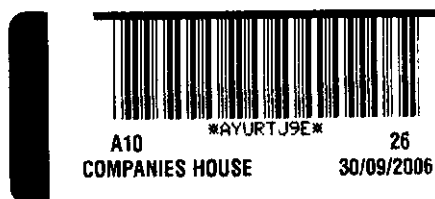


**CATALYST MEDIA GROUP PLC**

**Report and Financial Statements**

**31 March 2006**



# CATALYST MEDIA GROUP PLC

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# CATALYST MEDIA GROUP PLC

## CHAIRMAN'S STATEMENT

The past 17 months has been a period of growth, development and change for the Group. In September 2005, we completed the acquisition of a 20% stake in Satellite Information Services (Holdings) Limited ("SIS"), and reaped early benefits by receiving an interim dividend of £2.2 million in November 2005. By March 2006, following share buy backs by SIS, our stake was increased from 20% to 22.16% increasing the dividend yield and the capital value of our asset. For the financial year ended 31 March 2006, SIS generated £14.6 million profit after tax (31 March 2005: £11.8 million). I am confident that SIS will prove to be a very beneficial investment to CMG in terms of financial performance and potential synergies.

SIS provides bookmakers with live television pictures, data display systems and broadcast services. With over 18 years of expertise in the industry, SIS provides their services to almost every betting outlet in the UK and Ireland, as well as in Europe, the Caribbean and Sri Lanka. Annually, SIS produces live coverage for over 8,000 horse races and 22,500 greyhound races, seven days a week, every week of the year. In addition, SIS produces the 'At The Races' channel on the Sky Satellite platform, which is Europe's largest independent satellite uplink service provider.

We increased our focus on the stock footage market through capital investment in our US company, NPG Inc. NPG Inc, is a leading global stock footage portal, managing databases from the world's major stock footage libraries and it continues to grow in line with expectations.

In October 2005, Betelgeuse Productions Inc (BPI), the wholly owned New York based television production company, entered into an agreement with PowPix Productions which assumed responsibility for running BPI's post production facility. This agreement resulted in the Group taking a one off goodwill impairment charge of £2.5 million. In the same period, GMS was sold to management for deferred consideration of 15% of gross revenues for the next four years. As a result of this disposal, we have incurred a loss on disposal of £1.9 million. More recently, in June 2006, we announced the launch of an on-line gaming platform, complete with a suite of fixed odds and exclusive head-to-head games, and I am very confident that this investment will return substantial growth.

Although the Group made a loss after tax and minority interest of £5.9 million for the 17 month period ended 31 March 2006, the Group did 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.

### Board Changes

I was delighted to become David Holdgate's successor as Chairman of the Board, and have been very pleased by the completion of the SIS acquisition and the streamlining of the company's activities. I have great pleasure in welcoming Anna Prestwich to the Board, as Chief Financial Officer, and thank her for her impressive efforts through what has been a very busy period of corporate activity. Sadly, Barry Llewellyn resigned as Marketing Director in October 2005 to concentrate on new ventures and I would like to take this opportunity to thank Barry for his contribution over the years since co-founding the company with Paul Duffen.



Michael Rosenberg OBE  
Chairman  
25 August 2006

# CATALYST MEDIA GROUP PLC

## CHIEF EXECUTIVE OFFICER'S REVIEW

The 17 months to 31 March 2006 has been the most significant period of development in the history of CMG. In September 2005, we completed the acquisition of a 20% stake in SIS from United Business Media plc. Following share repurchases by SIS in November 2005 and March 2006, our stake increased to 22.16%. The SIS stake is held through our subsidiary company, Catalyst Media Holdings Ltd ("CMH"), which is owned 80% by CMG and 20% by Eureka Interactive Fund Ltd. Consequently, our current effective interest in SIS is 17.73%.

Following the SIS acquisition, we embarked on a strategy to de-risk and reduce costs in the Group so as to maximise the benefit to shareholders of our interest in SIS. As part of this process, Global Media Services ("GMS"), the New York based media services business, was sold to its management in October 2005. As consideration, CMG will receive 15 per cent. of the gross revenues of the holding company of GMS from 1 January 2006 to 31 December 2010. In addition, BPI, the wholly owned New York based television production company, entered into an agreement with PowPix Productions which assumed responsibility for running BPI's post production facility. As a result of this agreement, BPI's annual cost base has been reduced from £1.1 million to less than £50,000. CMG remains in discussions with a number of interested parties with regard to the disposal of its remaining US subsidiary, NPG Inc., which operates the world's leading stock footage portal, Footage.net. In the UK, a comprehensive re-structuring was implemented, which has reduced annual overheads by a further £500,000.

In December 2005, SIS paid an interim dividend of £10 million, which yielded £2.2 million for CMH, the proceeds of which were applied to the early reduction of the debt raised to part finance the SIS acquisition. SIS continues to perform ahead of expectations and the Board expects a substantial dividend to be paid in the third quarter of 2006 which should enable us to repay the majority of the remaining debt. We are confident of the prospects for SIS and have reached an agreement in principle with Eureka Interactive Fund Ltd to purchase their 20% stake in CMH for £5.5 million in cash. This consideration will be funded from the proceeds of the anticipated 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 22.16% shareholding in SIS.

Since the period end, we have made our first investment in building the operational side of the business to reflect our new focus on the gaming sector, whilst leveraging our core skills in on-line distribution. In June 2006, we announced the launch of an on-line gaming platform complete with a suite of fixed odds and exclusive head to head games. As part of this initiative CMG has acquired an exclusive five year licence from YooMedia plc ("YooMedia") for the head to head version of Tringo, the compelling interactive game that is a combination of Tetris and Bingo and has acquired the entire issued share capital of Spooof.com Limited which has developed an on-line, head to head version of the traditional pub game, "Spooof". The offering will also include fixed odds games such as Roulette, Keno and dice games. CMG has also acquired a five year licence from YooMedia for the Engage technology platform which will enable gamers to play head to head cash or prize based games against each other across mobile phone, PC and TV platforms. Under the agreement, YooMedia will migrate the Spooof and Tringo products onto the Engage platform and provide back office, payment fulfilment, gaming licence, customer support and technology facilities. The Board believes that the head to head gaming sector is an under-exploited and potentially lucrative market with exciting growth prospects.

As a result of the widespread re-structuring and receipt of the SIS interim dividend, CMG recorded profit after tax and minority interest for the five month period to 31 March 2006 of £1.4 million. This reduced the Group loss for the 17 month period to £5.9 million. For the current year to 31 March 2007, the Group will reflect the full benefit of our SIS investment and the Board is confident of a strong financial performance with positive cash flows and earnings.

The acquisition of a significant stake in SIS is a very positive development for the Group which, combined with the subsequent extensive re-structuring, offers excellent prospects for the future. The Directors anticipate that receipt of the SIS dividend will repay the outstanding debt in respect of this investment within the next 5 months, subject only to any debt required to purchase the stake held by Eureka. CMG has now restructured and re-focused and is in a strong position. We are actively seeking accretive, synergistic investments to leverage the earnings from SIS and drive value for shareholders.



