

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. If you have sold or otherwise transferred all of your Ordinary Shares in InvestinMedia plc please send this document, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold part of your holding, please consult the stockbroker, bank or other agent through whom the sale was effected.

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 United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. London Stock Exchange plc has not itself examined or approved the contents of this document.

This document constitutes an admission document drawn up in accordance with the AIM Rules. It is not a prospectus and has not been delivered to the Financial Services Authority in accordance with the Prospectus Rules published by the Financial Services Authority.

The Acquisition is conditional, *inter alia*, on admission of the Enlarged Issued Share Capital to trading on AIM taking place on 17 May 2007.

The Company, the Directors and the Proposed Directors, whose names appear on page 4 of this document, accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure 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.

Application will be made for the Ordinary Shares of InvestinMedia plc already in issue to be re-admitted to trading on AIM and for the New Ordinary Shares to be admitted to trading on AIM. It is expected that dealings in the Enlarged Issued Share Capital will commence on 17 May 2007.

**The whole of this document should be read. An investment in the Company includes a significant degree of risk and the attention of investors is drawn in particular to the Risk Factors set out in Part 2 of this document.**

---

## InvestinMedia plc to be renamed Avesco Group plc

*(Incorporated in England and Wales under the Companies Act 1948 to 1981 No. 1788363)*

### Re-Admission to trading on AIM



### Nominated Adviser and Broker

---

#### Share Capital on Admission

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>£</i>		<i>Number</i>	<i>£</i>
42,000,000	4,200,000	Ordinary Shares of 10p each	27,130,874	2,713,087

J M Finn & Co. Ltd., which is authorised and regulated by the Financial Services Authority, is acting as the Company's nominated adviser and broker for the purposes of the AIM Rules in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or Proposed Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by J M Finn & Co. Ltd. as to any of the contents of this document for which the Company, the Directors and the Proposed Directors are solely responsible. J M Finn & Co. Ltd. has not authorised the contents of any part of this document (without limiting the statutory rights of any person to whom this document is issued). No liability whatsoever is accepted by J M Finn & Co. Ltd. for the accuracy of any information or opinions contained in this document or for the omission of any material information for which the Company, the Directors and the Proposed Directors are solely responsible. J M Finn & Co. Ltd. will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the proposals described in this document.

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia or Japan, nor has any prospectus in relation to the Ordinary Shares been lodged with or registered by the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exceptions, the Ordinary Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into or within United States, Canada, Australia or Japan. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This document must not be copied or distributed by recipients (save as set out above) and, in particular, must not be distributed by any means, including electronic transmission, to persons with addresses in United States, Canada, Australia or Japan, their respective possessions and territories or to any citizen of any of them or to any corporation, partnership or other entity created or organised under the laws of any of them. Any such distribution could result in a violation of the laws of those countries. Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action and observe any such restriction.

## CONTENTS

	<i>Page</i>
<b>Expected Timetable</b>	3
<b>Statistics</b>	3
<b>Directors, Proposed Directors, Secretary and Advisers</b>	4
<b>Definitions</b>	5
<b>PART 1 Information on the Enlarged Group</b>	8
<b>PART 2 Risk Factors</b>	14
<b>PART 3 Financial information on InvestinMedia</b>	17
<b>PART 4 Financial information on Avesco</b>	39
<b>PART 5 Unaudited Pro Forma Statement of Net Assets</b>	81
<b>PART 6 Details of the Acquisition</b>	85
<b>PART 7 Additional Information</b>	87

## EXPECTED TIMETABLE

Despatch of this document	30 March 2007
Latest time and date for receipt of Forms of Proxy for the InvestinMedia Extraordinary General Meeting	10.30 a.m. on 23 April 2007
InvestinMedia Extraordinary General Meeting	10.30 a.m. on 25 April 2007
Avesco Court Meeting	10.45 a.m. on 25 April 2007
Avesco Extraordinary General Meeting	11.00 a.m. on 25 April 2007 <sup>(1)</sup>
Anticipated date of approval of the Scheme by the Court	16 May 2007 <sup>(2)</sup>
Effective date of the Scheme	17 May 2007 <sup>(2)</sup>
Admission effective and dealings expected to commence on AIM	8.00 a.m. on 17 May 2007 <sup>(2)</sup>

*All references to time in the document are to UK time unless otherwise stated.*

- (1) or as soon thereafter as the Avesco Court Meeting shall have concluded or has been adjourned.
- (2) these dates are indicative and will depend on, among other things, the date on which the Court sanctions the Scheme.

## STATISTICS

Number of InvestinMedia Shares in issue prior to the transaction	16,316,297
Maximum number of New InvestinMedia Shares to be issued assuming full take up of the Partial Cash Alternative and no election by Avesco LTIP award holders for cash	10,814,577
Maximum number of Ordinary Shares in issue following Admission assuming full take up of the Partial Cash Alternative and no election by Avesco LTIP award holders for cash	27,130,874
Number of Existing InvestinMedia Shares as a percentage of the Enlarged Issued Share Capital assuming full take up of the Partial Cash Alternative and no election by Avesco LTIP award holders for cash	60.1
Number of New InvestinMedia Shares as a percentage of the Enlarged Issued Share Capital assuming full take up of the Partial Cash Alternative and no election by Avesco LTIP award holders for cash	39.9

## DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

<b>Current Directors</b>	Richard Alan Murray ( <i>Chairman &amp; proposed Non-Executive Deputy Chairman</i> ) Cameron Anderson Maxwell ( <i>Chief Executive &amp; proposed Non-Executive Director</i> ) Alfred Patrick Stirling ( <i>Non-Executive Director</i> ) <i>all of 36 Elder Street, London E1 6BT</i>
<b>Proposed Directors</b>	Michael Edward Stanley Gibbins ( <i>proposed Non-Executive Chairman</i> ) Ian Paul Martin ( <i>proposed Chief Executive</i> ) John Leslie Christmas ( <i>proposed Finance Director</i> ) Graham Peter Andrews ( <i>proposed Executive Director</i> ) David John Nicholson ( <i>proposed Executive Director</i> ) Laurence Charles Neil Blackall ( <i>proposed Non-Executive Director</i> ) <i>all of Unit E2 Sussex Manor Business Park, Gatwick Road, Crawley, Sussex RH10 9NH</i>
<b>Company Secretary and Registered Office</b>	Watlington Securities Limited 36 Elder Street, London E1 6BT
<b>Proposed Company Secretary and Registered Office</b>	Nicholas Conn LLB Unit E2 Sussex Manor Business Park Gatwick Road Crawley Sussex RH10 9NH
<b>Nominated Adviser &amp; Broker</b>	J. M. Finn & Co. Ltd. Salisbury House London Wall London EC2M 5TA
<b>Auditors and Reporting Accountant</b>	Baker Tilly 2 Bloomsbury Street London WC1B 3ST
<b>Solicitors to the Company</b>	DMH Stallard 37 Jewry Street London EC3N 2ER
<b>Solicitors to Avesco</b>	Norton Rose Kempson House Camomile Street London EC3A 7AN
<b>Solicitors to the Nominated Adviser and Broker</b>	Eversheds LLP Senator House 85 Queen Victoria Street London EC4V 4JL
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## DEFINITIONS

“Acquisition”	the proposed acquisition of Avesco by InvestinMedia pursuant to the Scheme
“Act”	the Companies Act 1985, as amended which shall include, to the extent that the same is in force, the Companies Act 2006
“Admission” or “Re Admission”	admission of the Enlarged Issued Ordinary Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange (including, without limitation, any guidance notes or statements of practice) which govern the obligations and responsibilities of companies whose shares are admitted to trading on AIM, as amended from time to time
“AIM”	AIM, a market operated by the London Stock Exchange
“Avesco”	Avesco plc
“Avesco Group”	Avesco and its subsidiaries at the date of this document
“Avesco LTIP” or “LTIP”	the Avesco 2004 Long Term Incentive Plan
“Avesco Shares”	ordinary shares of 10p each in the share capital of Avesco prior to the Reorganisation Record Time
“Capital Reduction”	the reduction of Avesco’s share capital associated with the cancellation and extinguishing of the Scheme Shares provided by the Scheme pursuant to section 137 of the Act
“Celador”	Celador International Limited, a wholly owned subsidiary of Complete
“City Code”	The City Code on Takeovers and Mergers
“Combined Code”	the Principles of Good Governance and the Combined Code on Corporate Governance issued by the Financial Reporting Council, as amended from time to time
“Company” or “InvestinMedia”	InvestinMedia plc
“Complete”	CILL Holdings Limited (Company Number 03244165) previously known as Complete Communications Corporation Limited
“Court”	the High Court of Justice in England and Wales
“Court Meeting”	the meeting (or any adjournment thereof) of Scheme Shareholders convened by order of the Court to be held at 10.45 a.m. on 25 April 2007
“Court Hearing”	the hearing by the Court of the petition to sanction the Scheme
“Court Orders”	First Court Order and the Second Court Order
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument
“Directors” or “Board”	the directors including, where the context requires, the Proposed Directors of InvestinMedia at the date of this document whose names are set out on page 4 of this document

“Deferred Shares”	the deferred share of 10 pence in the capital of Avesco, to be designated as such pursuant to the resolutions to be proposed at the Avesco EGM and the Court Meeting
“Effective Date”	the date on which the Scheme becomes effective
“Enlarged Group”	InvestinMedia and its subsidiaries, including Avesco, following completion of the Acquisition
“Enlarged Issued Share Capital”	the ordinary share capital of the Company as enlarged by the Acquisition comprising the Existing Ordinary Shares and the New InvestinMedia Shares
“Existing Ordinary Shares”	the 16,316,297 Ordinary Shares of 10p each in issue at the date of this document
“First Court Order”	the order of the Court sanctioning the Scheme
“Fountain Studios”	the business of Fountain Television Limited
“FSA”	the Financial Services Authority
“InvestinMedia Group” or “Group”	InvestinMedia and its subsidiaries at the date of this document
“InvestinMedia EGM”	the extraordinary general meeting of InvestinMedia convened for 10.30 a.m. on 25 April 2007 (or any adjournment thereof)
“JM Finn”	JM Finn & Co. Ltd.
“London Stock Exchange”	London Stock Exchange plc
“Medal”	Medal Entertainment & Media PLC
“Meetings”	the Court Meeting and the extraordinary general meeting of Avesco (or any adjournment thereof) convened by the board of Avesco to be held at 11.00 a.m. on 25 April 2007 (or as soon as the Court Meeting concludes or is adjourned)
“New InvestinMedia Shares”	the new Ordinary Shares to be issued and credited as fully paid pursuant to the Scheme
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 10p each in the share capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Partial Cash Alternative”	the opportunity for Scheme Shareholders to elect to receive cash in the amount of 140 pence per Avesco Share in place of New InvestinMedia Shares up to a maximum total of 5,207,018 Avesco Shares representing 25 per cent. of Avesco’s fully diluted share capital as at 28 March 2007 (being the latest practicable date prior to publication of this document)
“Presteigne Broadcast Hire”	Presteigne Broadcast Hire, the trading name of Presteigne Limited
“Proposed Directors”	the persons whose names are set out on page 4 of this document who have conditionally agreed to become directors of the Company on completion of the Acquisition
“Reorganisation Record Time”	the time (expected to be around 3.00 p.m.) on the date on which the first Court Order is delivered to the Registrar of Companies in England and Wales for registration
“Scheme”	the scheme of arrangement under Section 425 of the Act relating to the Company

“Scheme Shares”	the Avesco Shares in issue at the date of this document and; (i) all (if any) additional Avesco Shares issued thereafter and prior to the Voting Record Time; and (ii) all (if any) additional Avesco Shares issued at or after the Voting Record Time and before the Reorganisation Record Time in respect of which the original or any subsequent holder thereof shall have agreed in writing to be bound by the Scheme in each case other than the Deferred Share to be held by InvestinMedia
“Scheme Shareholders”	the holders of Scheme Shares
“Second Court Order”	the order of the Court confirming the Capital Reduction
“Shareholders”	shareholders in InvestinMedia plc
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
“Voting Record Time”	in relation to the Court Meeting 6:00 p.m. on the second day before the day of the Court Meeting and, in relation to the Avesco EGM, 6:00 p.m. on the second day before the day of the Avesco EGM, or, if either meeting is adjourned, 48 hours before the time fixed for such adjourned meeting
“2waytraffic”	2waytraffic N.V.

## PART 1

### Information on the Enlarged Group

*The information set out in this Part 1 has been prepared on the basis the proposed Acquisition by InvestinMedia of Avesco completes on the terms set out in this document.*

#### 1. Introduction

The Enlarged Group is a media services business employing some 580 people and operating principally in the UK, mainland Europe and North America. The services provided by the Enlarged Group comprise specialist video and audio services provided to production companies, event organisers and creative agencies for use at conventions, product launches, exhibitions, sporting and entertainment events. The Enlarged Group also owns Fountain Studios, and Presteigne Broadcast Hire a provider of broadcast television equipment and systems solutions to the broadcast and entertainment sectors in Europe.

Additionally the Enlarged Group has investments in two AIM quoted companies, Medal and 2waytraffic, both of which operate in the media sector.

#### 2. Background and History

Richard Murray founded InvestinMedia in 1984. The majority of the group of companies which now comprise Avesco were initially formed in the period from 1985 as subsidiaries of InvestinMedia, which itself was listed on the Parallel Market of the Amsterdam Stock Exchange in 1984, prior to its introduction to the Official List of the London Stock Exchange in 1988. The Avesco Group has since expanded to include companies operating across the UK, mainland Europe and North America.

In February 2004, Avesco was demerged from InvestinMedia to create a separate AIM quoted company holding the core audio visual services business of InvestinMedia. As a result of the demerger, the business of the provision of specialist services to the presentation, broadcast and entertainment markets, previously carried on by InvestinMedia was transferred to Avesco. InvestinMedia retained the media rights business comprising its 49 per cent shareholding in Complete, the owner of the worldwide rights to the quiz format "Who Wants To Be A Millionaire?" and a 23.6 per cent stake in Medal, an AIM quoted media group.

The purpose of the demerger was to enable the two companies to focus on their respective businesses in the expectation that this would lead to a re-rating of each quoted company. Immediately following the demerger, the two companies had a combined stock market capitalisation of £22.8 million. At 28 March 2007 (the latest practical date before the publication of this document) the combined market capitalisation of InvestinMedia and Avesco was £42.7 million.

In September 2006 InvestinMedia re-acquired Fountain Studios from Medal for an overall consideration of £6.8 million.

The sale of InvestinMedia's investment in the share capital of Complete was completed on 20 December 2006 in exchange for approximately £35.6 million net of expenses of which £1.9 million was satisfied by the issue of shares in 2waytraffic. £22.9 million in cash has been received, a receivable of £9.9 million is currently held in an escrow account as security against possible future warranty and indemnity claims, and a net asset adjustment is expected to produce a further £0.8 million.

#### 3. The Business of the Enlarged Group

The Enlarged Group will operate in three principal divisions:

##### *Creative Technology*

Creative Technology provides a range of specialist video, audio, IT and large screen display services to the corporate presentations, entertainment and sports' markets around the globe. These services are provided to production companies, event organisers and creative agencies and are used for a broad range of events such as conventions, product launches, exhibitions, sporting and entertainment events.

Founded in 1986, Creative Technology has grown from its London base to include operations in Chicago, Las Vegas, Los Angeles and San Francisco in North America as well as Stuttgart and Dusseldorf in Germany. New offices are being progressed in the Middle East and China.

The Creative Technology division employs some 280 people and in the year ended 31 March 2006 reported turnover of £44.0 million and an operating profit of £0.7 million.

### ***Full Service***

The full service division comprises three businesses, MCL in the UK, JVR in the Netherlands and Action in France. This division provides a full range of audio visual services to the corporate market, including conferences, exhibitions and the equipment hire sector and additionally services the corporate market providing its services to a number of major events.

#### *MCL*

MCL operates on a local, national and occasionally international basis from its branches in Birmingham, Edinburgh, Glasgow, London, Manchester and the National Exhibition Centre site.

#### *JVR*

JVR operates from its branches in Amsterdam, Rotterdam, Roosendal and Hilversum.

#### *Action*

Action operates from its main base in Monaco and has equipment storage facilities in Cannes, its principal exhibition market.

The full service division employs some 200 people and in the year ended 31 March 2006 reported turnover of £15.9 million and an operating profit of £0.8 million.

### ***Broadcast Services***

The broadcast services division comprises Presteigne Broadcast Hire and Fountain Studios.

#### *Presteigne Broadcast Hire*

Founded in 1992, Presteigne Broadcast Hire is a leading provider of broadcast television equipment and systems solutions to the television studio, outside broadcast and production sectors. Presteigne Broadcast Hire rents camera equipment, VTR's, hard disk recorders, lenses, radio frequency links and de-rig systems to clients across the world.

In September 2005, Presteigne Broadcast Hire established a subsidiary in Cologne, to service its growing number of mainland European customers. Further international expansion is planned.

In recent years Presteigne Broadcast Hire has invested heavily in high definition television equipment and systems. In 2006 Presteigne Broadcast Hire bought Microwave Video Systems Limited, a specialist provider of radio frequency technology and broadcast hire equipment in the UK.

