions on the transfer of a certificated share which is not fully paid, provided that the restrictions are not such as to prevent dealings in the shares from taking place on an open and proper basis.

Subject to the Uncertificated Securities Regulations 2001, the Board may permit shares of any class to be held in uncertificated form and to be transferred by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

The Board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the London Stock Exchange, the Uncertificated Securities Regulation 2001 and the rules and practices of the operator of the relevant system.

Where a section 212 notice is served on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any default shares to give the Company the information required within 14 days from the date of service of the section 212 notice and such shares represent at least 0.25 per cent in nominal value of the issued shares of their class, then, unless the Board otherwise decides, no transfer of any of the default shares shall be registered unless the transfer is an “excepted transfer” (as defined in the Articles) or the Member is not himself in default in supplying the information required and the Member proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer or the transfer is required by the Uncertificated Securities Regulations 2001.

Other than as set out above, the Articles contain no restrictions as to the free transferability of fully paid shares.

#### 4.2.7 *Alterations to capital*

The Company may by ordinary resolution (a) increase its authorised share capital by a sum to be divided into shares of an amount prescribed by the resolution; (b) consolidate and divide all or any of its authorised share capital into shares of a larger amount than its existing shares; (c) cancel any authorised shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled; and (d) subject to the Statutes, sub-divide all or any of its shares into shares of a smaller amount and may by the resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any restrictions, as compared with the others.

Subject to the Statutes and to the rights attached to existing shares, the Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner.

#### 4.2.8 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) remaining undischarged of all moneys borrowed by the Group does not at any time without the previous sanction of an ordinary resolution exceed a sum equal to 2 time(s) the aggregate of (a) the amount paid up on the allotted or issued share capital of the Company; and (b) the amount standing to the credit of the consolidated capital and revenue reserves of the Group (including any share premium account and capital redemption reserve) plus or minus the credit or debit balance, as the case may be, of the consolidated profit and loss account all as shown in the then latest audited consolidated balance sheet of the Group, adjusted as specified in the Articles.

## **5. Directors' and other interests**

5.1 The interests of the Directors (all of which, save as set out below, are beneficial) in the issued share capital of the Company as at the date of this document and immediately following Admission, such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director are, and will be, as follows:

<i>Director</i>	<i>Existing</i>			
	<i>Ordinary Shares</i>	<i>% of issued Share Capital</i>	<i>Warrants at 20p exercise price</i>	<i>Warrants at 50p exercise price</i>
Anthony Moore	238,000	5.7%	250,000	–
Sean Reel	385,010	9.2%	250,000	250,000*
Nigel Duxbury	205,000	4.9%	250,000	–
Christopher Theis	296,669	7.1%	250,000	250,000*
Lance O'Neill	252,500	6.1%	250,000	–

<i>Director</i>	<i>Following Admission</i>			
	<i>Ordinary Shares</i>	<i>% of Enlarged Issued Share Capital*</i>	<i>Warrants at 20p exercise price</i>	<i>Warrants at 50p exercise price</i>
Anthony Moore	1,210,000	8.2%	250,000	10,000
Sean Reel	1,945,050	13.1%	250,000	260,000
Nigel Duxbury	1,025,000	6.9%	250,000	10,000
Christopher Theis	1,113,345	7.5%	250,000	285,000
Lance O'Neill	1,092,500	7.4%	250,000	20,000

\*The exercise of these warrants is at the discretion of the Board

Included in the above are the following Placing Shares that the Directors intend to subscribe for: Anthony Moore (20,000), Sean Reel (20,000), Nigel Duxbury (20,000), Christopher Theis (70,000) and Lance O'Neill (40,000.)

Details of the Warrants are set out in paragraph 11 of Part IV.

5.2 Save as set out in paragraph 5.1, following the Placing no Director will, and no person connected with a Director is expected to, have any interest in the share capital of the Company or in any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares.

5.3 As at 16 February 2005 (being the latest practicable date prior to publication of this document) in so far as is known to the Company the following persons, (other than those set out in paragraph 5.1 of this Part IV) are interested or, immediately following Admission, will be interested, directly or indirectly, in 3 per cent or more of the capital of the Company.