Paul Duffen

Chief Executive Officer

25 August 2006

# CATALYST MEDIA GROUP PLC

## OPERATING REVIEW

### BUSINESS REVIEW

Catalyst Media Group plc (CMG) is a media company focussed on the distribution of audio-visual content using Internet Protocol technology.

CMG revenues come from consumer as well as professional and corporate markets. CMG is a rights holder in television, music and film content, which it distributes on broadband and wireless platforms. CMG provides the technical and marketing know-how to enable media partners to earn revenues from the online distribution of proprietary programming.

CMG receives royalties from GMS, its New York based partner. GMS provides a comprehensive range of technical services to enable the profitable online distribution of audio-visual content. GMS' clients include media companies, private industry clients and the public sector reflecting the increasing use of streaming and download technology for operational efficiency, marketing and corporate communications.

CMG owns a 17.73% stake in SIS. SIS provides bookmakers with live television pictures, data display systems and broadcast services. With over 18 years of expertise in the industry, they provide their services to almost every betting outlet in the UK and Ireland, as well as in Europe, the Caribbean and Sri Lanka. Annually, SIS produces live coverage of over 8,000 horse races and 22,500 greyhound races, seven days a week, every week of the year. SIS also produces the 'At The Races' channel on the Sky Satellite platform and is Europe's largest independent satellite uplink service provider through its SIS Link operation.

### FUTURE

CMG is launching an on-line gaming platform complete with a suite of fixed odds and exclusive head to head games. CMG has acquired an exclusive five year licence from YooMedia plc ("YooMedia") for the head to head version of Tringo, the compelling interactive game that is a combination of Tetris and Bingo and has acquired the entire issued share capital of Spooof.com Ltd which has developed an on-line, head to head version of the traditional pub game, "Spooof". The offering will also include fixed odds games such as Roulette, Keno and Dice games.

### ONGOING BUSINESS

#### VideoTV

CMG's music video channel offering more than 3,000 music videos on demand following an agreement with EMI Recorded Music to license its current and back-catalogue of music videos.

The catalogue covers the work of an international roster of artists in all genres, including soul, R&B, dance, jazz, blues, rock and pop.

Customers at [www.video.tv](http://www.video.tv) can buy 'credits' allowing them the flexibility to stream their favourite videos whenever they choose.

#### Screenplayer

More than 400 hours of Hollywood-related programming is available, on demand at [www.screenplayer.com](http://www.screenplayer.com). The programme includes profiles of the stars from the classic era of Hollywood to the present day and documentaries on themes such as horror, sci-fi, comedy, bloopers and musicals.

#### Birdstream.com

CMG makes available to consumers the film archives of the Royal Society for the Protection of Birds (RSPB) via its on-demand subscription channel Birdstream ([www.birdstream.com](http://www.birdstream.com)). The RSPB Film Unit was founded in 1953 and since then has built the world's most comprehensive source of film footage of birds native to the British Isles and continental Europe.

# CATALYST MEDIA GROUP PLC

## OPERATING REVIEW

### **PureWorldCup**

CMG has worldwide rights to a series of World Cup highlights for distribution on broadband platforms. The programmes are available on-demand at PureWorldCup ([www.pureworldcup.com](http://www.pureworldcup.com)). Consumers can search the post-produced programmes to watch a young Pele come to the world's attention in 1958, see Gordon Banks's save in 1970 or re-live Maradona's 'hand of god' in 1986.

### **Newsplayer.com**

Consumers interested in modern history and culture or students researching for projects have a unique opportunity to search through a huge archive of news footage available in the archives of ITN. The clips date back to the film of the coronation of Tsar Nicholas II in 1896 through to the 21<sup>st</sup> century. The footage includes clips from pre-TV newsreel archives such as Pathe, Gaumont, Paramount and Empire News.

### **Other content rights**

CMG has rights in additional content which provide the Group with further opportunities to exploit broadband markets. CMG holds 20-year exclusive rights in the Alison Mercer Collection comprising 80 hours of cinema-related and newsreel footage. Additionally, CMG holds 10-year exclusive rights for broadband distribution in the Stock Video of Boston archive comprising 150 hours of classic US sports footage originating from Columbia Sports News and Castlefilms.

### **Distribution partnerships**

CMG joined a select band of media companies providing content to NTL's Broadband Plus (B+) service. CMG's online consumer channels are immediately available to NTL's broadband customers and earns revenues from a share of the monthly subscriptions.

CMG is a content provider to MSN video, providing a weekly selection of clips commemorating births, deaths and notable anniversaries. MSN video has more than 7 million unique users streaming video content each month. MSN video is funded by leading US brands placing streamed advertisements on the site accompanying the viewing of clips. CMG takes a share of these advertising revenues.

### **RSPB Film Collection**

CMG actively manages the licensing of footage to the professional market for the Royal Society for the Protection of Birds (RSPB). CMG's website is for programme makers and film makers to research, view, edit and license footage online. The interactive format is a significant time saver for the professional industry.

### **FOOTAGE.net**

FOOTAGE.net is a leading portal for sourcing stock footage and puts CMG at the forefront of the stock footage licensing business. More than 3.5 million searches are conducted annually over the combined online network of databases.

FOOTAGE.net creates and maintains databases for many of the world's leading stock footage libraries including ABC News, CNN, Action Sports and National Geographic.

The portal brings together in one single location 100,000s of clips that can be searched with a single query enabling researches, advertising agencies and programme makers to find specific footage. The database is currently text only, however CMG is in the process of building an advanced platform to incorporate a video facility within the site which will considerably enhance the efficiency of footage procurement by enabling users to view, select, license and order clips online.

# CATALYST MEDIA GROUP PLC

## CORPORATE GOVERNANCE STATEMENT

### Corporate Governance and Internal Control

The board is responsible to shareholders for the effective direction and control of the Group and this report describes the framework of corporate governance and internal control that the directors have established to enable them to carry out this responsibility. It also explains how the Group has applied the Principles of Good Governance and Code of Best Practice (the "Combined Code").

Whilst the company is not formally required to comply with the Combined Code, the Board of Directors supports that Combined 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 it is practicable and appropriate for a public company of this size.

### Directors

There is a Board of Directors, which is set up to control the Company and Group and at 31 March 2006 consisted of two executive and two non-executive directors. Michael Rosenberg OBE is non-executive Chairman of the Board. The Board meets on a regular basis, approximately once every month, to discuss a whole range of significant matters including strategic decisions and performance. A procedure to enable directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all directors.

Michael Rosenberg OBE has been nominated as the senior independent director as required by the Combined Code. Full details of non-executive directors are set out on page 15.

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

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken. As permitted by the Combined Code, due to the Board being small, it is considered inappropriate to establish a Nomination Committee.

The directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits. The executive directors meet on a regular basis and deal with any number of decisions that do not require full Board approval. The directors believe that this process for making business decisions provides sufficient division of responsibility to meet the requirements of the Combined Code.