Presteigne Broadcast Hire employs some 40 people and in the year to 31 March 2006 reported turnover of some £5.4 million and an operating profit of £1.0 million.

#### *Fountain Studios*

The Fountain Studios in Wembley, North London, were established in 1959 and comprise the largest independent dedicated television studio in the UK. InvestinMedia acquired Fountain Studios from Medal in September 2006 for consideration of £6.8 million.

Fountain Studios has recently been the home to programmes such as "Pop Idol", "The X Factor", "The Kumars" and "Pokerface". Fountain Studios employ 40 people and in the six months ended 30 September 2006 recorded turnover of £1.6 million and an operating profit of £0.1 million.

The table below summarises the respective contributions of the three divisions in respect of the three years ended 31 March 2006 and therefore excludes any contribution of Fountain Studios which was acquired after that date.

<i>Turnover by division</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Creative Technology	38,594	38,651	44,013
Full Service	12,589	16,540	15,892
Broadcast	2,483	3,676	5,433
	<u>53,666</u>	<u>58,867</u>	<u>65,338</u>

*NB. 2004 Turnover for Broadcast excludes discontinued of £314,000*

<i>Operating (loss)/profit by division</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Creative Technology	(198)	1,189	689
Full Service	316	899	826
Broadcast	253	1,182	1,045

Further information regarding the geographic spread of activities is set out in Part 4 of this document.

### ***Investments***

The Enlarged Group holds investments comprising a 20.7 per cent interest in Medal and a 1.2 per cent interest in 2waytraffic. Both of these companies are AIM quoted.

#### ***Medal***

Medal is engaged in the production and distribution of programmes for television and home entertainment including specialist publishing of factual programmes and classic entertainment for the worldwide DVD market.

Medal employs 100 people and, in the year ended 31 March 2006, reported turnover of £24.5 million and an operating profit of £1.4 million.

On 6 March 2007, the board of Medal announced that Medal will make a loss before tax and exceptional items in the year ending 31 March 2007 of approximately £1 million. However, the Medal board stated that it firmly believed that the Medal business has the foundations to continue to grow and make progress and that, in its opinion, Medal will achieve market expectations for the year ending 31 March 2008.

Medal has been admitted to trading on AIM since 2001. The Enlarged Group now has a 20.7 per cent shareholding in Medal. On 28 March 2007, the latest practical date before the publication of this document, this investment had a value of £1.5 million based on the closing middle market price of Medal shares.

#### ***2waytraffic***

2waytraffic was formed in 2004 by three former executives of Endemol and the Dutch entrepreneur Henk Kellman. The company is based in the Netherlands and currently supplies programmes to some 40 territories.

2waytraffic was admitted to AIM in April 2006 and in December 2006 acquired the worldwide rights for the quiz format "Who Wants To Be A Millionaire?" concept for £106 million. The Enlarged Group has a 1.2 per cent stake in 2waytraffic. This investment had a value of £2.1 million based on the closing middle market price of 2waytraffic shares on 28 March 2007, the latest practical date before the publication of this document.

The Board of the Enlarged Group will be responsible for monitoring the progress of the ongoing litigation against Disney, originally brought by a subsidiary of Complete and in which the Enlarged Group retains an economic interest. Further details of the litigation are set out in Part 7 of this document.

## **4. Current Trading and Prospects**

The Directors and the Proposed Directors are encouraged by trading conditions generally across their chosen markets and expect that the additional financial resources available to the trading divisions following completion of the Acquisition will allow the Enlarged Group to prosper.

## **5. Strategy**

The boards of InvestinMedia and Avesco believe that the established businesses of Avesco and Fountain Studios, allied to the financial resources of InvestinMedia, will combine to produce a well funded international media services group, and that the additional financial resource, which the merger brings, will enable the Enlarged Group to accelerate its development.

As at 27 March 2007, InvestinMedia had cash of £16.5 million available for investment. The Board of the Enlarged Group believes that the availability of this additional financial resource will greatly assist an acceleration of the development of the Enlarged Group, both by geographical expansion and by the addition of related services and facilities.

The Enlarged Group is currently progressing a number of new office openings, including the Middle East and China. Acquisitions in related areas of the business are also under consideration.



***Graham Andrews (aged 47) Executive Director***

Graham joined InvestinMedia in 1986, was appointed to the Board in 1994 and transferred to the board of Avesco on its demerger in 2004. He established Creative Technology in 1986 and has 28 years' experience in the live events industry. He has primary responsibility for the Enlarged Group's North American operations.

***David Nicholson (aged 56) Executive Director***

David joined the Board of InvestinMedia in 1995, becoming Chief Executive in 1997 and transferred to the Board of Avesco on its demerger in 2004. He previously held senior management positions at Rentokil Group plc and Aspen Communications plc. David has primary responsibility for the Enlarged Group's mainland European operations.

***Laurence Blackall (aged 56) Non-Executive Director***

Laurence is a non-executive director of Pipex Communications PLC. He was CEO of the Internet Technology Group plc from its flotation in 1996 until its sale, which he oversaw in 2000. Previously, he spent 13 years in publishing, holding senior positions with Frost & Sullivan and McGraw-Hill. A former Chairman of the Internet Service Providers Association, Laurence joined the Avesco board in 2004.

***Cameron Maxwell, FCA (aged 64) Non-Executive Director***

Cameron joined the Board in 1985 and was a non-executive director of Complete until December 2006. He was Finance Director of InvestinMedia until 1998 and a non-executive director from 1998 until the demerger of Avesco in 2004. He is currently Chief Executive of InvestinMedia and will revert to a non-executive role on completion of the Acquisition. He is a member of the Council of the Institute of Chartered Accountants in England and Wales.

Conditional upon Admission, Alfred Stirling will resign from the InvestinMedia Board.

The head office of the Enlarged Group will be at Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, Sussex, RH10 9NH.

## **8. Share options and management incentives**

The Directors and the Proposed Directors recognise the importance of an appropriate level of incentive for key employees. Following completion of the Acquisition, the Directors and the Proposed Directors intend to introduce an appropriate share based incentive scheme for key employees across the Enlarged Group. It is intended that up to ten per cent of the issued share capital of the Enlarged Group be identified for employee share incentive compensation.

## **9. Dividend policy**

The Enlarged Group intends to adopt a progressive dividend policy in line with the policy adopted by Avesco.

## **10. Corporate Governance**

The Directors and Proposed Directors acknowledge the importance of the principles set out in the Combined Code. Although compliance with the Combined Code is not compulsory for AIM companies, the Directors and the Proposed Directors intend to apply the principles as far as practicable and appropriate for a public company of this nature and size. The Board has established the following committees:

### ***Audit Committee***

The audit committee will be chaired by Michael Gibbins and will also comprise Laurence Blackall, Cameron Maxwell and Richard Murray. It is responsible for providing formal and transparent arrangements for considering how to apply suitable financial reporting and internal control principles having regard to good corporate governance and maintaining an appropriate relationship with the Enlarged Group's auditors.

### ***Remuneration Committee***

The remuneration committee will be chaired by Michael Gibbins and will also comprise Laurence Blackall, Cameron Maxwell and Richard Murray. The remuneration committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Chief Executive, all other executive Directors, the Company

Secretary and such other members of the executive management of the Company as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

***Share dealing code***

The Company has adopted and will operate a share dealing code for Directors and applicable employees in compliance with Rule 21 of the AIM Rules and will take proper steps to ensure compliance by the Directors and those employees.

**11. Admission Settlement and Crest**

Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM and dealings are expected to commence on 17 May 2007.

The Existing Ordinary Shares have been admitted to CREST. The CREST system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and stock transfer forms. For more information concerning CREST, shareholders should contact their broker or, alternatively, CRESTCo Limited at 33 Cannon Street, London EC4M 5SB.

**12. Taxation**

Information regarding taxation is set out in Part 7 of this document.

**13. Risk Factors**

Shareholders should consider carefully the risk factors set out in Part 2 of this document in addition to the other information set out in this document.

**14. Further Information**

Your attention is drawn to the additional information set out in Parts 2 to 7 of this document.

## PART 2

### Risk Factors

**Investing in the Company involves a degree of risk. Investors should carefully consider the risks and the other information contained in this document before they decide to invest. Investors should note that the risks described below are not the only risks faced by the Company. There may be further risks that the Directors and Proposed Directors do not consider to be significant today, but which may become so in the future, or of which they are currently unaware. If any of the circumstances identified in the risk factors materialise, there could be a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. In such cases, the price of the Ordinary Shares could decline, and investors may lose all or part of their investment. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss, which might result from such investment. If investors are in any doubt about the action they should take, they should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before making a decision to invest.**

#### **Equity investment:**

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up, and that the market price of the Ordinary Shares may not reflect the value of the underlying assets or results of the Company. Investors may not recover their original investment.

#### **Trading on AIM:**

No application is being made for the admission of the Ordinary Shares to the Official List. Admission to AIM should not be taken to imply that there is a liquid market in the Ordinary Shares. AIM is a market designed primarily for emerging or smaller companies. Both types of company carry higher than normal financial risk and tend to experience lower levels of liquidity than larger or more established companies.

#### **Future uncertainty:**

This document contains certain forward looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Enlarged Group's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors and Proposed Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Enlarged Group will not differ materially from matters described in this document.

#### **The need to raise additional capital in the future:**

The Company's capital requirements depend on numerous factors, including its ability to maintain and expand its business. If the Company makes any material acquisitions, it may require further financing. Any additional equity financing may be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

#### **Business risk factors:**

##### ***Current operating results as an indication of future results:***

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, investors should not rely on comparisons with the Company's results to date as an indication of future performance. Factors that may affect the Enlarged Group's operating results include increased competition, an increased level of expenses, technological change necessitating additional capital expenditure, slower than expected sales and changes to the

statutory and regulatory regime in which it operates. It is possible that, in the future, the Company's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Company's shares may decline significantly.

***Economic and business cycle:***

The Enlarged Group's customers are principally corporates whose expenditure on services provided by the Enlarged Group may be discretionary in nature and may therefore be affected by changes in the economic and business cycle. The Enlarged Group has sought to minimise the effect of any future economic slowdown by seeking, wherever practicable to match major items of capital expenditure to the requirements of its largest clients, and by limiting infrastructure obligations and other capital commitments to a level appropriate to the foreseeable needs of the business, after taking account of market trends and developments.

***Reputation:***

The Enlarged Group's reputation, in terms of the service it provides, the way in which it conducts its business and the financial results which it achieves, is central to its future success. Failure to meet the expectations of its clients, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Enlarged Group. The Enlarged Group therefore places a strong emphasis on the quality of its service, it invests in staff training, especially in the area of health and safety, and it operates systems of risk management and internal control.

***Dependence on key personnel:***

The Enlarged Group's future success will be dependent on key employees and their on-going relationships with clients and suppliers. It is believed that the Enlarged Group is of a size that the loss of no one individual represents a significant risk to the Enlarged Group. The Enlarged Group also encourages client or supplier contacts to be maintained by more than one individual. Key staff are incentivised through a mixture of sales commission, profit related bonuses and participation in employee share incentive plans.

***Technological changes:***

Advances in technology may bring about a significant reduction in demand for certain equipment, which will eventually become obsolete. However, the Enlarged Group has an on-going hire stock replacement programme, regularly buying new equipment and selling old equipment. In addition, the range of markets in which it operates allows certain equipment to be recycled for use elsewhere in the Enlarged Group.

***Competition:***

Competition in the provision of services to the corporate presentation, entertainment and broadcast markets may increase significantly and this may limit the ability of the Enlarged Group to maintain market share or revenue levels. Some competitors may have greater access to financial resources than the Enlarged Group. Although the Enlarged Group does aim to be competitive in its pricing, it may decline work where it is unable to make an adequate margin or where the services or equipment required are not appropriate to the Enlarged Group's available resources.

***Reliance on third party technology:***

Hardware and software acquired by the Enlarged Group for its key activities may not operate in accordance with its specification. However, the Enlarged Group generally purchases only from approved suppliers and with the benefit of relevant warranties.

***Equipment failure or loss:***

The Enlarged Group's hire stock comprises complex, high value equipment which is subject to the risks of electronic or mechanical failure as well as physical loss, damage or theft. The Enlarged Group endeavours to minimise these risks through rigorous quality control measures, security precautions and insurance cover. The geographical spread of the Enlarged Group's businesses further reduces the potential risk which might arise from any one loss or failure.

***Exposure to counterparty credit risk:***

It is believed that no one client represents a material risk to the Enlarged Group. However, where there may be a credit concern or where significant up front costs will be incurred in relation to a client's event, the Enlarged Group will endeavour to obtain a deposit or other security for payment.

***Tax treatment of the Complete disposal:***

The Company has been advised that if a substantial part of the proceeds from the sale of Complete are used to finance the acquisition, and financing, of a trading business it is likely that the gain arising on the disposal of InvestinMedia's interest in Complete shall not be subject to corporation tax. However, there is no certainty that a merger between Avesco and InvestinMedia and the utilisation of the funds in the manner proposed will be so treated and, if it is not, then a charge to corporation tax may arise which may have a material adverse effect on the Enlarged Group.

***Indemnities/warranties given by InvestinMedia Holdings Limited (a wholly-owned subsidiary of InvestinMedia):***

Under the agreement relating to the sale of Complete, InvestinMedia Holdings Limited gave certain commercial and tax warranties and indemnities. £9.9 million of InvestinMedia's entitlement to the initial consideration under the agreement is held in a retention account against any potential warranty and/or indemnity claims made under the agreement. To the extent any such claims are made, the amount recoverable by InvestinMedia from the retention account may be reduced or eliminated and there can therefore be no guarantee that the £9.9 million will be received by InvestinMedia in full or at all. It should also be noted that InvestinMedia Holdings Limited may be liable for claims under the agreement in excess of the £9.9 million held in the retention account. In the event that the funds due to InvestinMedia are not received in full, or any claims are made against InvestinMedia Holdings Limited under the agreement, this may have a material adverse effect on the Enlarged Group.

**If any of the above risks were to materialise, the business, financial condition and operating results of the Enlarged Group could be materially adversely affected.**

## **PART 3**

### **Financial Information on InvestinMedia**

#### **Audited Financial Information on InvestinMedia for the eighteen months ended 30 September 2004, the year ended 30 September 2005 and the year ended 30 September 2006**

The financial information on InvestinMedia set out below does not constitute statutory accounts within the meaning of section 240 of the Act. The information for the eighteen months ended 30 September 2004, the year ended 30 September 2005 and the year ended 30 September 2006 is extracted without material adjustment, other than for the restatement of final dividends in accordance with FRS 21 'Events after the Balance Sheet date' (see below), from the audited consolidated financial statements of InvestinMedia which have been filed with the registrar of companies, on which the audit reported under S235 of the Companies Act 1985. All such reports were unqualified and did not contain a statement under S237 (2) or (3) of the Companies Act 1985. The financial statements are reproduced on pages 18 to 35.

In the year ended 30 September 2006, the Group changed its accounting policy for dividends following the implementation of a new accounting standard FRS 21 'Events after the Balance Sheet date'. Previously the Group recognised dividends proposed in respect of the financial year to which they related. Under the new standard, InvestinMedia recognises interim dividends when paid and proposed dividends on approval at the Annual General Meeting. The reproduced financial statements have been adjusted in all periods for the impact of this change in accounting policy as if the policy had been fully adopted in that period.