<i>Shareholder</i>	<i>Existing</i>			<i>Following Admission</i>		
	<i>Number of Ordinary Shares</i>	<i>% of issued Share Capital</i>	<i>Warrants at 50p exercise price</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Issued Share Capital</i>	<i>Warrants at 50p exercise price</i>
Gary Wyatt	268,191	6.4%	444,000	1,340,955	9.0%	444,000
Grahame Cook	100,000	2.4%	–	530,000	3.6%	15,000

5.4 The Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, at the date of this document, or following Admission, exercise or could exercise control over the Company.

## 6. Additional information on the Directors

6.1 Other than their directorships of the Company and its subsidiary, directorships and partnerships currently held by the Directors and held over the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Anthony Moore	MCC Investment Managers, Inc MCC Education Advisers, Inc MCC Energy plc MCC Energy Advisers, Inc MCC Europe Limited MCC Financial Services Advisers, inc MCC Media Advisors, Inc MCC Outsourced Services, Inc MCC Securities Holdings, MCC Securities Inc MCC Sports & Leisure Advisers, Inc Moore, Clayton & Co., Inc. Media Archway, Inc.	Conexys Corporation, Inc Disctainment, Inc Healthcare Enterprise Group, Inc Healthcare Enterprise Group plc LPMCC, LLC Moore, Clayton & Co. (UK) Limited Morphogenesis, Inc Silicon Valley plc SportsNuts, Inc The Ecu Group Public Limited Company ZAQ Interactive Solutions, Inc Vodexa Networks, Inc
Sean Reel	Rogue Management Limited The Magic of Networking Limited The Old Flour Mills Limited Launchpad Marketing Limited	Marketforce (UK) Limited Haymarket Consumer Publications Limited Haymarket Autosport & Classic Publications Limited Haymarket Motoring Publications Limited Postmasternet Limited
Nigel Duxbury	Ragusa Capital plc e-primefinancial plc Infinity Financial Holdings Corporation EP&F Capital Plc	Lombard Risk Management Plc Lombard Risk Systems Limited Lombard Teknos Systems Limited Lombard Risk Consultants Limited
Christopher Theis	–	NCM Capital Advisors Limited U4EA Limited U4EA Fibre Optics Limited U4EA Technologies Limited U4EA Technology Photonics Limited U4EA Fibre Optics (UK) Limited U4EA Hardware Limited Athamor Capital Partners Limited
Lance O'Neill	e-primefinancial plc Panini Divini plc Orbier Investments Limited DFB (Australia) Pty. Limited DFBR&A Limited Infinity Financial Holdings Corporation Hirrah Holdings Pty. Limited Bullett Sports Management LLC Limited Ragusa Capital Plc EP&F Capital Plc	Electric Group Limited Crescent Capital Limited Clipcrew Limited Apollo Capital Limited Tymood Pty. Limited Argent International Limited

6.2 Lance O'Neill was a director of Apollo Capital Limited, which was placed in members' voluntary liquidation on 15 November 2002. There was no shortfall to creditors.

6.3 Save as disclosed above none of the Directors has:

6.3.1 any unspent convictions in relation to indictable offences;

6.3.2 had a bankruptcy order made against him or made an individual voluntary arrangement;

- 6.3.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors whilst he was a director of that company or within 12 months after he ceased to be a director of that company;
- 6.3.4 been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;
- 6.3.5 had any asset placed in receivership or any asset of a partnership in which he was a partner placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership; or
- 6.3.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6.4 Except as disclosed in paragraph 12.15 no Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was effected during the current or immediately preceding financial year, or which was effected during any earlier financial year and remains in any respect outstanding or un-performed.