### Audit and Remuneration Committees

The Audit Committee, which now consists of Michael Rosenberg OBE (Chairman of the Committee) and Sir David Frost OBE, will be responsible for the relationship with the Group's auditors, the in-depth review of the Group's financial reports, internal controls and any other reports that the Group may circularise. The terms of reference are to 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 Committee meet twice a year, prior to the announcement of interim and annual results and, should it be necessary, would convene at other times.

The Remuneration Committee meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each executive director. The executive directors' remuneration consists of a package of basic salary, bonuses and share options, which are linked to corporate and individual performance achievements and the levels of each will be determined by the Remuneration Committee. A full report of the remuneration committee is on page 7.

The Audit and Remuneration Committees were constituted on 30 May 2000 and consist solely of non-executive directors.

# CATALYST MEDIA GROUP PLC

## CORPORATE GOVERNANCE STATEMENT (continued)

### Communication with shareholders

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

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

### Internal financial control

The Group operates a rigorous system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board. The Board has responsibility for the effectiveness of the internal financial control framework. Such a system can only provide reasonable and not absolute assurance against material misstatement.

The Group does not currently have, nor considers there is currently a need for, an internal audit function.

### Statement of directors' responsibilities

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

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

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

### Going concern

The directors can report that based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis. For further details see page 20.



By order of the Board  
Anna Prestwich  
Company Secretary  
25 August 2006

# CATALYST MEDIA GROUP PLC

## REPORT OF REMUNERATION COMMITTEE

The following is a report by the Remuneration Committee, constituted on 30 May 2000, which has been approved and adopted by the Board for submission to the shareholders.

### Remuneration Committee

The Remuneration Committee consists of two non-executive directors; Michael Rosenberg OBE (Chairman of the Committee) and Sir David Frost OBE. The 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.

### Remuneration policy

The Remuneration Committee will determine basic salary at the beginning of each year and when an individual changes position or responsibility. Performance related bonuses will be assessed annually.

Share options are granted by the Remuneration Committee, and will be assessed on an individual basis with a view to motivating and retaining directors in the longer term.

### Directors service contracts

The executive directors each have a permanent rolling service agreement with the company, the details of which are:

	Current contract dated	Notice period
Paul Duffen	23 May 2000	12 months
Anna Prestwich	27 July 2005	6 months

### Directors' emoluments (audited information)

Directors' emoluments for the period that each individual served as a director were as follows;

	Salary/ fees	Benefits in kind	Bonus	Total 17 months to 31 March 2006	Total 12 months to 31 Oct 2004
	£	£	£	£	£
<i>Executive directors</i>					
Paul Duffen	225,250	7,925	42,373	275,548	187,741
Barry Llewellyn (resigned 27 October 2005)	249,092	3,616	-	252,708	131,999
Adam Cohen (resigned 27 May 2005)	45,609	1,824	5,384	52,817	179,405
Steven Smith (resigned 27 May 2005)	84,000	-	-	84,000	144,000
Anna Prestwich (appointed 2 September 2005)	43,750	-	-	43,750	-
<i>Non-executive directors</i>					
David Holdgate (resigned 2 September 2005)	41,667	-	-	41,667	50,000
Sir David Frost OBE	25,000	-	-	25,000	12,500
Michael Rosenberg OBE	33,753	-	-	33,753	5,208
	<u>748,121</u>	<u>13,365</u>	<u>47,757</u>	<u>809,243</u>	<u>710,853</u>

During the period £120,000 was paid to a director for loss of office.

# CATALYST MEDIA GROUP PLC

## REPORT OF THE REMUNERATION COMMITTEE (continued)

The main components of the executive directors and senior management remuneration are:

Salary – the salary of each director is determined by taking into account the director's experience, responsibility, value to the organisation and market value, and to reward them for enhancing value to shareholders.

Benefits in kind – benefits include health cover for Paul Duffen, Barry Llewellyn and Adam Cohen.

Bonus – performance related bonuses are based on a combination of individual and corporate performance during the year.

Pension costs – None of the directors received any pension contributions during the period.

The beneficial interests of directors in the shares of the company at the period end were:

	As at 31 March 2006			As at October 2004	
	Shares	Unapproved Share Options	EMI Options	Shares	Unapproved Share Options
Paul Duffen	8,488,703	3,000,000	15,604,515	8,488,703	3,000,000
Anna Prestwich	-	-	3,120,903	-	-
Sir David Frost OBE	6,388,889	3,248,361	-	3,333,333	2,000,000
Michael Rosenberg OBE	120,000	2,946,722	-	-	500,000

Anna Prestwich had no interest in the Company's share capital on appointment.

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

# CATALYST MEDIA GROUP PLC

## REPORT OF THE REMUNERATION COMMITTEE (continued)

At 31 March 2006 the directors' share options were as follows:

Name	Date option Granted	Option price per ordinary share	Date first exercisable	Date on which the Exercise period Expires	Number of ordinary shares
Paul Duffen	8 July 2003	4.25p	8 July 2006	8 July 2013	2,000,000
	5 March 2004	20p	5 March 2007	5 March 2014	1,000,000
	4 Aug 2005	4.00p	4 Aug 2008	4 Aug 2013	15,604,515
Anna Prestwich	4 Aug 2005	4.00p	4 Aug 2008	4 Aug 2013	3,120,903
Sir David Frost OBE	8 July 2003	4.25p	8 July 2006	8 July 2013	2,000,000
	4 Aug 2005	4.00p	4 Aug 2008	4 Aug 2013	1,248,361
Michael Rosenberg OBE	20 May 2004	20p	20 May 2007	20 May 2014	500,000
	4 Aug 2005	4.00p	4 Aug 2008	4 Aug 2013	2,496,722

The options issued on 8 July 2003 replaced all previously issued options. No options were exercised during the period.

**REPORT OF THE REMUNERATION COMMITTEE (continued)**

The shares in Catalyst Media Group Plc traded at a high of 7.50p and a low of 2.80p during the period end and at 31 March 2006 the share price was 3.25p.



Michael Rosenberg OBE

25 August 2006

# CATALYST MEDIA GROUP PLC

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 31 March 2006.

### PRINCIPAL ACTIVITY

The principal activity of the Company and its subsidiaries was exploiting rights and/or licenses to quality cultural and historical video content and marketing them globally to business, educational and consumer audiences using interactive technology. Revenues were generated from the licensing of content to third parties, from subscription and pay-per-view fees paid by consumers, and from shared advertising revenue.

CMG plc, owns an effective 17.73% stake in Satellite Information Services (Holdings) Limited (SIS). SIS provides bookmakers with live television pictures, data display systems and broadcast services. SIS produces live coverage of over 8,000 horse races and 22,500 greyhound races, seven days a week, every week of the year. SIS also produces the 'At The Races' channel on the Sky satellite platform and is Europe's largest independent satellite uplink service provider through its SIS Link operation.

### REVIEW OF BUSINESS AND FUTURE PROSPECTS

A detailed account of the Group's progress during the period and its future prospects is set out in the Chairman's statement and business review on pages 1 to 4.