## Consolidated profit and loss account

		<i>for the eighteen months ended</i> 30 September 2004			<i>year ended</i> 30 September 2005 <i>All</i>	<i>year ended</i> 30 September 2006		
	<i>Note</i>	<i>Continuing</i> £'000	<i>Discontinued</i> £'000	<i>Total</i> £'000	<i>Continuing</i> £'000	<i>Continuing</i> £'000	<i>Acquisitions</i> £'000	<i>Total</i> £'000
<b>Group and share of associates' turnover</b>	2	28,743	46,242	74,985	19,716	22,977	281	23,258
Less: Share of associates' turnover		(28,293)	—	(28,293)	(19,666)	(22,877)	—	(22,877)
<b>Group turnover</b>		450	46,242	46,692	50	100	281	381
Cost of sales		—	(29,705)	(29,705)	—	—	(90)	(90)
<b>Gross profit</b>		450	16,537	16,987	50	100	191	291
Distribution costs		—	(2,422)	(2,422)	—	—	—	—
Administrative expenses		(393)	(20,416)	(20,809)	(235)	(308)	(148)	(456)
<b>Group operating (loss) / profit</b>		57	(6,301)	(6,244)	(185)	(208)	43	(165)
Share of associates' operating profit		3,653	—	3,653	172	1,924	—	1,924
<b>Group and share of associates' operating (loss) / profit</b>		3,710	(6,301)	(2,591)	(13)	1,716	43	1,759
Loss on demerger		—	(7,722)	(7,722)	—	—	—	—
Loss on disposal of operations		—	(235)	(235)	—	—	—	—
<b>(Loss) / profit on ordinary activities before interest and taxation</b>		3,710	(14,258)	(10,548)	(13)	—	—	1,759
Net investment income / (interest payable)	3	376	(528)	(152)	351	—	—	120
<b>Profit / (loss) on ordinary activities before taxation</b>	4	4,086	(14,786)	(10,700)	338	—	—	1,879
Taxation on ordinary activities	8	(1,281)	(20)	(1,301)	(271)	—	—	(844)
<b>Profit / (loss) on ordinary activities after taxation</b>		2,805	(14,806)	(12,001)	67	—	—	1,035
Equity minority interest		—	75	75	—	—	—	—
<b>Profit / (loss) for the period</b>		2,805	(14,731)	(11,926)	67	—	—	1,035
<b>Earnings / (loss) per share –</b>								
Basic	10	17.2p	(90.3p)	(73.1p)	0.4p	—	—	6.4p
Diluted	10	17.0p	(90.3p)	(73.1p)	0.4p	—	—	6.1p
<b>Dividends per share</b>								
– Paid in year	9	7.0p	—	7.0p	5.5p	—	—	6.0p
– Proposed final		3.0p	—	3.0p	3.5p	—	—	3.5p

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

### Consolidated Balance sheets

<i>As at 30 September</i>	<i>Note</i>	<i>2004</i> £'000	<i>Group</i> <i>2005</i> £'000	<i>2006</i> £'000
Tangible assets	11	—	—	7,232
Investments in associates	12	5,468	5,174	5,889
Other investments	12	—	—	—
<b>Fixed assets</b>		<u>5,468</u>	<u>5,174</u>	<u>13,121</u>
Stocks: Raw materials and consumables		—	—	62
Debtors: amounts falling due within one year	14	767	37	488
Debtors: amounts falling due after more than one year	14	—	—	133
Cash at bank and in hand		<u>2,030</u>	<u>2,125</u>	<u>322</u>
<b>Current assets</b>		<u>2,797</u>	<u>2,162</u>	<u>1,005</u>
<b>Creditors:</b> amounts falling due within one year	15	<u>(70)</u>	<u>(62)</u>	<u>(6,790)</u>
<b>Net current assets / (liabilities)</b>		<u>2,727</u>	<u>2,100</u>	<u>(5,785)</u>
<b>Net assets</b>		<u>8,195</u>	<u>7,274</u>	<u>7,336</u>
<b>Capital and reserves</b>				
Called up share capital	17	1,632	1,632	1,632
Treasury shares	19	—	(91)	(91)
Share premium account	19	12,489	12,489	12,489
Profit and loss account	19	<u>(5,926)</u>	<u>(6,756)</u>	<u>(6,694)</u>
<b>Equity shareholders' funds</b>		<u>8,195</u>	<u>7,274</u>	<u>7,336</u>

### Consolidated reconciliation of movement in equity shareholders' funds

	<i>for the eighteen</i> <i>months ended</i> <i>30 September</i> <i>2004</i> £'000	<i>for the</i> <i>year ended</i> <i>30 September</i> <i>2005</i> £'000	<i>for the</i> <i>year ended</i> <i>30 September</i> <i>2006</i> £'000
<b>Opening equity shareholders' funds</b>	<u>31,401</u>	<u>8,195</u>	<u>7,274</u>
<b>Profit / (Loss) for the period</b>	(11,926)	67	1,035
Dividends	<u>(1,142)</u>	<u>(897)</u>	<u>(973)</u>
<b>Retained loss for the financial period</b>	(13,068)	(830)	62
Goodwill previously eliminated against reserves	8,642	—	—
Shares purchased into treasury	—	(91)	—
Reduction in Share Capital	<u>(18,780)</u>	<u>—</u>	<u>—</u>
<b>Net reduction / increase in equity shareholders' funds</b>	(23,206)	(921)	62
Opening equity shareholders' funds	<u>31,401</u>	<u>8,195</u>	<u>7,274</u>
<b>Closing equity shareholders' funds</b>	<u>8,195</u>	<u>7,274</u>	<u>7,336</u>

## Consolidated cash flow statement

	<i>for the eighteen months ended 30 September 2004 £'000</i>	<i>for the year ended 30 September 2005 £'000</i>	<i>for the year ended 30 September 2006 £'000</i>
<b>Net cash flow from operating activities</b>	5,512	(200)	279
Dividends from associate	2,784	1,175	880
Interest received	39	106	76
Interest paid	(312)	—	(23)
Interest element of hire purchase payments	(220)	—	—
Returns on investments and servicing of finance	(493)	106	53
Taxation	76	—	—
<b>Net cash flow before capital expenditure</b>	7,879	1,081	1,212
Purchase of tangible assets	(5,540)	—	(55)
Sale of tangible assets	2,581	—	—
<b>Capital expenditure</b>	(2,959)	—	(55)
Acquisition of subsidiary	—	—	(7,053)
Investment in associate	—	—	(435)
Disposal of subsidiaries and businesses	(166)	—	—
Net overdraft disposed of with subsidiaries	1,582	—	—
<b>Acquisitions and disposals</b>	1,416	—	(7,488)
Equity dividends paid	(1,141)	(895)	(972)
<b>Net cash flow before use of liquid resources and financing</b>	5,195	186	(7,303)
<b>Management of liquid resources:</b> Increase in bank term deposits	—	(1,050)	1,050
Purchase of own shares into treasury	—	(91)	—
Increase in bank loans	1,033	—	5,500
Change in hire purchase obligations	(3,792)	—	—
<b>Financing</b>	(2,759)	(91)	5,500
Increase/(decrease) in cash in the period	2,436	(955)	(753)
<b>Reconciliation net cash flow to movement in net (debt)/funds</b>			
Increase/(Decrease) in cash in the year	2,436	(955)	(753)
Cash inflow from increase in debt	9,873	—	(5,500)
Cash flow from from change in liquid resources	—	1,050	(1,050)
Movement in net (debt)/funds in the year	12,309	95	(7,303)
Opening net (debt)/funds	(10,279)	2,030	2,125
<b>Closing net funds/(debt)</b>	2,030	2,125	(5,178)

Closing net (debt)/funds comprises cash at bank and in hand of £322,000 (2005: £2,125,000; 2004: £2,030,000) less bank loans of £5,500,000 (2005:nil; 2004: £nil).

***Net cash flow from operating activities***

	<i>for the eighteen months ended 30 September 2004 £'000</i>	<i>for the year ended 30 September 2005 £'000</i>	<i>for the year ended 30 September 2006 £'000</i>
Group operating loss	(6,244)	(185)	(165)
Depreciation, amortisation and impairment	11,538	—	8
Profit on sale of tangible assets	(223)	—	—
Change in stocks	(320)	—	2
Change in debtors	521	(5)	(264)
Change in creditors	240	(10)	698
Net cash flow from operating activities	<u>5,512</u>	<u>(200)</u>	<u>279</u>

## Notes to the financial information

### 1 Accounting Policies

This financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Basis of consolidation*

The consolidated financial information include the financial information of the Company and its subsidiaries made up to 30 September 2006. The results of subsidiaries or businesses acquired are included from the date control passes to the Group and the results of subsidiaries or businesses disposed of are included up to the date control passes from the group. All intra-group transactions and balances are eliminated on consolidation.

The Group accounts for entities in which it has a long-term interest and over which it exercises significant influence, rather than control, as associates. The Group uses the equity method of consolidation to account for its associates including the Group's share of the profits less losses of the associates in the consolidated profit and loss account and including its interest in their net assets as investments in the consolidated balance sheet.

#### *Associates*

##### *Complete Communications Corporation Limited ("Complete")*

The following additional accounting policy on turnover is relevant to the television programme production and rights exploitation business of Complete.

- a) Income in respect of programme production is recognised as follows:
  - i) Short-term productions made shortly before delivery are recognised on delivery.
  - ii) Income on long-term productions is recognised in proportion to the production work completed.
- b) Licence fees and royalty and distribution advances are spread evenly over the term of the licence until the actual income receivable exceeds the licence fee or advance, when the unexposed portion of the fee is recognised.
- c) Additional fees, royalties receivable and other income are recognised on an accruals basis as they are earned, when they can be reliably estimated and when collection is reasonably assured.
- d) Income in respect of film production is recognised on sale of the film rights. Before delivery, costs incurred are recognised in work in progress to the extent that they are considered to be recoverable in future periods.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### *Leased assets*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

### ***Post-retirement benefits***

The Group operates a defined contribution type pension arrangement for certain of its employees in the UK. Financial institutions hold the assets of these arrangements entirely separately from those of the Group. The Group provides no other post-retirement benefits.

### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. Costs include all amounts incurred in obtaining the stock and bringing it to its current location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

### ***Tangible fixed assets***

Tangible fixed assets are depreciated at cost, less estimated residual values. All tangible fixed assets except freehold land are depreciated on a straight-line basis over their useful economic lives. The principal annual rates used for this purpose are:

Freehold land	–	Not depreciated
Freehold buildings	–	Over 50 years
Plant and equipment	–	5-15 years
Motor vehicles	–	3-4 years

The company selects its depreciation rates carefully and reviews them regularly to take account of any changes in circumstances. When setting useful economic lives, the principal factors the company takes into account are the expected rates of technological developments, expected market requirements and the intensity at which the assets are expected to be used.

### ***Turnover and revenue recognition***

Turnover represents sales to outside customers at invoiced amounts, less value added tax and discounts. Services are supplied proportionally over the duration of the service or hire period and turnover is recognised accordingly on a programme by programme basis.

### ***Web site costs***

The group uses web sites principally for communication purposes. Accordingly, all web site costs are recognised in the profit and loss account as incurred.

### ***Goodwill***

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over its useful economic life as, in the opinion of the directors, this represents the period over which the goodwill is effective. Goodwill arising before 30 September 1998 has been eliminated against reserves in the year of acquisition. If the related business is subsequently disposed of, the goodwill is written back and included in the calculation of the profit or loss on disposal.

## 2 Segmental analysis

The Group's continuing business consists of the management of its investments, principally in its two associated companies, Complete Communications Corporation Limited ("Complete") a television programme production and rights exploitation business based in the United Kingdom and Medal, an AIM quoted media company. The demerger discontinued the rest of the Group's business on 18 February 2004. The results are shown after costs directly relating to each class of business.

	<i>for the eighteen months ended</i> 30 September 2004			<i>for the year ended</i> 30 September 2005			<i>for the year ended</i> 30 September 2006		
	<i>Turnover</i> £'000	<i>Profit / (loss)</i>		<i>Turnover</i> £'000	<i>Profit / (loss)</i>		<i>Turnover</i> £'000	<i>Profit / (loss)</i>	
		<i>before tax</i> £'000	<i>Net assets</i> £'000		<i>before tax</i> £'000	<i>Net assets</i> £'000		<i>before tax</i> £'000	<i>Net assets</i> £'000
Our share of Complete	24,563	3,870	3,861	17,013	519	3,703	18,357	2,252	4,278
Our share of MEM	3,730	124	1,607	2,653	(102)	1,471	4,520	(261)	1,611
Fountain Studios	—	—	—	—	—	—	281	43	6,678
Other continuing activities	450	92	2,156	50	(79)	2,100	100	(155)	(5,231)
Total continuing activities	28,743	4,086	7,624	19,716	338	7,274	23,258	1,879	7,336
Discontinued activities	46,242	(14,786)	—	—	—	—	—	—	—
<b>Total</b>	<b>74,985</b>	<b>(10,700)</b>	<b>7,624</b>	<b>19,716</b>	<b>338</b>	<b>7,274</b>	<b>23,258</b>	<b>1,879</b>	<b>7,336</b>
<b>Less: share of associates</b>	<b>(28,293)</b>	<b>(3,994)</b>	<b>(5,468)</b>	<b>(19,666)</b>	<b>(417)</b>	<b>(5,174)</b>	<b>(22,877)</b>	<b>(1,991)</b>	<b>(5,889)</b>
<b>Group total</b>	<b>46,692</b>	<b>(14,694)</b>	<b>2,156</b>	<b>50</b>	<b>(79)</b>	<b>2,100</b>	<b>381</b>	<b>(112)</b>	<b>1,447</b>

Turnover and profit before tax arose solely in the United Kingdom

<i>Turnover by destination</i>	<i>for the eighteen months ended</i> 30 September 2004		<i>for the year ended</i> 30 September 2005		<i>for the year ended</i> 30 September 2006	
	£'000		£'000		£'000	
United Kingdom	17,662		50		381	
Mainland Europe	8,987		—		—	
United States of America	19,948		—		—	
Rest of the World	95		—		—	
Group turnover	46,692		50		381	

  

<i>Turnover by origin</i>	<i>for the eighteen months ended</i> 30 September 2004		<i>for the year ended</i> 30 September 2005		<i>for the year ended</i> 30 September 2006	
	£'000		£'000		£'000	
United Kingdom	18,977		50		381	
Mainland Europe	8,355		—		—	
United States of America	19,360		—		—	
Group turnover	46,692		50		381	

### 3 Net investment income and interest payable

	<i>for the eighteen months ended 30 September 2004 £'000</i>	<i>for the year ended 30 September 2005 £'000</i>	<i>for the year ended 30 September 2006 £'000</i>
Bank loans and overdrafts	(311)	—	(23)
Hire purchase obligations	(220)	—	—
Other	(1)	—	—
<b>Group interest payable</b>	<b>(532)</b>	<b>—</b>	<b>(23)</b>
Share of associates' interest payable	(96)	(78)	(101)
<b>Group and share of associates' interest payable</b>	<b>(628)</b>	<b>(78)</b>	<b>(124)</b>
Group interest receivable	39	106	76
Share of associates' investment income	437	323	168
<b>Group and share of associates' investment income</b>	<b>476</b>	<b>429</b>	<b>244</b>
<b>Net investment income / (interest payable)</b>	<b>(152)</b>	<b>351</b>	<b>120</b>

### 4 Profit/ (loss) on ordinary activities before taxation

Profit/ (loss) on ordinary activities before taxation is stated after charging/(crediting):

	<i>for the eighteen months ended 30 September 2004 £'000</i>	<i>for the year ended 30 September 2005 £'000</i>	<i>for the year ended 30 September 2006 £'000</i>
Operating lease payments			
– Land and buildings	1,017	—	5
– Plant and equipment	181	—	5
Depreciation charge			
– Owned tangible assets	8,339	—	8
– Assets held under hire purchase arrangements	1,281	—	—
Amortisation of goodwill	1,918	—	—
Profit on disposal of tangible assets	(223)	—	—

The amounts payable to Baker Tilly, the Group's auditor in respect of both audit and non-audit services:

Fees payable to Baker Tilly for the audit of the parent company and consolidated accounts	15	16	17
Fees payable to Baker Tilly for other services:			
– Taxation services	8	13	8
– Corporate finance services in respect of acquisition	—	—	24
All other services	35	17	—
	<u>58</u>	<u>46</u>	<u>49</u>

## 5 Employee information (excluding the directors)

The average number of persons employed by the Group was:

	<i>for the eighteen months ended 30 September 2004</i>	<i>for the year ended 30 September 2005</i>	<i>for the year ended 30 September 2006</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Operations	201	—	1
Administration	37	—	4
Total employees	<u>238</u>	<u>—</u>	<u>5</u>

The Group had 39 employees at 30 September 2006.

The Group had no employees at 30 September 2004 or 2005.

The aggregate payroll costs of the former employees were:

	<i>for the eighteen months ended 30 September 2004</i>	<i>for the year ended 30 September 2005</i>	<i>for the year ended 30 September 2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	12,701	—	90
Social security costs	1,329	—	9
Other pension costs	240	—	4
Total payroll costs	<u>14,270</u>	<u>—</u>	<u>103</u>

## 6 Post-retirement benefits

The Group operates a defined contribution type pension arrangement for certain of its employees in Fountain Television Limited. Financial institutions hold the assets of these arrangements entirely separately from those of the group. The cost of these pension arrangements to the Group was £4,000 (2005: nil, 2004: £240,000), and £19,000 of contributions were unpaid at the period end (2005 and 2004: nil). The Group provides no other post-retirement benefits.

## 7 Directors' remuneration

	<i>for the eighteen months ended 30 September 2004</i>			<i>year ended 30 September 2005</i>	<i>year ended 30 September 2006</i>
	<i>Fees/Salary</i>	<i>Pension</i>	<i>Total</i>	<i>Fees/Salary</i>	<i>Fees/Salary</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Executive director</b>					
CA Maxwell*	81	—	81	57	116
<b>Non-executive directors</b>					
RA Murray*	103	—	103	36	77
AP Stirling*	10	—	10	5	9
Former directors					
DJ Nicholson†	159	17	176	—	—
GP Andrews†	137	12	149	—	—
DG Brocksom†	120	10	130	—	—
NS Conn†	82	7	89	—	—
DA Crump†	131	12	143	—	—
IP Martin†	46	—	46	—	—
Total	<u>869</u>	<u>58</u>	<u>927</u>	<u>98</u>	<u>202</u>

\* The fees of those directors marked with an asterisk were paid to companies connected with the directors.

† Messrs Andrews, Brocksom, Conn, Crump, Martin and Nicholson resigned from the Board on completion of the demerger on 18 February 2004. The company made contributions to defined contribution pension arrangements in respect of five directors during 2004.