6.5 No loans or guarantees have been granted or provided to or for the benefit of the Directors by the Company.

## **7. Directors' service agreements and emoluments**

7.1 The Directors have entered into service agreements or letters of appointment with the Company as follows:

- 7.1.1 Anthony Moore entered into a service agreement with the Company on 17 February 2005 for an initial term of 12 months and thereafter terminable by either party on six months' notice. Mr. Moore has agreed to devote at least one day per week to the business of the Company and will receive a salary of £40,000 per annum with effect from Admission and the right to participate in any share option scheme adopted by the Company.
- 7.1.2 Sean Reel entered into a service agreement with the Company on 17 February 2005 for an initial term of 12 months and thereafter terminable by either party on six months' notice. Mr. Reel has agreed to devote the whole of his time to the business of the Company and will receive a salary of £100,000 per annum with effect from Admission, together with a car allowance of £10,000 per annum, the costs of private medical insurance and the right to participate in any share option scheme adopted by the Company.
- 7.1.3 Nigel Duxbury entered into a service agreement with the Company on 17 February 2005 for an initial term of 12 months and thereafter terminable by either party on six months' notice. Mr. Duxbury has agreed to devote at least one day per week to the business of the Company and will receive a salary of £25,000 per annum with effect from Admission, plus £60 per hour for any additional time spent on the business of the Company, together with the costs of private medical insurance and the right to participate in any share option scheme adopted by the Company.
- 7.1.4 Christopher Theis entered into a service agreement with the Company on 17 February 2005 for an initial term of 12 months and thereafter terminable by either party on six months' notice. Mr. Theis has agreed to devote the whole of his time to the business of the Company and will receive a salary of £100,000 per annum with effect from Admission, together with a car allowance of £10,000 per annum, the costs of private medical insurance and the right to participate in any share option scheme adopted by the Company.
- 7.1.5 Lance O'Neill entered into a letter of appointment with the Company on 17 February 2005 whereby he agreed to serve as a non-executive director for an initial term of 12 months unless and until terminated by either party on six month's notice. He is expected to spend one day per week on the business of the Company and will receive a payment of £25,000 per annum with effect from Admission under such agreement.

7.2 Save as set out in paragraph 7.1 above, there are no existing or proposed service agreements between any of the Directors and the Company.

7.3 The aggregate amount paid and benefits in kind granted to the Directors during the financial year ending 31 December 2004 was £0 and the aggregate amount payable and benefits in kind to be granted to the Directors under the agreements in place at the date of this document for the financial year ending 31 December 2005 are estimated to amount of £284,167.

## **8. Taxation**

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice. An investor who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

### *8.1 United Kingdom taxation*

The statements set out below are general in nature and are intended only as a general guide to certain aspects of current UK law and practice and apply only to certain categories of persons. The summary does not purport to be a complete analysis of all the potential tax consequences of acquiring, holding and disposing of Ordinary Shares and only relates to the position of shareholders who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as investments; in particular it does not address the position of certain classes of shareholders, such as dealers in securities.

Prospective purchasers of Ordinary Shares who are in any doubt about their tax position, and in particular those who are subject to taxation in any jurisdiction other than the UK, are strongly recommended to consult their own tax advisers concerning the tax consequences of the acquisition, ownership and disposal of Ordinary Shares.

This summary is based upon UK law and practice as of the date of this document. UK law and practice may be subject to change, possibly with retroactive effect.

### *8.2 Dividends*

No tax is withheld on dividends paid by the Company.

In respect of dividends on Ordinary Shares, individual shareholders who are resident in the UK for tax purposes are entitled to a tax credit at the rate of one ninth of the cash dividend or ten per cent, of the aggregate of the cash dividend and the associated tax credit. Dividend income will be treated as the top slice of an individual's income. Shareholders receiving dividends will be liable to income tax (if at all) on the aggregate of the dividend and the associated tax credit at, in the case of starting and basic rate taxpayers, the Schedule F ordinary rate (10 per cent. in 2004-2005) or, in the case of higher rate taxpayers, the Schedule F upper rate (32.5 per cent. in 2004-2005). The tax credit is offset against the total income tax liability. Taxpayers who, after taking into account dividend income, are liable to UK income tax at only the starting or basic rate will have no further liability to income tax. Higher rate taxpayers will, after taking into account the tax credit, have an additional tax liability of 25 per cent. of the cash dividend.

No repayment of the tax credit in respect of dividends can be claimed by a UK resident Shareholder.

Subject to certain exceptions for some insurance companies, UK tax resident corporate shareholders are not (unless carrying on a trade of dealing in shares) liable to UK corporation tax or income tax in respect of dividends.

Non-UK resident shareholders and shareholders subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser concerning their liabilities to tax on dividends received and the effect of the above changes for them.

### *8.3 Taxation of chargeable gains*

A disposal of all or any part of a holding of Ordinary Shares may, depending on the shareholder's individual circumstances, give rise to a liability to pay UK taxation on chargeable gains. Individuals, personal representatives and trustees resident or ordinarily resident for tax purposes in the UK may be entitled to business asset taper relief which has the effect of reducing the chargeable gain. Corporate shareholders are not entitled to taper relief but may receive indexation allowance, which reduces the gain, broadly, by the value of inflation.