### CHANGES IN SHARE CAPITAL

Changes in share capital are set out in note 20.

### RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 16 of the financial statements and shows loss for the period after tax and minority interest as £5,925,141 (2004 – loss of £5,405,621). The directors do not recommend a dividend in respect of the ordinary shares (2004– £nil).

### POST BALANCE SHEET EVENTS

Details of significant events occurring after the period end are given in note 31 to the accounts.

### PAYMENT OF SUPPLIERS

The policy of the Group is to settle supplier invoices within the terms of trade agreed with individual suppliers. At the period end the group had an average of 43 days (2004 – 41 days) purchases outstanding.

### DIRECTORS AND THEIR INTERESTS

The directors of the Company throughout the period, except as noted, were:

Paul Duffen	Chief Executive Officer
Barry Llewellyn	Marketing Director (resigned 27 October 2005)
Adam Cohen	Chief Media Officer (resigned 27 May 2005)
Steven Smith	Chief Financial Officer (resigned 27 May 2005)
Anna Prestwich	Chief Financial Officer (appointed 2 September 2005)
David Holdgate	Non-executive Chairman (resigned 2 September 2005)
Sir David Frost OBE	Non-executive Director
Michael Rosenberg OBE	Non-executive Director

Details of the interests of the directors in the shares of the Company are set out on page 9.

# CATALYST MEDIA GROUP PLC

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDINGS

In addition to the interests of the directors in the shares of the Company, the Company has been notified of the following shareholdings, which constitute 3 per cent or more of the total issued ordinary shares of the Company as at 12 July 2006.

	No. of ordinary shares	%
Eureka Interactive Fund	151,600,000	22.38%
Gartmore Investment Management	88,484,404	13.06%
Universities Superannuation Scheme	61,550,000	9.09%
Charles Stanley	40,735,922	6.01%
Canada Life Assurance Co	34,250,000	5.06%
Advisory and Brokerage Services	32,777,782	4.84%
Williams De Broe	32,163,393	4.75%
GAM London	22,600,000	3.19%

### POLITICAL AND CHARITABLE DONATIONS

The Company made charitable donations totalling £1,200 during the period (2004 – £300).

### AUDITORS

After the period end our auditors, Nexia Audit Limited, changed their name to Nexia Smith & Williamson Audit Limited, and now trade as Nexia Smith & Williamson. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting (notice of which is set out on page 40).

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



Anna Prestwich  
Company Secretary  
25 August 2006

# CATALYST MEDIA GROUP PLC

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

Paul Duffen	Chief Executive Officer
Anna Prestwich	Chief Finance Officer
Sir David Frost OBE	Non-executive Director
Michael Rosenberg OBE	Non-executive Director

### SECRETARY

Anna Prestwich

### REGISTERED OFFICE

Portland House  
4 Great Portland Street  
London W1W 8QJ

### BANKERS

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

HSBC Bank Plc  
196 Oxford Street  
London W1D 1NT

### SOLICITORS

Lewis Silkin  
5 Chancery Lane  
Clifford's Inn  
London EC4A 1BL

### NOMINATED ADVISER

Strand Partners  
26 Mount Row  
London  
W1K 3SQ

### BROKER

Evolution Securities Limited  
100 Wood Street  
London  
EC2V 7AN

### REGISTRARS

Capita IRG Plc  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### AUDITORS

Nexia Smith and Williamson  
25 Moorgate  
London  
EC2R 6AY

# CATALYST MEDIA GROUP PLC

## DIRECTORS' BIOGRAPHIES

### NON-EXECUTIVE DIRECTORS

**Sir David Frost OBE** 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. His experience in the broadcasting world is a major asset for the Company.

**Michael Rosenberg OBE** became the Chairman of Catalyst Media Group plc in September 2005 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.

### EXECUTIVE DIRECTORS

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

**Anna Prestwich** is Chief Finance Officer of CMG, which she joined 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.

# Nexia Smith & Williamson

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CATALYST MEDIA GROUP PLC

We have audited the Group and Company financial statements of Catalyst Media Group plc for the 17-month period ended 31 March 2006 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group and Company balance sheets, the Group cash flow statement and the related notes 1 to 31. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein. We have also audited the information in the Report of the Remuneration Committee that is described as being audited.

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

### Respective responsibilities of directors and auditors

The directors responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive Officer's Review, the Operating Review, the Corporate Governance Statement, the unaudited part of the Report of the Remuneration Committee and the Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the report of the Remuneration Committee described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report of Remuneration Committee described as having been audited.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the loss of the Group for the 17 month period then ended and the financial statements and the part of the Report of the Remuneration Committee to be audited have been properly prepared in accordance with the Companies Act 1985.

*Nexia Smith & Williamson*  
Nexia Smith & Williamson  
Chartered Accountants  
Registered Auditors

25 Moorgate  
London  
EC2R 6AY

25 August 2006

# CATALYST MEDIA GROUP PLC

## Consolidated profit and loss account For the 17-month period ended 31 March 2006

	Note	2006 £	Year ended 31 October 2004 £
<b>TURNOVER</b>	2		
Continuing operations		391,003	794,623
Discontinued operations		2,488,937	6,249,912
		<u>2,879,940</u>	<u>7,044,535</u>
Cost of sales	3	(2,237,219)	(6,843,917)
		<u>642,721</u>	<u>200,618</u>
<b>GROSS PROFIT</b>			
Operating expenses			
- goodwill impairment - continuing	4	(2,457,021)	(2,194,000)
- other	4	(4,238,600)	(3,359,608)
Dividend Income		2,205,403	-
		<u>(2,331,041)</u>	<u>(1,870,208)</u>
<b>OPERATING LOSS</b>			
Continuing operations		(2,331,041)	(1,870,208)
Discontinued operations		(1,516,456)	(3,482,782)
	2,6	<u>(3,847,497)</u>	<u>(5,352,990)</u>
Loss on disposal of subsidiary - discontinued		(1,946,513)	-
Interest receivable	8	99,704	29,195
Interest payable	7	(710,334)	(80,660)
		<u>(6,404,640)</u>	<u>(5,404,455)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
Taxation	10	699,249	(1,166)
		<u>(5,705,391)</u>	<u>(5,405,621)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD</b>			
Minority interest		(219,750)	-
		<u>(5,925,141)</u>	<u>(5,405,621)</u>
<b>LOSS FOR THE PERIOD</b>	21		
Basis and diluted loss per ordinary share	11	(1.21p)	(4.02p)
Basis and diluted loss per ordinary share: continuing operations	11	(0.94p)	(1.39p)
Basis and diluted loss per ordinary share: discontinued operations	11	(0.27p)	(2.63p)
<b>Statement of total recognised gains and losses for the 17-month period ended 31 March 2006</b>			
		2006 £	2004 £
Loss for the period		(5,925,141)	(5,405,621)
Currency translation difference		(69,746)	3,063
		<u>(5,994,887)</u>	<u>(5,402,558)</u>