## 8 Taxation

	<i>for the eighteen months ended 30 September 2004 £'000</i>	<i>for the year ended 30 September 2005 £'000</i>	<i>for the year ended 30 September 2006 £'000</i>
<b>Analysis of taxation charge for the period</b>			
Overseas taxation	20	—	—
Share of associates' current taxation	1,279	193	825
Group and share of associates' current taxation	<u>1,299</u>	<u>193</u>	<u>825</u>
Deferred tax (note 16)	—	—	13
Share of associates' deferred taxation	2	78	6
Group and share of associates' deferred taxation	<u>2</u>	<u>78</u>	<u>19</u>
Group taxation	20	—	13
Share of associates' taxation	1,281	271	831
Group and share of associates' taxation	<u>1,301</u>	<u>271</u>	<u>844</u>

### Factors affecting the taxation charge

The taxation charge for the period is higher than the standard rate of corporation tax in the UK.

The differences are explained below.

(Loss) / Profit on ordinary activities before taxation	<u>(10,700)</u>	<u>338</u>	<u>1,879</u>
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30%	(3,210)	101	564
Goodwill amortisation	3,168	32	—
Other non-deductible expenses	248	23	131
Depreciation in excess of capital allowances	780	17	19
Other timing differences	213	(59)	149
Other differences	100	79	(19)
Group and share of associates' current taxation	<u>1,299</u>	<u>193</u>	<u>844</u>

### Factors which may affect future taxation charges

The group has tax losses carried forward which may be available to reduce future tax payments. None of these losses have been recognised as deferred tax assets due to uncertainties concerning the extent and timing of recoverability, which are dependent upon the generation of certain classes of taxable profits by certain of the group's operations.

## 9 Dividends

	<i>for the eighteen months ended 30 September 2004 £'000</i>	<i>for the year ended 30 September 2005 £'000</i>	<i>for the year ended 30 September 2006 £'000</i>
Paid			
Interim dividend of 2.0p per share	326	—	—
Interim dividend of 2.5p per share (2005 and 2004: 2.0p per share)	326	326	405
Final dividend of 3.5p per share (2005: 3.5p per share; 2004: 3.0p per share)	490	571	568
Total dividend of 6.0p per share	<u>1,142</u>	<u>897</u>	<u>973</u>

A final dividend of 3.5 p per share is proposed to be paid on 10 April 2007 to shareholders on the Register on 9 March 2007, making a total dividend for the year of 6.0 pence per ordinary share (2004 and 2005: 5.5 pence).

## 10 Earnings per share

Basic earnings per share ('EPS') have been calculated by dividing earnings (profit/(loss) after taxation and minority interests) by the weighted average number of ordinary shares in issue (excluding treasury shares) during the period.

	<i>for the eighteen months ended 30 September 2004 Number</i>	<i>for the year ended 30 September 2005 Number</i>	<i>for the year ended 30 September 2006 Number</i>
Weighted average number of shares			
For basic earnings per share	16,316,297	16,304,640	16,223,797
Effect of dilutive share options	240,455	372,210	654,226
For diluted earnings per share	<u>16,556,752</u>	<u>16,676,850</u>	<u>16,878,023</u>

## 11 Tangible assets

	<i>Freehold Land &amp; Buildings £000</i>	<i>Hire Stock £'000</i>	<i>Owned plant &amp; equipment £000</i>	<i>Group Total £000</i>
<b>Cost</b>				
At 1 April 2003	8,277	58,541	6,430	73,248
Additions	694	6,046	635	7,375
Disposals and Demerger	(8,971)	(64,587)	(7,065)	(80,623)
At 30 September 2004 and 2005	—	—	—	—
Acquisitions	5,527	—	1,658	7,185
Additions	—	—	55	55
As at 30 September 2006	<u>5,527</u>	<u>—</u>	<u>1,713</u>	<u>7,240</u>
<b>Depreciation</b>				
At 1 April 2003	2,717	38,601	3,789	45,107
Charge for the period	371	8,282	967	9,620
Disposals and Demerger	(3,088)	(46,883)	(4,756)	(54,727)
At 30 September 2004 and 2005	—	—	—	—
Charge for the year	5	—	3	8
As at 30 September 2006	<u>5</u>	<u>—</u>	<u>3</u>	<u>8</u>
<b>Net book amount:</b>				
At 30 September 2006	<u>5,522</u>	<u>—</u>	<u>1,710</u>	<u>7,232</u>
At 1 October 2004 and 2005	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The freehold land and buildings are being used as security for a bank loan between InvestinMedia plc and HSBC Bank PLC.

The net book value of land and buildings comprise:

	<i>2004</i>	<i>At 30 September 2005</i>	<i>2006 £000</i>
Freehold land	—	—	2,250
Freehold buildings	—	—	3,272
Total	<u>—</u>	<u>—</u>	<u>5,522</u>

## 12 Fixed asset investments

	<i>Investment in associates £'000</i>	<i>Other investments</i>	<i>Group Total £'000</i>
<b>Cost/share of net assets</b>			
At 1 April 2003	4,067	1,472	5,539
Transfers	1,472	(1,472)	—
Share of associate's profit after tax	2,713	—	2,713
Dividends from associate	(2,784)	—	(2,784)
<b>At 30 September 2004</b>	<b>5,468</b>	<b>—</b>	<b>5,468</b>
Share of associate's profit after tax	146	—	146
Dividends from associate	(440)	—	(440)
<b>At 30 September 2005</b>	<b>5,174</b>	<b>—</b>	<b>5,174</b>
Additions	435	—	435
Share of associate's profit after tax	1,160	—	1,160
Dividends from associate	(880)	—	(880)
<b>At 30 September 2006</b>	<b>5,889</b>	<b>—</b>	<b>5,889</b>
<b>Net book value</b>			
At 30 September 2006	5,889	—	5,889
At 30 September 2005	5,174	—	5,174
At 30 September 2004	5,468	—	5,468

### *Principal subsidiaries*

The Group's subsidiaries at 30 September 2006, which are registered and operate in England, are InvestinMedia Holdings Ltd and InvestinMedia Investments Ltd (both are investment holding companies, 100 per cent. beneficially owned by InvestinMedia plc) and Fountain Television Ltd (which owns and operates Television Studios).

## 13 Associate undertakings

The Group's associates were: Complete, a company registered in England and Wales and engaged in television programme production and rights exploitation and Medal, an AIM quoted media company.

### *Complete*

The Group owns 100 per cent. of the A ordinary shares which gives the group a 49 per cent. economic interest in Complete together with 49 per cent. of the voting rights.

The Group share of the results of Complete was as follows:

	<i>for the eighteen months ended 30 September 2004 £'000</i>	<i>for the year ended 30 September 2005 £'000</i>	<i>for the year ended 30 September 2006 £'000</i>
Turnover	24,563	17,013	18,357
Profit on ordinary activities before taxation	3,870	519	2,252
Taxation on profit on ordinary activities	(1,292)	(237)	(797)
Profit on ordinary activities after taxation	2,578	282	1,455

The group share of the net assets of Complete was as follows:

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
At 30 September			
Fixed assets	1,173	3,718	948
Current Assets	10,868	7,348	11,338
Creditors: amounts falling due within one year	(8,180)	(7,363)	(8,008)
Net assets	<u>3,861</u>	<u>3,703</u>	<u>4,278</u>

The investment in Complete was sold on 20 December 2006. The proceeds were 1,534,162 ordinary shares of £0.01 each in 2waytraffic N.V. issued at a total subscription price of £1.9 million, £9.9 million held in a retention account, £20.9million in cash (net of expenses) and a balance due from 2waytraffic N.V. based on the final net assets of Complete. Additional consideration may also be receivable depending on the outcome of certain litigation in the United States.

### **Medal**

The Group acquired additional Ordinary Shares in Medal in the year for £435,000 and now owns 20.74 per cent. of the Ordinary Shares in Medal (2005: 16.83 per cent.; 2004: 16.7 per cent.). The market value of this investment at 30 September 2006 was £1.79 million (2005: £1.76 million; 2004: £2.08 million).

The Group share of the results of Medal was as follows:

	<i>for the eighteen months ended 30 September 2004</i> £'000	<i>for the year ended 30 September 2005</i> £'000	<i>for the year ended 30 September 2006</i> £'000
Turnover	<u>3,730</u>	<u>2,653</u>	<u>4,520</u>
Profit / (Loss) on ordinary activities before taxation	124	(102)	(261)
Taxation on profit on ordinary activities	11	(34)	(34)
Profit / (Loss) on ordinary activities after taxation	<u>135</u>	<u>(136)</u>	<u>(295)</u>

The Group share of the net assets of Medal was as follows:

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
At 30 September			
Fixed assets	1,603	1,824	1,064
Current Assets	1,295	1,768	1,889
Creditors: amounts falling due within one year	(916)	(1,571)	(1,342)
Creditors: amounts falling due after one year	(375)	(550)	—
Net assets	<u>1,607</u>	<u>1,471</u>	<u>1,611</u>

## 14 Acquisition – Fountain Television Limited

On 6 September 2006 the Group acquired a 100 per cent. interest in the ordinary issued share capital of Fountain Television Limited (which owns and operates television studios) for aggregate consideration of £7,053,000. This purchase has been accounted for as an acquisition.

	<i>Net book value £000</i>	<i>Fair value adjustments £000</i>	<i>Fair value £000</i>
<b>Net assets acquired:</b>			
Tangible fixed assets	6,750	435	7,185
Intangible fixed assets	276	(276)	—
Stocks	64	—	64
Debtors	349	—	349
Creditors	(545)	—	(545)
Net assets acquired	<u>6,894</u>	<u>159</u>	<u>7,053</u>
Cash paid			1,500
Acquisition expenses			253
Loan to Fountain Television Limited			5,300
Total Acquisition Cost satisfied in cash			<u>7,053</u>

### *Pre-acquisition trading*

The following table sets out the financial results of Fountain Television Limited for the period from 1 April 2006 to the date it was acquired and the comparative for the year ended 31 March 2006.

	<i>Period from 1 April to 6 September 2006 £000</i>	<i>Year ended 31 March 2006 £000</i>
Turnover	1,332	3,199
Cost of sales	(548)	(1,131)
Gross profit	<u>784</u>	<u>2,068</u>
Administration expenses	(1,217)	(2,482)
Exceptional Item	538	—
Interest payable	(188)	(11)
(Loss) on ordinary activities before taxation	<u>(83)</u>	<u>(425)</u>

## 15 Debtors:

	<i>Group 2004 £'000</i>	<i>Group 2005 £'000</i>	<i>Group 2006 £'000</i>
At 30 September			
Amounts falling due within one year			
Trade debtors	—	—	298
Other debtors	—	16	16
Prepayments and accrued income	767	21	174
	<u>767</u>	<u>37</u>	<u>488</u>
Amounts falling due after more than one year			
Deferred tax asset (note 16)	—	—	133
	<u>—</u>	<u>—</u>	<u>133</u>
	<u>767</u>	<u>37</u>	<u>621</u>

## 16 Creditors: amounts falling due within one year

	<i>Group</i> 2004 £'000	<i>Group</i> 2005 £'000	<i>Group</i> 2006 £'000
At 30 September			
Bank loans, since repaid	—	—	5,500
Trade creditors	—	—	209
Other taxation and social security	8	31	220
Other creditors	18	15	138
Accruals and deferred income	30	16	723
Dividends payable	14	—	—
	<u>70</u>	<u>62</u>	<u>6,790</u>

## 17 Deferred taxation

Deferred tax carried forward comprises:

	<i>Group</i> 2004 £'000	<i>Group</i> 2005 £'000	<i>Group</i> 2006 £'000
Tax losses	—	—	645
Accelerated capital allowances	—	—	(512)
	<u>—</u>	<u>—</u>	<u>133</u>

Movement during the year:

	<i>Group</i> 2004 £'000	<i>Group</i> 2005 £'000	<i>Group</i> 2006 £'000
Brought forward at 1 April	—	—	—
Acquisitions	—	—	146
Credit to the profit and loss account	—	—	(13)
Deferred tax asset at 30 September	<u>—</u>	<u>—</u>	<u>133</u>

The Group has other tax losses carried forward totalling £226,000 (2005: £80,000; 2004: unquantified), which may be available to reduce future tax payments. These losses have not been recognised as deferred tax assets due to uncertainties concerning the extent and timing of recoverability, which are dependent upon the generation of certain classes of taxable profits by certain of the Group's operations.

The deferred tax asset recognised in the financial statements will be recoverable against future taxable profits in the relevant subsidiary.

## 18 Share capital

	2004		2005		2006	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
As at 30 September						
Authorised: Ordinary shares of 10p each	<u>21,000,000</u>	<u>2,100</u>	<u>21,000,000</u>	<u>2,100</u>	<u>21,000,000</u>	<u>2,100</u>
Allotted, called up and fully paid:						
Ordinary shares of 10p each	<u>16,316,297</u>	<u>1,632</u>	<u>16,316,297</u>	<u>1,632</u>	<u>16,316,297</u>	<u>1,632</u>

On 27 January 2004, the authorised share capital of the company was increased by £25 million by the creation of 250,000,000 "A" shares of 10 pence each in the capital of the company (the "A Shares") and then on 17 February 2004, £18,780,967 standing to the credit of the company's share premium account was applied in paying up in full at par 187,809,669 "A" Shares.

On 18 February 2004, the share capital of the company was reduced by £18,780,967 by the cancellation and repayment of each of the “A” Shares in issue at par and the cancellation of all such “A” Shares (whether issued or authorised but unissued) such repayment was satisfied by the transfer by the company of the entire issued share capitals of Avesco Finance Limited, Avesco Group plc, Creative Technology Limited, Action SAM, Creative Technology Outside Broadcast Limited, Media Control (UK) Limited, CT Germany Limited and Avesco Overseas Limited) to New Avesco plc (company number 4982392) in consideration of the allotment and issue by New Avesco plc of fully paid ordinary shares of 10p each in the capital of New Avesco plc.

## **19 Share options**

At 30 September 2004, there were 3,346 options outstanding under the 1994 approved executive share option scheme (1 April 2003: 86,342) and 654 options outstanding under the 1997 unapproved executive share option scheme (1 April 2003: 408,755) which had been granted prior to the demerger; all of those options have now lapsed.

On 24 February 2004, the company granted 1,468,467 new options under the 1997 unapproved executive share option scheme at 71.1667 pence each. These options are exercisable between 24 February 2007 and 24 February 2011. The right to exercise these options was subject to a performance condition that has now been satisfied.

At 30 September 2006, there were 1,468,467 options under the 1997 unapproved executive share option scheme at 71.1667 pence each. These options are exercisable between 24 February 2007 and 24 February 2011. The right to exercise these options was subject to a performance condition that has now been satisfied (2004 and 2005: 1,468,467).

## 20 Capital and reserves

	<i>Share capital account £'000</i>	<i>Shares held in treasury £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
<b>Group</b>					
At 1 April 2003	1,632	—	31,269	(1,500)	(31,401)
Capitalisation of reserves	18,780	—	(18,780)	—	—
Demerger	(18,780)	—	—	—	(18,780)
Retained loss for the financial period	—	—	—	(13,068)	(13,068)
Goodwill previously eliminated against reserves	—	—	—	8,642	8,642
At 1 October 2004	1,632	—	12,489	(5,926)	8,195
Demerger	—	—	—	—	—
Shares purchased into treasury	—	(91)	—	—	(91)
Retained loss for the financial period	—	—	—	(827)	(827)
At 1 October 2005	1,632	(91)	12,489	(6,756)	7,274
Shares purchased into treasury	—	—	—	—	—
Dividends paid	—	—	—	(973)	(973)
Profit for the year	—	—	—	1,035	1,035
At 30 September 2006	1,632	(91)	12,489	(6,694)	7,336

92,500 ordinary shares are held in treasury representing 0.57 per cent. of the ordinary share capital in issue as at 30 September 2006.

## 21 Financial instruments

The Group does not trade in financial instruments. All of the Group's financial assets and liabilities are designated in sterling. There is no material difference between their book value and fair value. Financial assets and liabilities referred to in this note exclude short-term debtors and creditors. Financial liabilities at 30 September 2006, which have since been repaid, were:

<i>Stirling bank loans</i>	<i>Interest rate</i>	<i>Facility £'000</i>	<i>Balance at 30 September 2006 £'000</i>
Revolving Credit Facility	HSBC Base rate plus 1.75%	2,000	500
Term Loan	HSBC Base rate plus 1.5%	5,000	5,000
Total borrowings			<u>5,500</u>

There were no financial liabilities at 30 September 2004 and 2005.

Financial assets comprise Sterling deposits of £332,000 (2005: £2,125,000, 2004: £2,030,000). Variable rate interest receivable on the cash balances is based on the relevant banks' base rates. All financial assets are receivable within one year or less, or on demand.

## 22 Related party disclosures

As disclosed in note 12, Complete and Medal are both associated undertakings of the group. During the period, the Group provided services to Complete totalling £100,000 (2005: £776,000, 2004: £50,000), of which £nil (2005 and 2004 : £nil) was included within debtors at the year-end. Over the same period, the Group made no sales to MEM (2005: £nil, 2004: £34,000) £nil of which were included within debtors at the year-end (2005 and 2004: £nil). On 6 September 2006, the Group acquired Fountain Television Limited from Medal. Further details of the transaction are disclosed in note 14.