#### 8.4 *EIS and VCT tax relief*

The Company made an application to the Inland Revenue for provisional approval that the Company is a relevant company for the purposes of the Venture Capital Trust (“VCT”) legislation. The Company sought from the Inland Revenue that the Ordinary Shares would be eligible shares for the purposes of section 842 AA (14) Income and Corporation Taxes Act 1988 and that the Ordinary Shares held by VCTs immediately following Admission will be “qualifying holdings” for the purposes of Schedule 28B Income and Corporation Taxes Act 1988.

The Company also made an application to the Inland Revenue for provisional approval that the Ordinary Shares to be issued by the Company will be qualifying shares, and that the Company is a qualifying company for the purposes of the Enterprise Investment Scheme (“EIS”) legislation. The Company sought assurances from the Inland Revenue that it would be able to issue certificates under section 306(2) Income and Corporation Taxes Act 1988 in respect of the Ordinary Shares issued.

Advance assurance has been received from the Inland Revenue that the Company’s Shares will be eligible to qualify as an investment under the Enterprise Investment Scheme (“EIS”) and a “Qualifying Holding” for the purpose of an investment by Venture Capital Trusts.

The Company cannot guarantee or undertake to conduct its business, following Admission, in a way to ensure that the Company will continue to meet the requirements of section 293, section 297 and/or Schedule 28B Income and Corporation Taxes Act 1988.

#### 8.5 *UK inheritance tax*

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs, in particular Business Property Relief) give rise to a liability to UK inheritance tax. This is regardless of whether or not the individual holder is domiciled or deemed to be domiciled in the UK and whether or not the holder is resident and/or ordinarily resident in the UK for tax purposes. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply where the donor reserves or retains some interest or benefit in the property being transferred. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares bringing them within the charge to UK inheritance tax.

#### 8.6 *Stamp duty and stamp duty reserve tax*

The subscription for Placing Shares pursuant to the Placing will be free of stamp duty and stamp duty reserve tax unless the Placing Shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depository receipts. The Company will not be responsible for the payment of stamp duty or stamp duty reserve tax in any such case.

### **9. Working capital**

The Directors are of the opinion, having made due and careful enquiry and taking into account the proceeds arising from the placing of the Minimum Subscription, that the working capital available to the Group will, from the time the Ordinary Shares are admitted to AIM, be sufficient for its present requirements, that is for at least the next 12 months.

### **10. Litigation**

There are no litigation or arbitration proceedings, active, pending or threatened against, or being brought by, the Company or any member of the Group which have or may have a significant effect on the Company’s financial position.

### **11. Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company since its incorporation and are or may be material:

11.1 Pursuant to the Placing Agreement dated 17 February 2005 and made between the Company (1) the Directors (2) and CFA (3) in consideration for CFA’s services, the Company has agreed to pay CFA a corporate finance fee of £75,000 and to grant CFA 50,000 Warrants exercisable at the Placing Price pursuant to the Warrant Instrument referred to in paragraph 11.3 below. The Company has agreed to pay

all other costs, charges and expenses of, and incidental to, the Placing and Admission, including the fees of the London Stock Exchange, registrars fees, printing, advertising and distribution expenses, the Company's legal and accountancy expenses and CFA's legal expenses and all related irrecoverable value added tax, if applicable. The Company and the Directors have given certain representations, warranties and indemnities to CFA as to the accuracy of information in this document and other matters in relation to the Company and its business. CFA may terminate the Placing Agreement in certain circumstances prior to Admission. The Directors have undertaken that they will not dispose of any Ordinary Shares without the consent of CFA for a period of one year from Admission and for the following year will only dispose of shares through CFA (or the Company's broker from time to time).

11.2 A warrant instrument dated 29 December 2004 pursuant to which the Company has created 1,500,000 Existing Warrants to subscribe for Ordinary Shares at 20p per share, such warrants to be exercisable at any time between the date falling 7 days after the announcement of the Company's preliminary announcement for the year ending 31 December 2005 and the tenth anniversary of Admission, or on a takeover or winding up of the Company. Exercise of 250,000 of the Warrants granted are subject to the discretion of the Board.

11.3 A warrant instrument dated 17 February 2005 pursuant to which the Company has created 1,538,000 Existing Warrants to subscribe for Ordinary Shares at 50p per share, such warrants to be exercisable at any time between the date falling 7 days after the announcement of the Company's preliminary announcement for the year ending 31 December 2005 and the tenth anniversary of Admission, or on a takeover or winding up of the Company. Exercise of 600,000 of the warrants granted are subject to the discretion of the Board.