# CATALYST MEDIA GROUP PLC

## CONSOLIDATED BALANCE SHEET

31 March 2006

	Note	31 March 2006 £	31 October 2004 £
<b>FIXED ASSETS</b>			
Intangible assets	12	3,067,352	5,255,822
Tangible assets	13	89,367	258,216
Investments	14	22,193,670	-
		<u>25,350,389</u>	<u>5,514,038</u>
<b>CURRENT ASSETS</b>			
Debtors	15	472,438	1,744,291
Cash at bank		634,250	427,160
		<u>1,106,688</u>	<u>2,171,451</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(4,022,475)</u>	<u>(6,557,561)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,915,787)</u>	<u>(4,386,110)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		22,434,602	1,127,928
<b>CREDITORS: amounts falling due in more than one year</b>	17	<u>(9,049,491)</u>	<u>(1,012,122)</u>
<b>TOTAL NET ASSETS</b>		<u>13,385,111</u>	<u>115,806</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	6,272,361	1,405,099
Shares to be issued		-	476,000
Share premium account	21	27,928,193	15,303,683
Merger reserve	21	2,402,674	2,402,674
Profit and loss account	21	(25,466,537)	(19,471,650)
		<u>11,136,691</u>	<u>115,806</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>2,248,420</u>	<u>-</u>
Minority interest			
		<u>13,385,111</u>	<u>115,806</u>

The Board of Directors approved these financial statements on 25 August 2006

Signed on behalf of the Board of Directors



Anna Prestwich

Director

# CATALYST MEDIA GROUP PLC

## COMPANY BALANCE SHEET 31 March 2006

	Note	31 March 2006 £	31 October 2004 £
<b>FIXED ASSETS</b>			
Intangible fixed assets	12	-	64,484
Tangible fixed assets	13	1,016	10,466
Investments	14	11,760,394	3,965,404
		<u>11,761,410</u>	<u>4,040,354</u>
<b>CURRENT ASSETS</b>			
Debtors	15	4,276,747	1,782,523
Cash at bank		616,387	33,844
		<u>4,893,134</u>	<u>1,816,367</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(2,629,943)</u>	<u>(1,380,683)</u>
<b>NET CURRENT ASSETS</b>		<u>2,263,191</u>	<u>435,684</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>14,024,601</u>	<u>4,476,038</u>
<b>CREDITORS: amounts falling due after one year</b>		<u>-</u>	<u>(899,329)</u>
<b>NET ASSETS</b>		<u>14,024,601</u>	<u>3,576,709</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	6,272,361	1,405,099
Shares to be issued		-	476,000
Share premium account	21	27,928,193	15,303,683
Merger reserve	21	2,912,060	2,912,060
Profit and loss account	21	(23,088,013)	(16,520,133)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	26	<u>14,024,601</u>	<u>3,576,709</u>

The Board of Directors approved these financial statements on 25 August 2006

Signed on behalf of the Board of Directors



Anna Prestwich

Director

# CATALYST MEDIA GROUP PLC

## CONSOLIDATED CASH FLOW STATEMENT Period ended 31 March 2006

	Note	2006 £	2004 £
Net cash outflow from operating activities	24	(2,236,529)	(2,087,355)
Returns on investments and servicing of finance		(610,630)	(51,465)
Taxation		334,249	(1,166)
Capital expenditure and financial investment	25	(20,482)	(133,806)
Acquisition	25	(23,115,000)	(141,911)
<b>Net cash outflow before financing</b>		<u>(25,648,392)</u>	<u>(2,415,703)</u>
Financing	25	<u>25,855,482</u>	<u>2,255,540</u>
<b>Increase/(decrease) in cash in the period</b>	22	<u><u>207,090</u></u>	<u><u>(160,163)</u></u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 1. STATEMENT OF ACCOUNTING POLICIES

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

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention.

#### **Going concern**

The directors have prepared the financial statements on basis that the Group is a going concern as the forecasts the directors have prepared indicate that the Group will have sufficient cash resources to satisfy liabilities as they fall due. The principle assumption underlying the forecasts relates to a dividend receipt from Satellite Information Services (Holdings) Limited in the third quarter of 2006. The financial statements do not include any adjustments that would result if this going concern basis was not appropriate.

#### **Basis of consolidation**

The group financial 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.

#### **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.*

#### **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.

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 1. STATEMENT OF ACCOUNTING POLICIES (continued)

#### 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. SEGMENTAL INFORMATION

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

#### Analysis by geographical destination

	2006 £	2004 £
North America	2,734,676	6,953,562
Europe	145,264	90,973
<b>Turnover</b>	<u>2,879,940</u>	<u>7,044,535</u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 2. SEGMENTAL INFORMATION (continued)

#### Analysis by operation

	2006 £	2004 £
Website & Distribution	392,003	274,688
TV production	1,879,132	6,249,912
Internet professional services	608,805	519,935
<b>Turnover</b>	<u>2,879,940</u>	<u>7,044,535</u>

#### Analysis by operation

	2006 £	2004 £
Website & Distribution	3,856,309	1,870,208
TV production	2,059,593	3,254,843
Internet professional services	136,998	227,939
Dividend Income	(2,205,403)	-
<b>Operating loss</b>	<u>3,847,497</u>	<u>5,352,990</u>

#### Analysis by operation

	2006 £	2004 £
Website & Distribution	14,160,899	3,617,387
TV production	(504,458)	(3,307,732)
Internet professional services	-	(193,849)
<b>Net Assets</b>	<u>13,656,441</u>	<u>115,806</u>

### 3. COST OF SALES

	2006 £	2004 £
Continuing operations	428,418	547,427
Discontinued operations	1,808,801	6,296,490
	<u>2,237,219</u>	<u>6,843,917</u>

### 4. OPERATING EXPENSES

	Continuing operations £	Discontinued operations £	2006 £	2004 £
Administration expenses	4,500,029	2,195,592	6,695,621	5,553,608
	<u>4,500,029</u>	<u>2,195,592</u>	<u>6,695,621</u>	<u>5,553,608</u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

#### Directors' remuneration

The details of Directors' remuneration are disclosed on page 7.

#### Emoluments paid to the highest paid Director were:

	2006 £	2004 £
Salary and Bonus	267,623	184,000
Benefits in Kind	7,925	3,741
	<u>275,548</u>	<u>187,741</u>

	2006 £	2004 £
<b>Employees</b>		
Wages and salaries (including executive directors)	2,326,788	2,422,690
Social security costs	188,329	202,026
	<u>2,515,117</u>	<u>2,624,716</u>

	No.	No.
The average number of employees (including executive directors) employed by the Group during the period:		
Sales and Marketing	4	5
Administration	26	61
	<u>30</u>	<u>66</u>

### 6. OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £	2004 £
<b>Operating loss is stated after charging:</b>		
Depreciation	185,301	152,013
Amortisation of goodwill	677,334	510,702
Impairment of goodwill	2,457,021	-
Rentals under operating leases		
- other operating leases	390,268	321,790
Auditors' remuneration		
- group audit fees	29,000	32,000
- non-audit services	15,164	73,778
- non-audit services (paid to related companies of the auditors)	85,000	23,500
	<u>3,741,988</u>	<u>2,080,283</u>

Included in Group audit fees are £14,000 in respect of the company (2004: £10,333).