There were no other transactions with related parties requiring disclosure under FRS 8. The Company has taken advantage of the exemption under FRS 8, which permits the non-disclosure of intra-group transactions with 90 per cent. subsidiaries.

## 23 Commitments and contingent liabilities

The Company has given indemnities to and received indemnities from certain former subsidiaries in connection with the demerger in 2004 and certain transactions prior thereto. It is the view of the Directors that such indemnities are not expected to result in financial loss to the group. The Group had no capital commitments at the balance sheet date (2005 and 2004: nil). The Company has no operating lease commitments.

## 24 Post balance sheet events

As explained in note 12, the Group sold its stake in Complete to 2waytraffic N.V on 20 December 2006, part of the proceeds of which has been used to repay the Group's borrowings.

Reproduced below is the wording of the Auditors' Report given in respect of Investinmedia plc financial statements for the year ended 30 September 2006.

**“Independent auditors’ report to the members of Investinmedia plc**

***We have audited the financial statements on pages 9 to 20.***

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 auditor’s 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman’s Statement, the Review of Operations and the Directors’ 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 group’s and company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

***Opinion***

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group’s and parent company’s affairs as at 30 September 2006 and of the group’s profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors’ Report is consistent with the financial statements.

BAKER TILLY  
*Registered Auditor*  
*Chartered Accountants*  
2 Bloomsbury Street, London WC1B 3ST”

19 January 2007

Reproduced below is the wording of the Auditors' Report given in respect of Investinmedia plc financial statements for the year ended 30 September 2005.

### **“Independent auditors’ report to the members of Investinmedia plc**

#### **We have audited the financial statements on pages 8 to 18.**

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 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 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 group is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman’s Statement, the Review of Operations and the Directors’ 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 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. 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 group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

#### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2005 and of the group profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY  
*Registered Auditor*  
*Chartered Accountants*  
2 Bloomsbury Street, London WC1B 3ST”

17 January 2006

Reproduced below is the wording of the Auditors' Report given in respect of Investinmedia plc financial statements for the period ended 30 September 2004.

### **“Independent auditors’ report to the members of Investinmedia plc**

#### **We have audited the financial statements on pages 7 to 22.**

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 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 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 group is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman’s Statement and the Directors’ 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 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. 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 group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

#### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2004 and of the group loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY  
*Registered Auditor*  
*Chartered Accountants*  
2 Bloomsbury Street, London WC1B 3ST”

11 January 2005

## **PART 4**

### **Financial Information on Avesco**

#### **A. Audited Financial information on Avesco for the three years ended 31 March 2006**

The financial information on Avesco set out below does not constitute statutory accounts within the meaning of section 240 of the Act. The information for years ended 31 March 2004, 31 March 2005 and 31 March 2006 is extracted without material adjustment, other than for the restatement of final dividends in accordance with FRS 21 'Events after the Balance Sheet date' and the reclassification of costs from operating expenses to cost of sales (see below), from the audited consolidated financial statements of Avesco which have been filed with the registrar of companies, on which the audit reported under S235 of the Companies Act 1985. All such reports were unqualified and did not contain a statement under S237 (2) or (3) of the Companies Act 1985. The financial statements are reproduced on pages 40 to 70.

In the year ended 31 March 2006, Avesco changed its accounting policy for dividends following the implementation of a new accounting standard FRS 21 'Events after the Balance Sheet date'. Previously Avesco recognised dividends proposed in respect of the financial year to which they related. Under the new standard, Avesco recognises interim dividends when paid and proposed dividends on approval at the Annual General Meeting. The reproduced financial statements have been adjusted in all periods for the impact of this change in accounting policy as if the policy had been fully adopted in that period.

In the year ended 31 March 2004, a reclassification of costs from operating expenses to cost of sales was made to ensure consistent comparative data. All other figures, including the operating profit/(loss) remained unaltered.

## Consolidated profit and loss accounts

	Note	Year Ended 31 March 2004			Year Ended 31 March 2005			Year Ended 31 March 2006		
		Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	Total £'000
<b>Turnover</b>										
Continuing operations		53,665	—	53,665	58,867	—	58,867	65,338	—	65,338
Discontinued operations		314	—	314	—	—	—	—	—	—
	2	<u>53,979</u>	<u>—</u>	<u>53,979</u>	<u>58,867</u>	<u>—</u>	<u>58,867</u>	<u>65,338</u>	<u>—</u>	<u>65,338</u>
<b>Cost of sales</b>										
Continuing operations		(35,195)	(336)	(35,531)	(37,971)	—	(37,971)	(42,019)	—	(42,019)
Discontinued operations		(525)	—	(525)	—	—	—	—	—	—
		<u>(35,720)</u>	<u>(336)</u>	<u>(36,056)</u>	<u>(37,971)</u>	<u>—</u>	<u>(37,971)</u>	<u>(42,019)</u>	<u>—</u>	<u>(42,019)</u>
<b>Gross profit/(loss)</b>										
Continuing operations		18,470	(336)	18,134	20,896	—	20,896	23,319	—	23,319
Discontinuing operations		(211)	—	(211)	—	—	—	—	—	—
		<u>18,259</u>	<u>(336)</u>	<u>17,923</u>	<u>20,896</u>	<u>—</u>	<u>20,896</u>	<u>23,319</u>	<u>—</u>	<u>23,319</u>
Operating expenses	4	(19,689)	(5,437)	(25,126)	(18,771)	(1,884)	(20,655)	(20,675)	(1,507)	(22,182)
Continuing operations		(1,277)	(5,773)	(7,050)	2,125	(1,884)	241	2,644	(1,507)	1,137
Discontinued operations		(153)	—	(153)	—	—	—	—	—	—
<b>Operating (loss)/profit</b>	7	<u>(1,430)</u>	<u>(5,773)</u>	<u>(7,203)</u>	<u>2,125</u>	<u>(1,884)</u>	<u>241</u>	<u>2,644</u>	<u>(1,507)</u>	<u>1,137</u>
Loss on disposal of operations	5			(235)			—			—
Profit/(loss) on disposal of fixed assets	5			—			767			(43)
Dividends from Investments	12			487			—			—
<b>(Loss)/profit on ordinary activities before interest and taxation</b>				<u>(6,951)</u>			<u>1,008</u>			<u>1,094</u>
Net interest payable and similar items	6			(613)			(526)			(550)
<b>(Loss)/profit on ordinary activities before taxation</b>	2			<u>(7,564)</u>			<u>482</u>			<u>544</u>
Taxation on profit on ordinary activities	11			(52)			(110)			(151)
<b>(Loss)/profit on ordinary activities after taxation</b>				<u>(7,616)</u>			<u>372</u>			<u>393</u>
Equity minority interests				(12)			(2)			—
<b>(Loss)/profit for the financial year</b>				<u>(7,628)</u>			<u>370</u>			<u>393</u>
Dividends	12			—			—			(191)
Dividends paid post demerger by InvestinMedia plc	12			(326)			—			—
<b>Retained (loss)/profit for the financial year</b>	25			<u>(7,954)</u>			<u>370</u>			<u>202</u>
<b>(Losses)/earnings per share</b>										
Basic and diluted	13			<u>(46.8)p</u>			<u>2.3p</u>			<u>2.2p</u>

There is no difference between the results stated above and their historical cost equivalents.

## Consolidated balance sheets

		<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
		<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Intangible assets	14	2,959	1,507	—
Tangible assets	15	21,110	21,646	29,497
Investments	16	—	—	—
<b>Fixed assets</b>		<u>24,069</u>	<u>23,153</u>	<u>29,497</u>
Stocks	17	968	918	844
Debtors	18	11,003	13,869	15,715
Cash at bank and in hand		<u>1,900</u>	<u>1,147</u>	<u>808</u>
<b>Current assets</b>		13,871	15,934	17,367
<b>Creditors:</b>				
amounts falling due within one year	19	<u>(13,861)</u>	<u>(15,178)</u>	<u>(18,769)</u>
<b>Net current assets/(liabilities)</b>		<u>10</u>	<u>756</u>	<u>(1,402)</u>
<b>Total assets less current liabilities</b>		24,079	23,909	28,095
<b>Creditors:</b>	20			
amounts falling due after more than one year		(6,464)	(6,157)	(7,821)
<b>Provisions for liabilities and charges</b>	22	<u>(1,469)</u>	<u>(1,078)</u>	<u>(716)</u>
<b>Net assets</b>		<u>16,146</u>	<u>16,674</u>	<u>19,558</u>
Share capital	23	1,632	1,632	1,909
Share premium	25	—	—	2,106
Capital redemption reserve	25	50	50	50
Other reserve	25	29,551	29,551	29,551
Profit and loss account	25	<u>(15,087)</u>	<u>(14,559)</u>	<u>(14,058)</u>
<b>Equity shareholders' funds</b>		<u>16,146</u>	<u>16,674</u>	<u>19,558</u>

## Consolidated cash flow statements

		<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2005</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2006</i> <i>£'000</i>
Continuing operations		7,658	9,851	9,256
Discontinued operations		687	—	—
<b>Net cash inflow from operating activities</b>	26	<u>8,345</u>	<u>9,851</u>	<u>9,256</u>
Interest received		14	19	86
Interest paid		(381)	(313)	(356)
Dividends from investment	12	487	—	—
Interest element of hire purchase payments		(246)	(232)	(240)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(126)</u>	<u>(526)</u>	<u>(510)</u>
Overseas taxation		24	(74)	(60)
<b>Taxation</b>		<u>24</u>	<u>(74)</u>	<u>(60)</u>
<b>Net cash inflow before capital expenditure</b>		<u>8,243</u>	<u>9,251</u>	<u>8,686</u>
Purchase of tangible fixed assets		(7,460)	(10,679)	(17,258)
Sale of tangible fixed assets		2,684	1,914	2,155
<b>Net cash outflow for capital expenditure</b>		<u>(4,776)</u>	<u>(8,765)</u>	<u>(15,103)</u>
Disposal of subsidiaries and businesses	5	(167)	—	—
<b>Net cash outflow for acquisitions and disposals</b>		<u>(167)</u>	<u>—</u>	<u>—</u>
<b>Equity dividends paid</b>		<u>(1,155)</u>	<u>—</u>	<u>(191)</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>2,145</u>	<u>486</u>	<u>(6,608)</u>
Issue of ordinary shares	25	—	—	2,383
New bank loans	28	4,000	9	5,339
Repayment of bank loans	28	(2,973)	—	(4,096)
New hire purchase obligations	28	1,688	2,206	4,409
Repayment of hire purchase obligations	28	(3,806)	(2,540)	(2,737)
<b>Net cash (outflow)/inflow from financing</b>		<u>(1,091)</u>	<u>(325)</u>	<u>5,298</u>
<b>Increase/(decrease) in cash in the year</b>		<u>1,054</u>	<u>161</u>	<u>(1,310)</u>
<b>Net debt</b>	28	<u>(8,301)</u>	<u>(7,831)</u>	<u>(12,320)</u>

## Consolidated statements of total recognised gains and losses

		<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2005</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2006</i> <i>£'000</i>
(Loss)/profit for the year		(7,628)	370	393
Currency translation differences		(699)	2	157
Net reduction on demerger		(247)	—	—
<b>Total recognised gains and losses relating to the year</b>		<u>(8,574)</u>	<u>372</u>	<u>550</u>

### Consolidated reconciliations of movements in equity shareholders' funds

	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2005</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2006</i> <i>£'000</i>
(Loss)/profit for the year	(7,628)	370	393
Dividends	—	—	(191)
Dividend paid post-demerger by InvestinMedia plc	(326)	—	—
Retained (loss)/profit for the financial year	(7,954)	370	202
Proceeds of ordinary shares issued for cash	—	—	2,383
Currency translation differences	(699)	2	157
LTIP	—	156	142
Net reduction on demerger	(247)	—	—
Issue of redeemable preference shares	50	—	—
Redemption of preference shares	(50)	—	—
Net change in equity shareholders' funds	(8,900)	528	2,884
Opening equity shareholders' funds as previously reported	25,046	16,146	16,511
Restatement – FRS 21	—	—	163
Opening equity shareholders' funds as restated	25,046	16,146	16,674
<b>Closing equity shareholders' funds</b>	<b>16,146</b>	<b>16,674</b>	<b>19,558</b>

## **Notes to the financial information**

### **1 Accounting policies**

This financial information has been prepared under the historical cost convention and on the going concern basis in accordance with applicable United Kingdom accounting standards. A summary of the more important accounting policies is set out below. These have been applied consistently throughout the periods with the following exceptions.

#### **Change in accounting policies**

Since the year ended 31 March 2004, the Avesco Group chose to adopt FRS20 “Share-based Payment” early however, there was no material impact on the results as a result of early adoption.

FRS 22 “Earnings per share” was also adopted in the year ended 31 March 2006 and has not had a material impact on the results in that year or prior years but requires adjusted earnings per share to be disclosed in the notes to the accounts rather than on the face of the profit and loss account (see Note 13).

FRS 25 “Financial Instruments: Disclosure and presentation” and FRS 28 “Corresponding amounts” were also adopted in the year ended 31 March 2006. The adoption of these standards has had no impact on the current or comparative figures.

#### **Basis of consolidation**

The consolidated financial information include the financial statements of Avesco and all of its subsidiaries made up to 31 March annually. The Avesco Group was formed from a demerger in February 2004 and as such was accounted for under the merger accounting principles of FRS 6 “Merger and Acquisitions”. In future, the results of new subsidiaries or businesses acquired will be included from the date control passes to the Avesco Group and the results of subsidiaries or businesses disposed of will be included up to the date control passes from the Avesco Group. All intra group transactions and balances are eliminated on consolidation.

#### **Deferred taxation**

Full provision is made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes (except as otherwise required by FRS 19). Deferred tax assets are also recognised in full subject to them being regarded as more likely than not to be recoverable. Deferred tax balances are not discounted.

#### **Foreign currencies**

Monetary assets and liabilities, and the assets and liabilities of overseas operations, are translated into sterling at the rate of exchange ruling at the balance sheet date. The results of overseas operations are translated into sterling at the average rate of exchange for the year. Foreign currency trading transactions are translated at the rate ruling at the time of the transaction unless covered by a forward foreign exchange contract in which case the contracted rate is used. Those currency translation differences arising on the re-translation of the net assets in respect of overseas operations are shown as movements on reserves. Where these currency translation differences give rise to taxation consequences, these are also shown as movements on reserves. All other currency translation differences are recognised in the profit and loss account.

#### **Goodwill**

Goodwill arising on acquisitions represents the excess of the fair value of the consideration given and associated costs over the fair value of the identifiable assets and liabilities acquired.

Goodwill arising after 1 April 1998 has been capitalised and amortised over its useful economic life. Useful economic lives are determined based on factors such as the market in which the business operates, the rate of change in the business environment or market, the reputation of the business, its past performance, and its future prospects. The estimates of useful economic lives are currently no greater than five years.

Goodwill arising before 31 March 1998 has been eliminated against reserves in the year of acquisition. If the related business is subsequently disposed of, the goodwill is written back and included in the calculation of the profit or loss on disposal.

### **Hire purchase contracts**

A significant proportion of the Avesco Group's financing is provided by hire purchase contracts and finance leases. Throughout the financial statements the term hire purchase refers to hire purchase contracts, finance leases and sale and leaseback arrangements with financial institutions and suppliers. In accordance with FRS 5 the substance of the sale and leaseback arrangements is a secured loan and as such has been treated as a finance lease.

Where these arrangements result in substantially all the risks and rewards of ownership resting with the Avesco Group, the assets are included in the balance sheet at cost less depreciation and the present value of future payments is shown as a liability.

The interest element of these arrangements is charged to the profit and loss account over the period of the arrangement in proportion to the balance of capital payments outstanding.

### **Impairment of fixed assets and goodwill**

If a significant indicator of a possible impairment is noted, the need for any fixed asset impairment provision is assessed by comparing the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows. Discount rates used are based on the circumstances of the individual businesses.

### **Investments**

Fixed asset investments are recognised at cost less any provision for impairment. Current asset investments are shown at the lower of cost and net realisable value.

### **Long term incentive plan**

The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense. The total amount to be expensed rateably over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to the income statement, with a corresponding amount to equity. The proceeds received on exercise of the options net of any directly attributable transaction costs are credited to equity. A charge is also recognised in respect of the employers' National Insurance contributions as a result of the Long Term Incentive Plan. The charge is based on the intrinsic value at the balance sheet date and is spread over the performance period.

### **Minority interests**

Where a subsidiary undertaking has a minority interest and the subsidiary incurs losses, the minority interest's share of the accumulated losses is recognised only to the extent of the capital contributed by them or to the extent that there is an obligation by them to make a contribution to those losses.

### **Operating leases**

Rentals under operating leases are charged on a straight line basis over the lease term.

Where significant operating lease incentives (such as a rent free period in respect of properties) are received they are considered as an integral part of the net payment agreed for the use of the leased asset and recognised over the period to the first rent review on a straight line basis.