11.4 A New Warrant Instrument dated 17 February 2005 pursuant to which the Company has created up to 2,000,000 New Warrants.

The principal terms of the New Warrant Instrument are as follows:

- (a) each New Warrant will entitle the holder thereof to subscribe for one new Ordinary Share at the Placing Price which may be exercised at any time up to two years from the date of Admission;
- (b) Ordinary Shares issued on the exercise of the New Warrants will rank for dividends or other distributions declared, made or paid after the date of exercise, but not before such date and otherwise *pari passu* in all respects with the Ordinary Shares in issue on the date of exercise;
- (c) the New Warrant Instrument contains provision for appropriate adjustment of the number of Ordinary Shares issued on the exercise of the New Warrants and the subscription price upon a capitalisation of reserves, a rights issue or on a sub-division or consolidation of share capital;
- (d) the rights and privileges of the holders of the New Warrants may be altered or abrogated with the sanction of an extraordinary resolution of the New Warrant holders;
- (e) the New Warrants, which will be registered, will be transferable in whole or in part by the instrument of transfer in the usual or common form or in CREST;
- (f) so long as any of the subscription rights under the New Warrants remain exercisable, the Company will not without sanction of an extraordinary resolution of the New Warrant holders;
  - (i) issue any securities by way of capitalisation of reserves, or profits other than Ordinary Shares credited as fully paid up;
  - (ii) make any distribution out of capital profits or capital reserves otherwise than by way of a capitalisation of such profits or reserves in the form of fully paid Ordinary Shares;
  - (iii) issue or create any new class of shares which, as regards rights to voting, dividends or capital, have more favourable rights than those attached to the Ordinary Shares;
  - (iv) modify the rights attached to the Ordinary Shares or to any other class of shares so that they have more favourable rights than those attached to the Ordinary Shares;

- (v) issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves if as a result the Company would, on any subsequent exercise of the New Warrants, be obliged to issue Ordinary Shares at a discount to nominal value; or
- (vi) reduce its share capital (except for a reduction not involving any payment to, or release of, shareholders or on a redemption of redeemable shares or for purchases of shares in accordance with the Act) or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by the Act) any share premium account or capital redemption reserve;
- (g) full exercise of the subscription rights under the New Warrants will result in the issue of up to 2,000,000 new Ordinary Shares; and
- (h) if a takeover offer is made to all holders of Ordinary Shares, the Company shall use reasonable endeavours to procure a comparable offer for New Warrant holders.

11.5 A Nominated Adviser Agreement dated 17 February 2005 and made between the Company (1) and CFA (2) pursuant to which the Company has appointed CFA to act as Nominated Adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay CFA a fee of £17,500 (together with any applicable VAT) per annum for its services as Nominated Adviser under this Agreement. The Agreement contains certain undertakings and indemnities given by the Company in respect of, inter alia, compliance with all applicable laws and regulations. The Nominated Adviser Agreement continues for a fixed period of one year from the date of the Agreement and thereafter is subject to termination on the giving of three months' notice by either party.

11.6 A Broker Agreement dated 17 February 2005 made between the Company (1) and CFA (2) pursuant to which the Company has appointed CFA to act as Broker to the Company for the purpose of the AIM Rules. The Company has agreed to pay CFA a fee of £5,000 (together with any applicable VAT) per annum for its services as Broker to this Agreement. The Broker Agreement continues for a fixed period of one year from the date of the Agreement and thereafter is subject to termination upon the giving of three months' notice by either party.

11.7 A Sale and Purchase Agreement dated 13 October 2004 pursuant to which the Company agreed to issue 116,667 ordinary shares of £1.00 each in the capital of the Company to the Shareholders in MediaZest Ventures Limited in consideration for the transfer of the entire issued share capital of MediaZest Ventures Limited to the Company.

11.8 An exclusive licence and distribution agreement dated 12 October 2004 between (1) FeONIC Plc, (2) Newlands Technology Limited and (3) MediaZest Limited (now MediaZest Ventures Limited) pursuant to which FeONIC Plc granted to MediaZest Ventures Limited the worldwide, exclusive transferable licence to use the intellectual property rights relating to the Whispering Window technology to market, distribute, sell, install and support the Whispering Window product in the retail market (subject to the continuance and expiry of certain prior licences).