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 7. INTEREST PAYABLE

	2006 £	2004 £
Interest on loans	710,334	80,660

### 8. INTEREST RECEIVABLE

	2006 £	2004 £
Rent receivable	85,050	8,601
Bank interest	14,654	21,314
	<u>99,704</u>	<u>29,915</u>

### 9. LOSS OF PARENT COMPANY

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial period amounted to £6,567,880 (2004: loss of £12,494,120).

### 10. TAX ON LOSS ON ORDINARY ACTIVITIES

#### Analysis of tax charge on ordinary activities

	2006 £	2004 £
Current Tax	-	-
UK corporation tax on loss for the period	(700,000)	-
Consortium relief	751	1,166
Under provision in respect of prior years	<u>(699,249)</u>	<u>1,166</u>

#### Factors affecting tax charge for the year

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

The differences are explained below:

	2006 £	2004 £
Loss on ordinary activities before taxation	(6,404,640)	(5,404,455)
Taxation on loss at standard rate of 30% (2004:30%)	(1,921,391)	(1,621,337)
Effects of:		
Expenses not deductible for tax purposes	2,121,341	71,785
Income not taxable	(661,620)	-
Other timing differences	228,031	-
Capital allowances in excess of depreciation	214	4,058
(Utilised)/unutilised tax losses	(466,575)	1,545,494
Under provision in respect of prior periods	751	1,166
Current tax (credit)/charge for the period	<u>(699,249)</u>	<u>1,166</u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 10. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

#### Factors that may affect the future tax charge

Deferred tax has not been provided in respect of timing differences relating primarily to revenue losses and management expenses as there is insufficient evidence that asset will be recovered. The amount of asset not recognised is £3,012,950 (2004: £989,200).

### 11. LOSS PER ORDINARY SHARE

The calculation of the basic loss per share is based on the weighted average weighted number of 488,640,167 issued ordinary shares (2004: 140,509,939) and on the loss attributable to ordinary shareholders of £5,925,141 (2004: £5,405,621).

The diluted loss per share calculation are identical to those used for basic earnings per share as the exercise of share options would have the effect of reducing the loss per ordinary share and therefore is not dilutive under the terms of Financial Reporting Standard 14 "Earnings per Share".

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 12. INTANGIBLE FIXED ASSETS

Group	Development expenditure £	Goodwill £	Intellectual property rights £	Total £
<b>Cost</b>				
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
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	94,951	8,267,498	4,213,834	12,576,283
<b>Amortisation</b>				
At 31 October 2004	-	(2,783,993)	(4,213,834)	(6,997,827)
Charge for the period	(94,951)	(582,383)	-	(677,334)
Disposals	-	627,700	-	627,700
Impairment	-	(2,457,021)	-	(2,457,021)
Foreign exchange adjustment	-	(4,449)	-	(4,449)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	(94,951)	(5,200,146)	(4,213,834)	(9,508,931)
<b>Net book value</b>				
At 31 March 2006	-	3,067,352	-	3,067,352
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2004	64,484	5,191,338	-	5,255,822
	<hr/>	<hr/>	<hr/>	<hr/>

During the period, the Directors took the decision to amortise in full the development expenditure.

In October 2005, Global Media Services (GMS) Inc was sold to its management for \$100 and deferred consideration being a proportion of the next four year's revenue, estimated by the directors to be worth £176,476. As a result of the disposal, the carrying value of goodwill of £2,041,212 was written off.

In December 2005, management performed an impairment review of intangible assets held by the Group. As a result of that review, it was determined that the carrying value of Betelgeuse Productions Inc goodwill should be impaired due to insufficient expected earnings related to those assets. Consequently goodwill was impaired by £2,457,021.

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 12. INTANGIBLE FIXED ASSETS (continued)

<b>The company</b>	<b>Development expenditure £</b>	<b>Intellectual property rights £</b>	<b>Total £</b>
<b>Cost</b>			
At 31 October 2004	64,484	1,056,621	1,121,105
Additions	30,467	-	30,467
At 31 March 2006	<u>94,951</u>	<u>1,056,621</u>	<u>1,151,572</u>
<b>Amortisation</b>			
At 31 October 2004	-	(1,056,621)	(1,056,621)
Charge for the period	(94,951)	-	(94,951)
At 31 March 2006	<u>(94,951)</u>	<u>(1,056,621)</u>	<u>(1,151,572)</u>
<b>Net book value</b>			
At 31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>
At 31 October 2004	<u>64,484</u>	<u>-</u>	<u>64,484</u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 13. TANGIBLE FIXED ASSETS

	<b>Fixtures, fittings and computer equipment £</b>
<b>The group</b>	
<b>Cost</b>	
At 31 October 2004	610,735
Additions	161,446
Disposals	(343,938)
Foreign exchange adjustment	26,438
	<hr/>
At 31 March 2006	454,681
	<hr/>
<b>Accumulated depreciation</b>	
At 31 October 2004	(352,519)
Charge for the period	(185,301)
Disposals	172,506
Foreign exchange adjustment	-
	<hr/>
At 31 March 2006	(365,314)
	<hr/>
<b>Net book value</b>	
At 31 March 2006	89,367
	<hr/> <hr/>
At 31 October 2004	258,216
	<hr/> <hr/>

The depreciation charge includes £101,335 (2004: £16,158) in respect of finance leases with net book value of £nil (2004: £101,335).

<b>Company</b>	<b>Fixtures, fittings and computer equipment £</b>
<b>Cost</b>	
At 31 October 2004 and at 31 March 2006	90,357
	<hr/>
<b>Accumulated depreciation</b>	
At 31 October 2004	(79,891)
Charge for the period	(9,450)
	<hr/>
At 31 March 2006	(89,341)
	<hr/>
<b>Net book value</b>	
At 31 March 2006	1,016
	<hr/> <hr/>
At 31 October 2004	10,466
	<hr/> <hr/>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 14. FIXED ASSETS INVESTMENTS

Company	Shares in subsidiaries £
<b>Cost</b>	
At 31 October 2004	11,159,404
Additions	11,250,000
Disposal	(2,716,743)
	<hr/>
At 31 March 2006	19,692,661
	<hr/>
<b>Provision for impairment</b>	
At 31 October 2004	7,194,000
Charge in the period	738,267
	<hr/>
At 31 March 2006	7,932,267
	<hr/>
<b>Net book value</b>	<u>11,760,394</u>

All the above investments relate to the companies below.