### **Pension and post retirement benefits**

Costs in respect of defined contribution type pension arrangements are charged to the profit and loss account on an accruals basis in line with the amounts payable in respect of the accounting period. The Group has no defined benefit pension arrangements other than statutory retirement benefits that accrue to employees of Action SAM. The statutory retirement benefits relating to the employees of Action SAM, in substance, are similar to a defined benefit pension arrangement and an accrual for the full potential liability is made at each reporting date. Action SAM has no pension scheme assets.

### **Restructuring, reorganisation, relocation and onerous lease cost provisions**

These provisions cover costs resulting from the strategic reorganisation and relocation of personnel across the Avesco Group, headcount reductions, impairments of leasehold improvements at vacated properties, dilapidation costs and onerous lease costs. Provisions are recognised when a detailed formal plan has been drawn up and the main features of the plan have been announced to those affected by it. Where the time value of money would give rise to a material difference in the future cash outflows of the Avesco Group, the provisions are discounted at a rate to reflect the time value of money and the risks associated with the liability.

### **Start up costs**

All costs relating to the start up of new operations are recognised in the profit and loss account as incurred.

### **Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value. Provision is made for obsolete, slow moving and defective stock.

### **Tangible fixed assets and depreciation**

The cost of tangible assets includes those costs which are directly attributable to purchasing the assets and bringing them into working condition. The Avesco Group does not capitalise interest or internal costs as part of the cost of tangible assets.

Depreciation of tangible fixed assets is calculated at rates estimated to write off the cost to nil residual value using the straight line method over the following estimated useful economic lives:

Freehold land	Not depreciated
Freehold and long leasehold buildings	30–50 years
Short leasehold buildings	Remaining period of lease
Hire stock	2–10 years
Other plant and equipment	3–10 years

The Avesco Group reviews its depreciation rates regularly to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Avesco Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

Profits and losses arising from the normal replacement cycle of hire stock are considered to be, in effect, adjustments to previously charged depreciation and hence are included within operating results.

### **Turnover and revenue recognition**

Turnover represents the value of services and goods supplied to customers excluding Value Added Tax and other sales taxes, and net of customer discounts. Revenue is recognised as follows:

- (a) Supply of services – proportionally over the duration of the service or hire period, provided a right to consideration has been established.
- (b) Supply of goods – when the goods are dispatched to the customer.

Revenue from the disposal of fixed assets is not treated as turnover.

## Web site costs

The Avesco Group uses web sites principally for sales and marketing purposes rather than directly for generating turnover. Accordingly all web site costs are recognised in the profit and loss account as incurred.

## 2 Segmental analysis by geographical location

The Avesco Group only has one class of business, being the provision of audio visual services to the corporate, entertainment, sport and broadcast events markets.

	<i>Turnover by origin</i>			<i>Turnover by destination</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Continuing operations</b>						
United Kingdom	21,313	23,420	27,420	19,777	23,076	23,820
Mainland Europe	9,753	12,561	13,215	10,491	13,228	14,802
United States of America	22,599	22,886	24,703	23,286	21,976	26,008
Rest of the World	—	—	—	111	587	708
	<u>53,665</u>	<u>58,867</u>	<u>65,338</u>	<u>53,665</u>	<u>58,867</u>	<u>65,338</u>
<b>Discontinued operations</b>						
United Kingdom	314	—	—	314	—	—
Avesco Group turnover	<u>53,979</u>	<u>58,867</u>	<u>65,338</u>	<u>53,979</u>	<u>58,867</u>	<u>65,338</u>
	<i>Excluding exceptional items and goodwill amortisation</i>			<i>Including exceptional items and goodwill amortisation</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>(Loss)/profit on ordinary activities before taxation by origin</b>						
United Kingdom	(2,575)	860	1,927	(6,841)	(309)	1,207
Mainland Europe	206	270	452	(672)	(436)	(335)
United States of America	1,092	995	265	463	986	265
Continuing operations	<u>(1,277)</u>	<u>2,125</u>	<u>2,664</u>	<u>(7,050)</u>	<u>241</u>	<u>1,137</u>
Discontinued operations	<u>(153)</u>	<u>—</u>	<u>—</u>	<u>(153)</u>	<u>—</u>	<u>—</u>
	(1,430)	2,125	2,664	(7,203)	241	1,137
Operating exceptional items	(3,734)	(432)	—	—	—	—
Goodwill amortisation	(2,039)	(1,452)	(1,507)	—	—	—
<b>Avesco Group operating (loss)/profit</b>	<u>(7,203)</u>	<u>241</u>	<u>1,137</u>	<u>(7,203)</u>	<u>241</u>	<u>1,137</u>
Non-operating exceptional items				(235)	767	(43)
Dividends from investments				487	—	—
Net interest payable and similar items				<u>(613)</u>	<u>(526)</u>	<u>(550)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>				<u>(7,564)</u>	<u>482</u>	<u>544</u>

	<i>Excluding goodwill</i>			<i>Including goodwill</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Net assets by location</b>						
United Kingdom	11,511	11,776	15,966	12,940	12,459	15,966
Mainland Europe	5,628	5,453	5,799	7,158	6,277	5,799
United States of America	5,818	6,847	10,829	5,818	6,847	10,829
	<u>22,957</u>	<u>24,076</u>	<u>32,594</u>	<u>25,916</u>	<u>25,583</u>	<u>32,594</u>
Goodwill	2,959	1,507	—	—	—	—
Capital employed	25,916	25,583	32,594	25,916	25,583	32,594
Net debt				(8,301)	(7,831)	(12,320)
Provisions for liabilities and charges				<u>(1,469)</u>	<u>(1,078)</u>	<u>(716)</u>
<b>Net assets</b>				<u>16,146</u>	<u>16,674</u>	<u>19,558</u>

### 3 Earnings before interest, taxation, depreciation and amortisation ('EBITDA')

	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>EBITDA on continuing operations</b>			
Continuing operations (loss)/profit *	(1,277)	2,125	2,644
Depreciation	<u>10,080</u>	<u>9,049</u>	<u>9,819</u>
EBITDA on continuing operations *	8,803	11,174	12,463
Exceptional items	<u>(3,734)</u>	<u>(432)</u>	<u>—</u>
EBITDA on continuing operations	<u>5,069</u>	<u>10,742</u>	<u>12,463</u>
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>EBITDA</b>			
Operating (loss)/profit	(7,203)	241	1,137
Depreciation	10,408	9,049	9,819
Goodwill amortisation	<u>2,039</u>	<u>1,452</u>	<u>1,507</u>
EBITDA	<u>5,244</u>	<u>10,742</u>	<u>12,463</u>

\* before exceptional items and goodwill amortisation.

#### 4 Operating expenses

	<i>Before exceptional items and goodwill amortisation £'000</i>	<i>Exceptional items and goodwill amortisation £'000</i>	<i>Total £'000</i>
<b>Year ended 31 March 2006</b>			
Distribution costs	(4,022)	—	(4,022)
Administrative expenses	(16,653)	(1,507)	(18,160)
Total operating expenses	<u>(20,675)</u>	<u>(1,507)</u>	<u>(22,182)</u>

There were no discontinued operations in this year. Administrative expenses include goodwill amortisation of £1,507,359.

	<i>Before exceptional items and goodwill amortisation £'000</i>	<i>Exceptional items and goodwill amortisation £'000</i>	<i>Total £'000</i>
<b>Year ended 31 March 2005</b>			
Distribution costs	(3,253)	—	(3,253)
Administrative expenses	(15,518)	(1,884)	(17,402)
Total operating expenses	<u>(18,771)</u>	<u>(1,884)</u>	<u>(20,655)</u>

There were no discontinued operations in this year. Administrative expenses include £109,372 of restructuring and reorganisation costs, demerger cost provision release of £10,000, relocation costs and onerous lease provisions of £291,393, aborted acquisition costs of £41,732 and goodwill amortisation of £1,451,763.

	<i>Before exceptional items and goodwill amortisation £'000</i>	<i>Exceptional items and goodwill amortisation £'000</i>	<i>Total £'000</i>
<b>Year ended 31 March 2004</b>			
Continuing operations			
Distribution costs	(2,827)	—	(2,827)
Administrative expenses	(16,920)	(5,437)	(22,357)
Continuing operating expenses	(19,747)	(5,437)	(25,184)
Discontinued operations			
Administrative expenses	58	—	58
Discontinued operating expenses	58	—	58
Total operating expenses	<u>(19,689)</u>	<u>(5,437)</u>	<u>(25,126)</u>

Continuing operations above, include within administrative expenses, £686,000 of restructuring and reorganisation costs, demerger costs of £648,000, relocation costs and onerous lease provisions of £1,843,000, tangible fixed asset impairments of £221,000 (a further £336,000 is included within cost of sales) and goodwill amortisation of £2,039,000.

## 5 (Loss)/profit on disposal of fixed assets, exceptional items and goodwill amortisation

	2004 £'000	2005 £'000	2006 £'000
Restructuring and reorganisation costs (i)	(686)	(109)	—
Demerger costs (ii)	(648)	10	—
Relocation and onerous lease costs (iii)	(1,843)	(291)	—
Impairment of tangible fixed assets (iv)	(557)	—	—
Aborted acquisition costs (v)	—	(42)	—
Operating exceptional items	(3,734)	(432)	—
Goodwill amortisation	(2,039)	(1,452)	(1,507)
Total operating exceptional items and goodwill amortisation	<u>(5,773)</u>	<u>(1,884)</u>	<u>(1,507)</u>
Loss on disposal of CT Outside Broadcast (vi)	(235)	—	—
Profit/(loss) on disposal of fixed assets (vii)	—	767	(43)
Total non-operating exceptional items	<u>(235)</u>	<u>767</u>	<u>(43)</u>

### (i) *Restructuring and reorganisation costs*

The restructuring and reorganisation costs result from the strategic reorganisation and relocation of personnel across the Avesco Group and headcount reductions.

### (ii) *Demerger costs*

On 18 February 2004, the Avesco Group undertook a demerger to separate its Audio Visual Services Business from the Media Rights Business, which comprised the investments in the two associated undertakings of Complete and Medal. The demerger was effected by the transfer of the Audio Visual Services Business by the company previously known as Avesco plc ('Old Avesco') to New Avesco plc, a new holding company incorporated on 2 December 2004, and subsequently renamed Avesco plc. The investments in Complete and Medal were retained by Old Avesco, which was then separately admitted to AIM as InvestinMedia plc. The costs associated with the demerger were provided for in the year ended 31 March 2004. Once final costs for the transaction were known, this gave rise to a provision release in the year ended 31 March 2005.

### (iii) *Relocation and onerous lease costs*

Following the Avesco Group's relocation to new premises, exceptional costs were incurred in respect of impairments of leasehold improvements at vacated properties (2006: £nil, 2005: £129,000, 2004: £425,000), relocation costs (2006: £nil, 2005: £nil, 2004: £203,000), surplus property costs (2006: £nil, 2005: £217,000, 2004: £237,000) and a provision for onerous lease and dilapidations costs (2006: £nil, 2005 release: £55,000, 2004 charge: £978,000).

### (iv) *Impairment of tangible fixed assets*

In the year ended 31 March 2004, following a review of certain tangible fixed assets of the Avesco Group, it was considered appropriate to write down these assets to the estimated recoverable amount. The impairment arose as a result of changes in technology and market conditions.

### (v) *Aborted acquisition costs*

For the year ended 31 March 2005, these costs represent the legal and professional fees for due diligence undertaken during the year on a potential acquisition in Europe. The findings of the due diligence exercise resulted in the project being aborted.

### (vi) *Loss on disposal of CT Outside Broadcast*

In June 2003 the Avesco Group disposed of the business of Creative Technology Outside Broadcast Limited ('CT Outside Broadcast') for consideration of between £1.0 million and £1.4 million depending on certain levels of business in the three years from completion. The turnover and operating loss to the date of disposal were £314,000 and £153,000 respectively and are included within discontinued activities in the profit and loss account for the year ended 31 March 2004. The costs in respect of this transaction resulted in a loss on disposal of £235,000.

(vii) ***(Loss)/profit on sale of fixed assets***

On 5 July 2005 NMT Outside Broadcast (UK) Limited completed the exercise of its option to purchase the fixed assets of an Avesco Group company for a consideration of £433,334, creating a loss on disposal of £43,343. This amount is regarded as a non-operating exceptional item as it relates to the remaining disposal of the business of Creative Technology Outside Broadcast Limited which was treated as an exceptional item in the year ended 31 March 2004. The proceeds of sale have been included within sale of tangible fixed assets on the face of the cash flow statement.

On 15 March 2005 the Avesco Group completed the sale of its freehold premises in New Malden, Surrey, for a consideration of £1,600,000 realising a profit on disposal of £766,908. Cash of £1,200,000 was received on completion with £400,000 being deferred and paid on the first anniversary of completion.

**6 Net interest payable and similar items**

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
Bank loans and overdrafts	380	313	392
Hire purchase obligations	246	232	240
Other	1	—	4
Interest payable	627	545	636
Interest receivable	(14)	(19)	(86)
Net interest payable and similar items	<u>613</u>	<u>526</u>	<u>550</u>

**7 Operating profit/(loss)**

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
Operating profit is stated after charging/(crediting):			
Operating lease payments			
– Other	1,149	879	1,140
– Plant and equipment	204	296	661
Depreciation charge			
– Owned tangible assets	8,960	7,311	8,169
– Assets held under hire purchase arrangements	1,448	1,738	1,650
Amortisation of goodwill	2,039	1,452	1,507
Impairments of tangible fixed assets	982	129	—
Profit on disposal of tangible fixed assets	(263)	(333)	(489)
Currency translation differences	(3)	(6)	(100)
Fees paid to the Avesco Group's auditors			
– Audit services – statutory audit	157	182	178
– Tax services – advisory services	—	47	28
– Non-audit services	—	56	12

## 8 Directors' remuneration

The emoluments of the directors of Avesco were:

	<i>Fees/ Salary £'000</i>	<i>Bonus £'000</i>	<i>Other Benefits £'000</i>	<i>Pension £'000</i>	<i>Total £'000</i>
<b>Year ended 31 March 2006</b>					
Executive directors					
IP Martin	117	67	4	14	202
DJ Nicholson	181	40	23	22	266
GP Andrews	171	14	26	17	228
JL Christmas	149	37	12	15	213
NS Conn	91	16	10	9	126
DA Crump	146	28	42	14	230
Non-executive directors					
RA Murray (1)	25	—	—	—	25
MES Gibbins	25	—	—	—	25
LCN Blackall	25	—	—	—	25
Total	<u>930</u>	<u>202</u>	<u>117</u>	<u>91</u>	<u>1,340</u>

Note:

1 The fees of Mr Murray were paid to a company connected with him.

Avesco made contributions to defined contribution pension arrangements in respect of six directors.

	<i>Fees/ Salary £'000</i>	<i>Bonus £'000</i>	<i>Other Benefits £'000</i>	<i>Pension £'000</i>	<i>Total £'000</i>
<b>Year ended 31 March 2005</b>					
Executive directors					
IP Martin	111	32	3	13	159
DJ Nicholson	172	43	23	21	259
GP Andrews	162	59	19	16	256
JL Christmas	142	25	12	14	193
NS Conn	86	10	10	9	115
DA Crump	138	25	12	14	189
Non-executive directors					
RA Murray (1)	25	—	—	—	25
MES Gibbins	25	—	—	—	25
LCN Blackall (2)	13	—	—	—	13
Total	<u>874</u>	<u>194</u>	<u>79</u>	<u>87</u>	<u>1,234</u>

Note:

1 The fees of Mr Murray were paid to a company connected with him.

2 The remuneration of Mr Blackall relates to the period following his appointment in October 2004.

Avesco made contributions to defined contribution pension arrangements in respect of six directors.

	<i>Fees/ Salary £'000</i>	<i>Bonus £'000</i>	<i>Relocation Benefit £'000</i>	<i>Other Benefits £'000</i>	<i>Pension £'000</i>	<i>Total £'000</i>
<b>Year ended 31 March 2004</b>						
Executive directors						
IP Martin (1)	52	—	—	—	—	52
DJ Nicholson	157	—	—	23	19	199
GP Andrews (2)	136	—	250	19	13	418
JL Christmas (3)	12	—	—	1	1	14
NS Conn	83	—	—	10	8	101
DA Crump	134	—	—	14	13	161
KJ Allen (3)	24	10	—	—	—	34
Non-executive directors						
RA Murray (1)	98	—	—	—	—	98
MES Gibbins (3)	6	—	—	—	—	6
Total	<u>702</u>	<u>10</u>	<u>250</u>	<u>67</u>	<u>54</u>	<u>1,083</u>

Note:

- 1 The fees/salary paid to Mr Martin in 2004 comprised fees as a non executive director of £45,000 paid in respect of the period prior to the demerger on 18 February 2004 and salary as Chairman of £7,000 paid in respect of the remainder of the year.
- 2 The fees/salary paid to Mr Andrews in 2004 included a relocation benefit of £250,000 comprising provision, payable over a period of two years, for compensation for disturbance and a cost of living allowance in connection with his relocation at the request of the Company to the USA. In addition, Avesco provided for the estimated tax and National Insurance payable on these benefits.
- 3 Mr Gibbins was appointed to the Board on 1 January 2004 and Mr Christmas was appointed on 1 March 2004. Mr Allen was appointed to the Board on 1 January 2004 and resigned from the Board on 31 March 2004.
- 4 The fees/salary of Mr Murray, which were paid to a company connected with him, comprised in 2004 salary as Chairman of £95,000 paid in respect of the period prior to the demerger on 18 February 2004 and fees as a non executive director of £3,000 paid in respect of the remainder of the year.