11.9 A distribution and marketing agreement dated 27 January 2005 between (1) MediaZest Ventures Limited and (2) Immedia Broadcast Limited ("Immedia"), pursuant to which MediaZest Ventures Limited granted Immedia the exclusive right to sell and distribute the Whispering Window product in the retail sector in the UK as part of Immedia's live instore radio marketing solutions and Immedia granted to MediaZest Ventures Limited the right to market and promote Immedia's instore live radio and visual marketing solutions.

11.10 An agreement between the Company and EP&F Capital plc ("EPF") dated 17 February 2005 pursuant to which EPF has agreed to provide the Company with accounting and company secretarial services and the registered office address at 1st Floor, 46 Maddox Street, London W1S 1QA for a fee of £750.00 per month. The agreement is terminable at any time on one month's notice by either party.

11.11 The Company intends to enter into a consulting agreement with a company associated with Anthony Moore to provide corporate finance services. The proposed agreement is for a sum of £5,000 per month.

## **12. General**

12.1 The Nominated Adviser and Broker to the Company is City Financial Associates Limited of Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL, which is authorised and regulated by The Financial Services Authority Limited.

12.2 Save as disclosed in this document, there are no significant investments under active consideration.

12.3 The expenses of or incidental to the Placing and Admission are payable by the Company and are estimated to amount to £421,000 (excluding value added tax).

12.4 The total proceeds of the Placing expected to be raised by the Company are £2,000,000 and the net proceeds, after deduction of the expenses (excluding VAT), are estimated at £1,579,000.

12.5 The Placing Price represents a premium over nominal value of 40p per Ordinary Share.

12.6 Other than the intended application for Admission, the Ordinary Shares and the New Warrants have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor, except as stated below, are there intended to be any other arrangements for dealings in the Ordinary Shares and the New Warrants.

12.7 Nexia Audit Limited accepts responsibility for its report and letter set out in, respectively, Part III of this document and has given and not withdrawn its written consent to the inclusion of them in this document and the references to them and to its name in the form and context in which they appear.

12.8 Smith & Williamson Limited has given and not withdrawn its written consent to the inclusion of its name in this document and the references to it in the form and context in which they appear.

12.9 City Financial Associates Limited has given and not withdrawn its written consent to the inclusion of its name in this document and the references to it in the form and context in which they appear.

12.10 The Directors are not aware of any exceptional factors which have influenced the Company's activities.

12.11 There have been no significant recent trends concerning the development of the Company's business nor any significant acquisitions or disposals of assets since the Company's incorporation.

12.12 The minimum amount which, in the opinion of the Directors, must be raised for the purposes set out in paragraph 21 of Schedule 1 to the POS Regulations (which amounts to the Minimum Subscription) is as follows:

12.12.1 purchase of property – nil;

12.12.2 preliminary expenses and commissions – £421,000 (excluding VAT);

12.12.3 repayment of monies borrowed – nil;

12.12.4 working capital – £879,000.

12.13 Moneys received from applicants pursuant to the Placing will be held by Share Registrars Limited until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 31 March 2005 (or such later date as CFA may agree) application monies will be returned to applicants at their risk without interest.

12.14 Share certificates in respect of the Placing Shares and warrant certificates in respect of the New Warrants are expected to be despatched to the applicants by post, at their risk, within 14 days of Admission. In respect of uncertificated shares and uncertificated New Warrants it is expected that CREST stock accounts will be credited on 22 February 2005.

12.15 The total cash costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £421,000 (excluding VAT). Of this amount £100,000 is payable to Moore, Clayton & Co., Inc. a company associated with Anthony Moore and £40,000 is payable to each of the Directors Sean Reel, Christopher Theis, Nigel Duxbury and Lance O'Neill, in connection with services performed as part of the flotation process.

12.16 Other than pursuant to the bonus issue referred to in paragraph 3.7.3 of this Part IV and the commissions referred to in paragraph 12.15 of this Part IV, no person (other than professional advisers otherwise 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 (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after completion of the Placing any of the following:

12.16.1 fees totalling £10,000 or more;

12.16.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

12.16.3 any other benefit with a value of £10,000 or more at the date of completion of the Placing.

### **13. Availability of Admission Document**

Copies of this document are available during normal business hours on any weekday (except Saturdays and public holidays) free of charge from the Company's registered office and at the offices of City Financial Associates Limited and shall remain available for at least one month after Admission.

Dated: 17 February 2005