	Country of Incorporation and operation	Activity	Percentage of ordinary shares held
Newsplayer Limited	Great Britain	Technical and marketing services	100
Newsplayer International Limited	Guernsey	Website administration and finance	100
Catalyst Media Services Limited	Great Britain	Dormant	100
Newsplayer Group Inc	United States	Website services	100
Betelgeuse Productions Inc	United States	TV Production and post production	100
VideoTV Plc	Great Britain	Dormant	100
Alternateport Limited*	Great Britain	Investment company	100
Catalyst Media Holdings Limited	Great Britain	Investment company	80

\* A subsidiary of Catalyst Media Holdings Limited

On 5 August 2005, Catalyst Media Group plc subscribed for an additional 79 'A' ordinary shares of £1 each in Catalyst Media Holdings Limited for £11,250,000 to add to the one subscriber share it already owned. At the same time Catalyst Media Holdings Limited issued 20 'B' ordinary shares of £1 each for £20 to the Eureka Interactive Fund Limited ('Eureka').

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

In October 2005, the Group disposed of its interest in Global Media Services Inc ('GMS'), as set out in note 12.

The impairment charge in the period relates to Betelgeuse Productions Inc following the impairment review referred to in note 12.

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 14. FIXED ASSETS INVESTMENTS (CONTINUED)

	2006 £
Fixed Asset Investment	23,115,000
Creditors	<u>(12,740,000)</u>
<b>Net Assets</b>	10,375,000
Less Minority Interest	(2,075,000)
Goodwill arising on consideration	<u>2,950,000</u>
<b>Consideration</b>	<u><u>11,250,000</u></u>

### 15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006		2004	
	Group £	Company £	Group £	Company £
Trade debtors	112,547	36,285	658,335	-
Other debtors	201,478	201,478	144,808	116,003
Amounts due by group undertakings	-	3,950,931	-	975,467
Called up share capital not paid	-	-	10,500	10,500
Prepayments and accrued income	158,413	88,053	930,648	680,553
	<u>472,438</u>	<u>4,276,747</u>	<u>1,744,291</u>	<u>1,782,523</u>

Included within other debtors is £136,157 (2004: £44,521) falling due in greater than one year.

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006		2004	
	Group £	Company £	Group £	Company £
Bank loans	121,028	-	759,640	-
Other loans (including convertible loan note)	1,640,612	1,640,612	387,138	387,138
Obligations under finance leases	285,134	-	191,012	-
Trade creditors	296,980	239,710	2,234,625	132,215
Taxation and social security	61,799	-	238,657	-
Other creditors	516,390	396,677	1,314,948	493,297
Accruals and deferred income	1,100,532	352,944	1,431,541	368,033
	<u>4,022,475</u>	<u>2,629,943</u>	<u>6,557,561</u>	<u>1,380,683</u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)

#### Bank loans

At 31 March 2006 the Group bank loan is bearing interest at 1% 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

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 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 and are deemed to include imputed interest, and an additional loan of £395,000 attracting interest at a rate of 2% above LIBOR per annum, and is secured on future tax consortium relief payments.

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2006		2004	
	Group £	Company £	Group £	Company £
Bank loan	-	-	51,494	-
Loan notes	-	-	637,507	637,507
Deep discounted bonds	9,049,491	-	-	-
Obligations under finance leases	-	-	122,263	-
Amounts owed to group undertakings	-	-	-	71,545
Convertible loan note	-	-	160,000	160,000
Other creditors	-	-	40,858	30,277
	<u>9,049,491</u>	<u>-</u>	<u>1,012,122</u>	<u>899,329</u>

To facilitate the acquisition of Alternatport Limited, Catalyst Media Holdings Limited, a subsidiary, issued two deep discount bonds to Eureka Interactive Fund Ltd. 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 Date, 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.

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 18. DEBT MATURITY

	2006 £
Debt	
In one year or less, or on demand	1,651,774
Within one to two years	-
Within two to five years	9,444,491
	<u>11,096,265</u>

### 19. 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.

At the period end, 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 a total of £516,028 (31 October 2004: £811,134) attracts floating interest rates, the remaining debt of £10,580,237 (31 October 2004: £1,497,920) has fixed interest rates. All debt is subject to interest charges. Directors believe the fair value of the Groups' financial instruments is not materially different to their book value.

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 20. CALLED UP SHARE CAPITAL

	2006 £	2004 £
<b>Authorised:</b> 950,000,000 (2004: 200,000,000) ordinary shares of 1 pence each	<u>9,500,000</u>	<u>2,000,000</u>
<b>Called up, allotted and fully paid:</b> 627,236,153 (2004: 140,509,939) ordinary shares of 1 pence each	<u>6,272,361</u>	<u>1,405,099</u>

There have been alterations in the issued share capital during the period, as follows.

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

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

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

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

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

In July 2005, 367,404 new ordinary shares of 1p were issued to Entendre in settlement of a legal claim based on a closing price of 7.75p.

In September 2005, 3,055,556 new ordinary shares of 1p were issued to Paradine Productions, a company owned by Sir David Frost OBE at 4p per share for 2,500,000 shares and 18p for 555,556 shares.

In September 2005, 425,000,000 new ordinary shares of 1p were placed with institutional and other investors at 4p per share, in order to finance the acquisition of Alternateport Limited, whose sole asset is its 20% holding in Satellite Information Systems Limited ("SIS"). The holding increased to 22.16% after share buy backs in SIS in November 2005 and March 2006.

In September 2005, 8,750,000 new ordinary shares of 1p were issued to Strand Partners at 4p per share in part consideration of their professional fees for the acquisition of SIS.

At 31 March 2006, there were 9,245,083 (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 the 27 May 2010 and further warrants in issue for 1 per cent of the issued share capital of the company at the time of exercise of the warrant exercisable at any time up to and including 4 August 2010.

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 21. STATEMENT OF MOVEMENTS ON RESERVES

<b>Group</b>	<b>Share premium account £</b>	<b>Merger reserve £</b>	<b>Profit and loss account £</b>
Balance at 31 October 2004	15,303,683	2,402,674	(19,471,650)
Loss for the period	-	-	(5,925,141)
Exchange movement	-	-	(69,746)
Share issue	14,646,602	-	-
Share issue costs	(2,022,092)	-	-
Balance at 31 March 2006	<u>27,928,193</u>	<u>2,402,674</u>	<u>(25,466,537)</u>

<b>The company</b>	<b>Share premium account £</b>	<b>Merger reserve £</b>	<b>Profit and loss account £</b>
Balance at 31 October 2004	15,303,683	2,912,060	(16,520,133)
Loss for the period	-	-	(6,567,880)
Share issues	14,646,602	-	-
Share costs	(2,022,092)	-	-
Balance at 31 March 2006	<u>27,928,193</u>	<u>2,912,060</u>	<u>(23,088,013)</u>

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

	<b>2006 £</b>	<b>2004 £</b>
Increase/(decrease) in cash in the year	207,090	(160,163)
Loans and finance leases acquired with subsidiary	-	(2,551,366)
Repayment of loan notes	-	129,470
Repayment of bank loan	699,301	263,318
Repayment of finance leases	44,161	63,868
Decrease / (Increase) in bank loan	-	(51,494)
Increase in loans	(9,444,491)	-
Translation difference	(86,182)	(2,850)
<b>Movement in net debt in the period</b>	<u>(8,580,121)</u>	<u>(2,309,217)</u>
Net (debt)/ funds at start of period	<u>(1,881,894)</u>	<u>427,323</u>
<b>Net debt at the end of period</b>	<u>(10,462,015)</u>	<u>(1,881,894)</u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 23. ANALYSIS OF NET DEBTS