Avesco made contributions to defined contribution pension arrangements in respect of five Directors.

## 9 Employee information

The average number of persons employed by the Avesco Group was:

	<i>2004</i> <i>number</i>	<i>2005</i> <i>number</i>	<i>2006</i> <i>number</i>
Operations	341	342	383
Administration	63	64	68
Total employees	<u>404</u>	<u>406</u>	<u>451</u>

The total number of employees was 473 as at 31 March 2006, 429 as at 31 March 2005 and 383 as at 31 March 2004.

The aggregate payroll costs of these employees was:

	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Wages and salaries	14,353	14,751	16,610
Social security costs	1,502	1,487	1,950
Other pension costs (see Note 10)	271	298	333
LTIP charge (see Note 24)	—	156	142
Total payroll costs	<u>16,126</u>	<u>16,692</u>	<u>19,035</u>

## 10 Post retirement benefits

The Avesco Group operates defined contribution type pension arrangements for certain of its employees both in the UK and overseas. The assets of these arrangements are held by financial institutions entirely separate from those of the Avesco Group.

The cost of these pension arrangements for the years ended 31 March were £333,288 for 2006, £297,593 for 2005 and £271,000 for 2004. Contributions unpaid at each year end were £57,267 for 2006, £56,784 for 2005 and £54,000 for 2004.

The Avesco Group has no defined benefit pension arrangements other than statutory retirement benefits that accrue to employees of Action SAM. The provision in relation to the statutory retirement benefits relating to the employees of Action SAM, which in substance are similar to a defined benefit pension arrangement, amounts to £13,918. Action SAM has no pension scheme assets.

## 11 Taxation

	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
<b>Analysis of taxation charge for the year</b>			
United Kingdom taxation			
Corporation tax	—	—	—
Overseas taxation	—	—	—
Corporation taxes	30	115	151
Adjustments in respect of previous years	22	(5)	—
Total current taxation	<u>52</u>	<u>110</u>	<u>151</u>
Deferred taxation	—	—	—
Avesco Group taxation	<u>52</u>	<u>110</u>	<u>151</u>

### ***Factors affecting the taxation charge***

The taxation charge for 2005 and 2006 is lower and 2004 higher than the standard rate of corporation tax in the UK (30 per cent.). The differences are explained below:

	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
(Loss)/profit on ordinary activities before taxation	<u>(7,564)</u>	<u>482</u>	<u>544</u>
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30%	(2,269)	145	163
Goodwill amortisation disallowed	612	435	452
Other non deductible expenses	153	103	48
Differences between capital allowances and depreciation	1,483	(729)	(974)
Other timing differences	243	(21)	97
Utilisation of tax losses	(2)	(513)	(156)
Unrelieved losses	—	967	341
Untaxed gain on disposal of fixed assets	—	(230)	—
Dividend from investment	(146)	—	—
Other permanent differences	33	(109)	174
Differences in tax rates	(77)	67	6
Adjustments in respect of previous years	<u>22</u>	<u>(5)</u>	<u>—</u>
Total current taxation	<u><u>52</u></u>	<u><u>110</u></u>	<u><u>151</u></u>

### ***Factors which may affect future taxation charges***

The Avesco Group's effective taxation rate is expected to continue to be below the standard rate of taxation in the United Kingdom in the foreseeable future due to the level of tax losses carried forward (see Note 22) which may be available to reduce future tax payments. None of these losses have been recognised as deferred tax assets due to uncertainties concerning the extent and timing of recoverability. Future recoverability is dependent upon the generation of taxable profits by certain of the Avesco Group's operations.

The following factors offset the tax losses carried forward:

- Administrative expenses include a significant goodwill amortisation charge which is non tax deductible.
- The Avesco Group has significant operations in the United States of America where the standard rate of taxation is higher than in the United Kingdom.

## **12 Dividends**

### ***Dividends paid***

	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Dividend paid in respect of demerged operations at 2.0 pence per share	326	—	—
Final dividend of 1.0p per share	<u>—</u>	<u>—</u>	<u>191</u>
Total dividend	<u><u>326</u></u>	<u><u>—</u></u>	<u><u>191</u></u>

The final dividend of 1.5p per share in respect of the year ended 31 March 2006 was paid on 2 October 2006.

The final dividend of 1.0p per share in respect of the year ended 31 March 2005 was paid on 3 October 2005.

The 2004 dividend in respect of the demerged operations related to an interim dividend declared by Old Avesco prior to the demerger and paid in April 2004. This dividend was funded via a cash transfer under the terms of the demerger agreement, from New Avesco to Old Avesco.

### ***Dividends received***

During the year ended 31 March 2004, £487,000 of dividends were received by Old Avesco from Complete. Dividends received by Old Avesco from Complete were accounted for under the equity method. As these dividends have historically been utilised within the Audio Visual Services Business, they were retained within New Avesco as income.

### **13 (Losses)/earnings per share**

Basic earnings/(loss) per share have been calculated by dividing profit/(loss) after taxation and minority interests by the weighted average number of ordinary shares in issue during the year.

None of the contingently issuable shares under the long term incentive plan give rise to a dilution in the earnings/(loss) per share because the performance conditions attached to them have not yet been met (see Note 24). Therefore, the basic earnings/(loss) per share and the diluted earnings/(loss) per share are identical.

Adjusted earnings/(loss) per share have been calculated by dividing profit/(loss) after taxation and minority interests and excluding goodwill amortisation and exceptional items, by the weighted average number of ordinary shares in issue during the year. The directors consider that the adjusted earnings/(loss) per share figures provide a useful additional indication of performance.

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
<b>(Losses)/earnings</b>			
(Loss)/profit for the year	(7,628)	370	393
Discontinued operations excluding goodwill amortisation	153	—	—
Operating exceptional items	3,734	432	—
Non-operating exceptional items	235	(767)	43
Goodwill amortisation	2,039	1,452	1,507
Adjusted (losses)/earnings	<u>(1,467)</u>	<u>1,487</u>	<u>1,943</u>
<b>Weighted average number of shares</b>			
For basic and diluted earnings per share (000's)	<u>16,316</u>	<u>16,316</u>	<u>18,204</u>
<b>(Losses)/earnings per share</b>			
Basic and diluted	(46.8)p	2.3p	2.2p
Adjusted	<u>(9.0)p</u>	<u>9.1p</u>	<u>10.7p</u>

## 14 Intangible fixed assets

	<i>Goodwill</i> £'000
<b>Cost</b>	
At 1 April 2003	22,205
Additions	—
At 31 March 2004	22,205
Additions	—
At 31 March 2005	22,205
Additions	—
At 31 March 2006	22,205
<b>Amortisation</b>	
At 1 April 2003	17,207
Charge for the year	2,039
At 31 March 2004	19,246
Charge for the year	1,452
At 31 March 2005	20,698
Charge for the year	1,507
At 31 March 2006	22,205
<b>Net book value</b>	
At 31 March 2004	2,959
At 31 March 2005	1,507
At 31 March 2006	—

## 15 Tangible fixed assets

	<i>Land and buildings £'000</i>	<i>Hire stock £'000</i>	<i>Other plant and equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>				
At 1 April 2003	8,277	58,541	6,430	73,248
Additions	735	6,403	672	7,810
Disposals	(1,905)	(8,652)	(630)	(11,187)
Transfers	(106)	2	104	—
Currency translation differences	(293)	(2,737)	(196)	(3,226)
<b>At 31 March 2004</b>	<b>6,708</b>	<b>53,557</b>	<b>6,380</b>	<b>66,645</b>
Additions	90	10,634	467	11,191
Disposals	(1,028)	(8,006)	(2,053)	(11,087)
Transfers	—	13	(13)	—
Currency translation differences	25	(275)	(4)	(254)
<b>At 31 March 2005</b>	<b>5,795</b>	<b>55,923</b>	<b>4,777</b>	<b>66,495</b>
Additions	543	16,829	654	18,026
Disposals	(122)	(8,619)	(784)	(9,525)
Currency translation differences	161	1,995	125	2,281
<b>At 31 March 2006</b>	<b>6,377</b>	<b>66,128</b>	<b>4,772</b>	<b>77,277</b>
<b>Depreciation</b>				
At 1 April 2003	2,717	38,601	3,789	45,107
Charge	419	8,896	1,093	10,408
Disposals	(523)	(7,822)	(421)	(8,766)
Transfers	(56)	2	54	-
Impairment losses	444	336	202	982
Currency translation differences	(123)	(1,934)	(139)	(2,196)
<b>At 31 March 2004</b>	<b>2,878</b>	<b>38,079</b>	<b>4,578</b>	<b>45,535</b>
Charge	381	7,828	840	9,049
Disposals	(203)	(7,637)	(1,814)	(9,654)
Transfers	—	13	(13)	—
Impairment losses	127	—	2	129
Currency translation differences	7	(210)	(7)	(210)
<b>At 31 March 2005</b>	<b>3,190</b>	<b>38,073</b>	<b>3,586</b>	<b>44,849</b>
Charge	361	8,790	668	9,819
Disposals	(122)	(7,648)	(664)	(8,434)
Currency translation differences	90	1,362	94	1,546
<b>At 31 March 2006</b>	<b>3,519</b>	<b>40,577</b>	<b>3,684</b>	<b>47,780</b>
<b>Net book value</b>				
<b>At 31 March 2004</b>	<b>3,830</b>	<b>15,478</b>	<b>1,802</b>	<b>21,110</b>
<b>At 31 March 2005</b>	<b>2,605</b>	<b>17,850</b>	<b>1,191</b>	<b>21,646</b>
<b>At 31 March 2006</b>	<b>2,858</b>	<b>25,551</b>	<b>1,088</b>	<b>29,497</b>

The depreciation charge in respect of hire stock and plant and equipment represented 41 per cent. (2005: 48 per cent.; 2004: 50 per cent.) of the average net book value of these assets.

The impairment losses relate to the write down in value to nil of leasehold improvements at vacated properties (see note 5).

The following assets (which principally comprise hire stock) were held under hire purchase contracts:

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
Cost	9,782	9,832	10,978
Depreciation	<u>(4,905)</u>	<u>(5,380)</u>	<u>(4,707)</u>
Net book value	<u>4,877</u>	<u>4,452</u>	<u>6,271</u>

The net book value of land and buildings is analysed as follows:

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
Freehold land	658	419	425
Freehold buildings	1,415	786	750
Long leasehold buildings	147	149	149
Short leasehold buildings	<u>1,610</u>	<u>1,251</u>	<u>1,534</u>
	<u>3,830</u>	<u>2,605</u>	<u>2,858</u>

## 16 Investments

Avesco Group's principal subsidiary undertakings included in the consolidation were as follows:

<i>Legal name</i>	<i>Trading name(s)</i>	<i>Activity</i>	<i>Country of incorporation</i>
<b>United Kingdom</b>			
Creative Technology Limited	CT London CT Screenco Dimension	Audio visual services	England & Wales
Media Control (UK) Limited	MCL Birmingham MCL Birmingham NEC MCL Manchester MCL Glasgow MCL Edinburgh	Audio visual services	England & Wales
Presteigne Limited	Presteigne Broadcast Hire	Broadcast equipment hire, repair & maintenance	England & Wales
Avesco Finance Limited	Avesco Finance	Finance	England & Wales
<b>Mainland Europe</b>			
Action SAM	International Action	Audio visual services	Monaco
JVR Audiovisual BV	JVR Audiovisual	Audio visual services	The Netherlands
CT Creative Technology GmbH & Co KG	CT Germany	Audio visual services	Germany
Presteigne GmbH	Presteigne	Broadcast equipment hire, repair & maintenance	Germany
<b>United States of America</b>			
AVTS, Inc	CT San Francisco CT Los Angeles CT Las Vegas	Audio visual services	United States of America
Media Control, Inc	CT Chicago	Audio visual services	United States of America

All classes of share of all these subsidiaries were 100 per cent. beneficially owned by the Avesco Group except for CT Creative Technology GmbH & Co KG, a German limited liability partnership, which was effectively 74.9 per cent. beneficially owned by the Avesco Group.

## 17 Stocks

	2004 £'000	2005 £'000	2006 £'000
Raw materials and consumables	434	430	518
Work in progress	192	290	213
Finished goods and goods for resale	342	198	113
	<u>968</u>	<u>918</u>	<u>844</u>

## 18 Debtors

	2004 £'000	2005 £'000	2006 £'000
<b>Amounts falling due within one year</b>			
Trade debtors	8,819	10,825	12,130
Other debtors	499	249	433
Prepayments and accrued income	1,685	2,795	3,152
	<u>11,003</u>	<u>13,869</u>	<u>15,715</u>

Amounts owed to the Avesco Group are unsecured, interest free and repayable on demand.

## 19 Creditors: amounts falling due within one year

	2004 £'000	2005 £'000	2006 £'000
Bank overdrafts and loans (secured)	1,449	539	2,292
Hire purchase obligations (secured)	2,288	2,282	3,015
Trade creditors	5,114	5,163	4,748
Corporate taxation	429	461	554
Other taxation and social security	717	875	523
Other creditors	512	864	2,236
Accruals and deferred income	3,352	4,994	5,401
	<u>13,861</u>	<u>15,178</u>	<u>18,769</u>

Hire purchase obligations include amounts relating to the present value of the obligation under sale and leaseback arrangements.

## 20 Creditors: amounts falling due after more than one year

	2004 £'000	2005 £'000	2006 £'000
Bank loans (secured)	4,000	4,009	4,728
Hire purchase obligations (secured)	2,464	2,148	3,093
	<u>6,464</u>	<u>6,157</u>	<u>7,821</u>

Hire purchase obligations include amounts relating to the present value of the obligation under sale and leaseback arrangements.

## 21 Maturity of bank loans and hire purchase obligations

	2004 £'000	2005 £'000	2006 £'000
<b>Bank loans</b>			
In one year or less, or on demand	—	—	818
In more than one year but not more than two years	—	4,009	1,093
In more than two years but not more than five years	4,000	—	3,635
	<u>4,000</u>	<u>4,009</u>	<u>5,546</u>

The overdrafts and bank loan are secured by a fixed and floating charge over the Avesco Group's UK assets. During the year ended 31 March 2005, the bank loan with HSBC Bank plc was changed from being sterling denominated to a multi-currency loan facility bearing interest based on LIBOR. During the year ended 31 March 2006, the previous £4,000,000 revolving multi-currency bank loan with HSBC Bank plc was replaced by two new multi-currency loans with HSBC Bank plc, a £2,500,000 revolver and a £3,000,000 term loan. Both loans bear interest based on LIBOR.

	2004 £'000	2005 £'000	2006 £'000
<b>Hire purchase obligations</b>			
In one year or less	2,288	2,282	3,015
In more than one year but not more than two years	1,472	1,564	1,969
In more than two years but not more than five years	992	584	1,124
	<u>4,752</u>	<u>4,430</u>	<u>6,108</u>

The finance companies to whom the hire purchase obligations exist, hold a charge over the assets that they have financed.

## 22 Provisions for liabilities and charges

	<i>Restructuring and reorganisation costs (i) £'000</i>	<i>Property leases and dilapidations (ii) £'000</i>	<i>Onerous contracts (iii) £'000</i>	<i>Deferred taxation (iv) £'000</i>	<i>Group Total £'000</i>
At 1 April 2003	—	—	—	—	—
Charges in the year	686	1,186	300	—	2,172
Utilised in the year	(246)	(457)	—	—	(703)
<b>At 31 March 2004</b>	440	729	300	—	1,469
Charges in the year	—	262	—	—	262
Utilised in the year	(161)	(392)	(100)	—	(653)
<b>At 31 March 2005</b>	279	599	200	—	1,078
Charges in the year	73	174	—	—	247
Utilised in the year	(88)	(421)	(100)	—	(609)
<b>At 31 March 2006</b>	<u>264</u>	<u>352</u>	<u>100</u>	<u>—</u>	<u>716</u>

### (i) *Restructuring and reorganisation costs*

As a result of the Avesco Group's demerger and reorganisation in February 2004, personnel and management changes were announced resulting in the redeployment of personnel across the Avesco Group. The costs associated with this were provided in the year ended 31 March 2004 and continue to be incurred. Further provision was made in the year ended 31 March 2006 for personnel costs following the relocation of the Presteigne operation.

(ii) **Property leases and dilapidations**

Following the decision in the year ended 31 March 2004 to consolidate the UK Creative Technology operations in a single location, various Avesco Group leasehold properties were vacated. As a result provisions were made for ongoing rental costs and dilapidations in respect of these properties. The directors continue to review the levels of provision held, taking into account the expected periods to market and assign the leases, and adjust the provision accordingly.

(iii) **Onerous contracts**

In the year ended 31 March 2004, having reviewed the supplier contracts of the Avesco Group and given changes in technology and market conditions, the directors considered it appropriate to provide for the ongoing sub hire costs of certain assets hired from third parties. These commitments will expire in the year ended 31 March 2007.