	At 31 October 2004 £	Cash flow £	Exchange Movement £	At 31 March 2006 £
Cash at bank	427,160	207,090	-	634,250
Bank loan	(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)
Loan notes	(1,024,645)	-	(60,967)	(1,085,612)
Other loans	-	(9,444,491)	-	(9,444,491)
	<u>(1,881,894)</u>	<u>(8,493,939)</u>	<u>(86,182)</u>	<u>(10,462,015)</u>

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

	2006 £	2004 £
Operating loss	(3,847,497)	(5,352,990)
Impairment of intellectual property rights	2,457,021	2,194,000
Depreciation	185,301	152,031
Amortisation of goodwill on acquisition	677,334	510,702
Loss on disposal of fixed assets	-	803
Decrease/(Increase) in debtors	1,314,051	(478,873)
(Decrease)/Increase in creditors	(2,919,925)	875,937
Exchange adjustment	(102,814)	11,035
	<u>(2,236,529)</u>	<u>(2,087,355)</u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

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

	2006 £	2004 £
<b>Returns on investments and servicing of finance</b>		
Interest received	99,704	29,195
Dividend received	2,205,403	-
Interest paid	(692,406)	(66,559)
Interest on finance leases	(17,928)	(14,101)
	<u>1,594,773</u>	<u>(51,465)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	(161,446)	(73,811)
Purchase of tangible fixed assets	(30,467)	(59,995)
Disposal of tangible fixed assets	171,431	-
	<u>(20,482)</u>	<u>(133,806)</u>
<b>Acquisition</b>		
Purchase of business	(23,115,000)	(141,911)
	<u>(23,115,000)</u>	<u>(141,191)</u>
<b>Financing</b>		
Capital element of finance lease payments	(28,141)	(63,868)
Repayment of bank loan	(690,106)	(263,318)
Repayment of loan notes	(2,700,509)	(129,470)
Issue of ordinary share capital	17,068,272	2,660,702
Issue of bank loan	-	51,494
Issue of loans	12,205,966	-
	<u>25,855,482</u>	<u>2,255,540</u>

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2004
	£	£
<b>Group</b>		
Loss for the financial year	(5,925,141)	(5,405,621)
Issue of shares (net of issue costs)	4,867,262	2,718,966
Premium on issue of shares for acquisition	12,624,510	1,106,998
Translation differences	(69,746)	3,063
Shares to be issued	(476,000)	(536,640)
	<u>11,020,885</u>	<u>(2,113,234)</u>
Net addition/(reduction) to shareholders' funds		
Opening shareholders' funds	115,806	2,229,040
	<u>11,136,691</u>	<u>115,806</u>
Closing shareholders' funds		
	<u>2006</u>	<u>2004</u>
	£	£
<b>The company</b>		
Loss for the financial year	(6,567,880)	(12,494,120)
Issue of shares (net of issue costs)	4,867,262	2,718,966
Premium on issue of shares for acquisition	12,624,510	1,106,998
Shares to be issued	(476,000)	(536,640)
	<u>10,447,892</u>	<u>(9,204,796)</u>
Net addition/(reduction) to shareholders' funds		
Opening shareholders' funds	3,576,709	12,781,505
	<u>14,024,601</u>	<u>3,576,709</u>
Closing shareholders' funds		

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 27. OPERATING LEASE COMMITMENTS

The annual net commitments under operating leases are as follows:

	<u>Land and buildings</u>	
	<u>2006</u>	<u>2004</u>
	£	£
Leases which expire:		
Less than one year	73,587	-
Within two to five years	50,000	305,229
More than five years	-	53,831
	<u>123,587</u>	<u>359,060</u>

### 28. FINANCE LEASE COMMITMENTS

	<u>Capital equipment</u>	
	<u>2006</u>	<u>2004</u>
	£	£
Leases which expire:		
Less than one year	285,134	183,210
Within two to five years	-	130,065
	<u>285,134</u>	<u>313,275</u>

### 29. CONTINGENT LIABILITIES

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

Claims have been lodged by creditors against Betelguese 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 Betelguese 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.

# CATALYST MEDIA GROUP PLC

## Notes to the accounts

### 30. RELATED PARTY TRANSACTIONS

Sir David Frost OBE

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

Adam Cohen

During the period ended 31 March 2006 the Group paid Adam Cohen a total of \$8,000 (2004:US\$48,000) 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 seventeen months the Group paid Steven Smith £365,245 (2004: £118,811) in respect of director fees and consultancy fees on the proposed SIS acquisition and repaid loans of £639,101 to Reef Securities, a company of which Steven Smith is a director. The Group issued 18 millions warrants of 2.5p per warrant to Reef Securities which have not yet been exercised. Steven Smith resigned as a director on 27 May 2005.

### 31. 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% 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 22.16% 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 Agreement resulting in a cash saving of £535,557.

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

## NOTICE TO ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting of Catalyst Group Plc will be held at Portland House, 4 Great Portland Street, London, W1W 8QJ on Thursday 28 September 2006 at 10am for the following purposes:

1. To receive, consider and adopt the report of the Directors and the Audited Financial Statements for the period ended 31 March 2006.
2. To re-elect Anna Prestwich as a director of the Company.
3. To re-elect Michael Rosenberg as a director of the Company
4. To re-appoint Nexia Smith & Williamson as auditors and to authorise the directors to fix their remuneration.
5. To propose as an ordinary resolution that the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £2,318,755 (being 33 per cent of the current issued share capital) 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 agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any 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.
6. To propose as a special resolution that the directors be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by resolution numbered 5 above as if section 89(1) of the Act did not apply to any such allotment PROVIDED that this power shall be limited to:
  - a. 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
  - b. the allotment (other than pursuant to sub-paragraph 6a above) of equity securities up to a maximum aggregate nominal amount of £351,327 (being 5 per cent of the current issued share capital),

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.

## NOTICE TO ANNUAL GENERAL MEETING

### (B) NOTES

1. Only the holders of ordinary shares are entitled to attend the meeting and vote. A member entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy is provided. To be effective, a form of proxy must be completed, signed and lodged with the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR no later than 48 hours before the time of the meeting. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 10.00am on 26 September 2006.
4. Copies of the following documents will be available for inspection at the Company's registered office, during normal business hours, on any weekday (Saturdays and public holidays excepted) from the date of this notice until the day of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting.
  - a) the register of directors' interests in shares of the Company kept in accordance with section 325 of the Companies Act 1985; and
  - b) copies of all service agreements under which directors are employed by the Company or any subsidiaries.

BY ORDER OF THE BOARD



**Anna Prestwich**

Company Secretary

25 August 2006

Registered office:

Portland House

4 Great Portland Street

London W1W 8QJ