(iv) **Deferred taxation**

The current position with respect to the Avesco Group's deferred tax liabilities and assets are detailed below.

	2004 £'000	2005 £'000	2006 £'000
Accelerated capital allowances	—	—	—
Tax losses carried forward	—	—	—
Provision for deferred tax liabilities	—	—	—
Depreciation in excess of capital allowances	2,139	3,496	2,724
Other timing differences	707	956	826
Tax losses carried forward	3,426	2,626	4,695
Unrecognised deferred tax assets	6,272	7,078	8,245

The recognition of the potential deferred tax assets and the circumstances in which they would be recoverable are discussed in Note 11.

## 23 Share capital

	2004 number	2005 number	2006 number	2004 £'000	2005 £'000	2006 £'000
Authorised						
Ordinary shares of 10p each	21,000,000	21,000,000	26,000,000	2,100	2,100	2,600
Allotted, called up and fully paid						
Ordinary shares of 10p each	16,316,297	16,316,297	19,094,075	1,632	1,632	1,909

On 8 September 2005 the Company increased its authorised share capital to 26,000,000 ordinary shares of 10p each. See Note 25 for details of shares allotted in the year.

## 24 Long term incentive plan and share option scheme

The Company operates a long term incentive plan ("LTIP") and an executive share option scheme, both established in 2004.

In any 10 year period no more than 10 per cent. of Avesco's issued share capital from time to time may be issued or put under option to be issued for the purposes of the LTIP and the share option scheme. No awards may be made under either scheme more than 10 years after its adoption.

Under the LTIP, which is operated in conjunction with an employee trust, awards are made to employees under which they can receive Avesco shares at no cost to themselves based on the achievement of a pre-determined and stretching performance condition. No individual may receive awards in any financial

year with an aggregate value at the time of grant in excess of 100 per cent. of the employee's annual basic salary although this limit may increase to 200 per cent. of the employee's basic annual salary if the remuneration committee decides that exceptional circumstances exist.

The performance condition applicable to the first awards of 800,000 rights to shares made under the LTIP is that a cumulative adjusted earnings per share (calculated in accordance with guidelines issued by the Institute of Investment Management and Research) of at least 20p is achieved over the three years ending 31 March 2007. The remuneration committee has discretion to adjust the earnings per share in relation to exceptional and/or non-recurring events. Subject to the rules of the LTIP and the fulfilment of the performance condition, 50 per cent. of the shares will be released after the preliminary announcement of the results of the Company for the year ending 31 March 2007 and, subject to continuing service of the award holder, 50 per cent. of the shares will be released on 31 March 2008.

The performance condition applicable to the second awards of 473,000 rights to shares made under the LTIP is that total aggregate adjusted profits of the Avesco Group of at least £7,800,000 are achieved over the three years ending 31 March 2008. Adjusted profits are defined as the consolidated operating profits of the Avesco Group after any charge relating to any employee share scheme, less interest and before tax, exceptional items, goodwill amortisation, dividends and minority interests. The remuneration committee has discretion to adjust the terms of the performance condition in relation to exceptional and/or non-recurring events. Subject to the rules of the LTIP and the fulfilment of the performance condition, 50 per cent. of the shares will be released after the preliminary announcement of the results of Avesco for the year ending 31 March 2008 and, subject to continuing service of the award holder, 50 per cent. of the shares will be released on 31 March 2009.

For shares granted to employees under the LTIP, the fair value of the shares is measured at the market price of the entity's shares, adjusted to take into account the terms and conditions upon which the shares were granted. As the performance conditions attached to the shares are not market performance related, the best estimate of fair value is considered to be market value at date of grant. No changes are subsequently made for changes in the share price after the grant date. The charge is spread over the term to vesting date.

The table below presents the awards outstanding with an analysis of the movements in the number of awards during the year and the charge to the profit and loss account.

Date of grant	Number of instruments granted	Share price at date of grant	Fair value per instrument at date of grant	31/03/04		31/03/05		31/03/06		Charge to the profit and loss account for the years ended		
				Granted instruments outstanding at 31/03/04	Forfeitures during the year	Granted instruments outstanding at 31/03/05	Forfeitures during the year	Granted instruments outstanding at 31/03/06	31/03/04	31/03/05	31/03/06	
19/03/04	800,000	56p	56p	800,000	38,000	762,000	45,000	717,000	—	156	69	
29/07/05	473,000	94p	94p	—	—	—	15,000	458,000	—	—	73	
Total	1,273,000			800,000	38,000	762,000	60,000	1,175,000	—	156	142	

Under the Avesco plc 2004 share option scheme, options may be granted over Avesco shares to employees with an exercise price equal to the market price on the day immediately preceding the date of grant. The share option scheme is divided into Parts A and B, of which Part A has been approved by the Inland Revenue. Under Part A of the share option scheme, an option may not be granted to an individual if it would cause the total price of Avesco shares under outstanding options to that individual to exceed £30,000 or such higher limit as may be imposed by legislation from time to time. Under Part B, no individual may receive awards in any financial year with an aggregate value at the time of grant in excess of 100 per cent. of the employee's annual basic salary although this limit may increase to 200 per cent. of the employee's basic annual salary if the remuneration committee decides that exceptional circumstances exist. The exercise of options will be dependent on the achievement of appropriate performance options set by the remuneration committee when the options are granted. Subject to the rules of the share option scheme and the achievement of the performance condition, options are exercisable between three and ten years after the date of grant.

The option scheme was adopted in order to give the board maximum flexibility as to how to make long term equity awards. No options under this scheme have been granted and although it is not currently proposed to use the option scheme, the board may decide to make awards under it in due course.

## 25 Capital and reserves

	<i>Share capital account £'000</i>	<i>Share premium account £'000</i>	<i>Other reserves £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 April 2003	1,632	—	29,798	—	(6,384)	25,046
Share issue and redemption	—	—	—	50	(50)	—
Retained loss for the financial year	—	—	—	—	(7,954)	(7,954)
Currency translation differences	—	—	—	—	(699)	(699)
Net reduction on demerger	—	—	(247)	—	—	(247)
<b>At 31 March 2004</b>	<b>1,632</b>	<b>—</b>	<b>29,551</b>	<b>50</b>	<b>(15,087)</b>	<b>16,146</b>
Retained profit for the financial year	—	—	—	—	370	370
Currency translation differences	—	—	—	—	2	2
LTIP	—	—	—	—	156	156
<b>At 31 March 2005 as restated</b>	<b>1,632</b>	<b>—</b>	<b>29,551</b>	<b>50</b>	<b>(14,559)</b>	<b>16,674</b>
Issue of shares	277	2,106	—	—	—	2,383
Retained profit for the financial year	—	—	—	—	202	202
Currency translation differences	—	—	—	—	157	157
LTIP	—	—	—	—	142	142
<b>At 31 March 2006</b>	<b>1,909</b>	<b>2,106</b>	<b>29,551</b>	<b>50</b>	<b>(14,058)</b>	<b>19,558</b>

As at 31 March 2006 cumulative goodwill amounting to £8,642,000 (2004 and 2005: £8,642,000), which arose on acquisitions of subsidiaries before 31 March 1998, remains eliminated against reserves. These amounts were eliminated in compliance with historical accounting standards and would be available as a credit to the profit and loss account on disposal of these subsidiaries.

On 11 April 2005, Avesco transferred the entire share capital of its subsidiaries (the “Investment”) to Avesco Holdings Limited (“Avesco Holdings”), a wholly owned subsidiary of Avesco, in consideration of the issue of 99 shares of £1 each in Avesco Holdings. The carrying value of the Investment was approximately £18.8 million and the issue of the shares created a share premium account of approximately this amount in Avesco Holdings. The cancellation of the share premium account (“Cancellation”) was approved by a special resolution of Avesco Holdings passed on 11 April 2005 and confirmed by a Court Order made on 4 May 2005. The Cancellation created distributable reserves in Avesco Holdings, enabling it to make distributions to Avesco going forward. The effect of these dividend payments to Avesco is to create distributable reserves in Avesco and an offsetting reduction in its merger reserve. The distributable reserves can then be used by Avesco to make dividend payments to shareholders in the future.

The reduction in Avesco’s merger reserve by £900,000 is a result of dividends receivable from Avesco Holdings with a corresponding credit going against the value of Investments held by Avesco (see Note 16).

On 1 July 2005, Avesco announced its intention to place 2,777,778 shares of 10p each in the capital of Avesco at a price of 90p per share, raising £2,383,000 net of expenses. These shares were placed on 27 July 2005 with the proceeds to be used to fund part of the Avesco Group’s substantial investment programme.

## 26 Net cash flow from operating activities

	<i>£'000</i>
<b>Year ended 31 March 2006</b>	
Avesco Group operating profit	1,137
Impairment of tangible assets	—
Depreciation of tangible assets	9,819
Amortisation of intangible assets	1,507
LTIP charge	142
Profit on sale of tangible assets	(489)
Change in stocks	113
Change in debtors	(666)
Change in creditors	(1,945)
Change in provisions	(362)
Net cash inflow from operating activities	<u>9,256</u>

	<i>£'000</i>
<b>Year ended 31 March 2005</b>	
Avesco Group operating profit	241
Impairment of tangible assets	129
Depreciation of tangible assets	9,049
Amortisation of intangible assets	1,452
LTIP charge	156
Profit on sale of tangible assets	(333)
Change in stocks	41
Change in debtors	(2,801)
Change in creditors	2,308
Change in provisions	(391)
Net cash inflow from operating activities	<u>9,851</u>

	<i>Continuing operations £'000</i>	<i>Discontinued operations £'000</i>	<i>Total £'000</i>
<b>Year ended 31 March 2004</b>			
Avesco Group operating loss	(7,050)	(153)	(7,203)
Impairment of tangible assets	982	—	982
Depreciation of tangible assets	10,080	328	10,408
Amortisation of intangible assets	2,039	—	2,039
Profit on sale of tangible assets	(263)	—	(263)
Change in stocks	(343)	—	(343)
Change in debtors	(9)	686	677
Change in creditors	821	(174)	647
Change in provisions	1,401	—	1,401
Net cash inflow from operating activities	<u>7,658</u>	<u>687</u>	<u>8,345</u>

## 27 Analysis of net debt

	<i>At 1 April 2005 £'000</i>	<i>Cash flow £'000</i>	<i>Other non-cash changes £'000</i>	<i>Currency translation differences £'000</i>	<i>At 31 March 2006 £'000</i>
Cash at bank and in hand	1,147	(388)	—	49	808
Bank overdrafts	(539)	(922)	—	(13)	(1,474)
Cash	608	(1,310)	—	36	(666)
Bank loans due in less than one year	—	(818)	—	—	(818)
Bank loans due in more than one year	(4,009)	(425)	—	(294)	(4,728)
Hire purchase obligations due in less than one year	(2,282)	837	(1,564)	(6)	(3,015)
Hire purchase obligations due in more than one year	(2,148)	(2,509)	1,564	—	(3,093)
Net debt	<u>(7,831)</u>	<u>(4,225)</u>	<u>—</u>	<u>(264)</u>	<u>(12,320)</u>

Cash balances above include an amount of £41,162 which is available for restricted use only.

	<i>At 1 April 2004 £'000</i>	<i>Cash flow £'000</i>	<i>Other non-cash changes £'000</i>	<i>Currency translation differences £'000</i>	<i>At 31 March 2005 £'000</i>
Cash at bank and in hand	1,900	(749)	—	(4)	1,147
Bank overdrafts	(1,449)	910	—	—	(539)
Cash	451	161	—	(4)	608
Bank loans due in more than one year	(4,000)	(9)	—	—	(4,009)
Hire purchase obligations due in less than one year	(2,288)	1,490	(1,472)	(12)	(2,282)
Hire purchase obligations due in more than one year	(2,464)	(1,156)	1,472	—	(2,148)
Net debt	<u>(8,301)</u>	<u>486</u>	<u>—</u>	<u>(16)</u>	<u>(7,831)</u>

	<i>At 1 April 2003 £'000</i>	<i>Cash flow £'000</i>	<i>Other non-cash changes £'000</i>	<i>Currency translation differences £'000</i>	<i>At 31 March 2004 £'000</i>
Cash at bank and in hand	1,301	796	—	(197)	1,900
Bank overdrafts	(1,707)	258	—	—	(1,449)
Cash	(406)	1,054	—	(197)	451
Bank loans due in less than one year	(1,374)	1,361	—	13	—
Bank loans due in more than one year	(1,612)	(2,388)	—	—	(4,000)
Hire purchase obligations due in less than one year	(3,365)	3,806	(2,746)	17	(2,288)
Hire purchase obligations due in more than one year	(3,522)	—	1,058	—	(2,464)
Net debt	<u>(10,279)</u>	<u>3,833</u>	<u>(1,688)</u>	<u>(167)</u>	<u>(8,301)</u>

## 28 Reconciliation of net debt

	2004 £'000	2005 £'000	2006 £'000
Change in cash in the year	1,054	161	(1,310)
Repayment of bank loans	2,973	—	4,096
New bank loans	(4,000)	(9)	(5,339)
Repayment of hire purchase obligations	3,806	2,540	2,737
New hire purchase obligations	(1,688)	(2,206)	(4,409)
Changes in net debt arising from cash flows	2,145	486	(4,225)
Net effect of acquisitions and disposals	—	—	—
Currency translation differences	(167)	(16)	(264)
Change in net debt	1,978	470	(4,489)
Opening net debt	(10,279)	(8,301)	(7,831)
Closing net debt	(8,301)	(7,831)	(12,320)

## 29 Financial instruments

### *Objectives, policies and strategies*

The Avesco Group holds financial instruments principally to finance its operations and manage the foreign currency risks arising from its operations. The Avesco Group does not trade in financial instruments.

The main risks considered to arise from the Avesco Group's use of financial instruments are foreign currency risk, interest rate risk and liquidity risk. Counterparty risk is only considered significant in the case of trade debtors and cash. The Avesco Group undertakes appropriate credit control procedures in respect of trade debtors and only makes short term cash deposits with major financial institutions.

### *Foreign currency risk*

The Avesco Group operates extensively in the United States of America and Europe principally through its overseas operations but also through operations based in the United Kingdom.

Overseas operations are funded either through local borrowings or loans from Avesco Finance Limited denominated in the overseas currency. Where loans are regarded as part of the Avesco Group's net investment in the operation, in a comparable manner to share capital, any exchange gains or losses are recognised as movements on reserves. All other net foreign currency assets of Avesco Finance Limited are hedged using foreign currency overdrafts or forward foreign exchange contracts in the United Kingdom.

In general the Avesco Group does not hedge the foreign currency risk arising from sales by an operation denominated in a currency other than its functional currency. In the majority of cases, substantial deposits on such sales are received at the time of the order and the remaining balances are, to a large extent, matched by overseas costs. The exceptions to this policy are generally related to the purchase of tangible assets or other large one-off transactions where the currency risk is usually hedged.

The currency profile of the financial liabilities is determined by the funding needs of the Avesco Group's operations.

### *Interest rate risk*

It is the Avesco Group's policy generally to take out primary financial instruments carrying a variable rate of interest. The Avesco Group monitors expectations of future interest rates but keeps the majority of its interest bearing financial liabilities carrying a variable rate of interest. This is regarded as providing a partial hedge against the economic business cycle and takes into consideration the strong cash flow from operations.

It is the Avesco Group's policy to undertake capital expenditures initially using overdraft facilities and then to finance these purchases in arrears using hire purchase facilities. This approach leads to competitive interest rates being secured and administration costs being reduced.

### **Liquidity risk**

The Avesco Group monitors the maturity profile of its financial instruments on an ongoing basis. It is the Avesco Group's policy to use bank loans and hire purchase obligations to keep a reasonable proportion of its net debt due after more than one year. Bank overdrafts are used for short term flexibility.

The percentage of net debt due after more than one year at 31 March was 63 per cent. for 2006, 79 per cent. for 2005 and 78 per cent. for 2004.

The Avesco Group's policy is to maintain a range of types of borrowing facilities from a number of major financial institutions.

Financial assets or liabilities in this note exclude short term debtors and creditors.

### **Financial assets**

	2004 £'000	2005 £'000	2006 £'000
Category analysis			
Cash	1,900	1,147	808
Financial assets	<u>1,900</u>	<u>1,147</u>	<u>808</u>
Currency analysis			
Sterling	—	—	—
US dollar	1,420	504	515
Euro	480	643	293
Financial assets	<u>1,900</u>	<u>1,147</u>	<u>808</u>

Variable rate interest receivable on the cash balances is based on the relevant banks' base rates. All financial assets are receivable within one year or less, or on demand.

### **Financial liabilities**

	2004 £'000	2005 £'000	2006 £'000
Category analysis			
Bank overdrafts	1,449	539	1,474
Bank loans	4,000	4,009	5,546
Hire purchase obligations	4,752	4,430	6,108
Provisions for liabilities and charges	1,469	1,078	716
Financial liabilities	<u>11,670</u>	<u>10,056</u>	<u>13,844</u>
Currency analysis			
Sterling	11,180	5,760	7,306
US dollar	—	2,021	4,174
Euro	490	2,275	2,364
Financial liabilities	<u>11,670</u>	<u>10,056</u>	<u>13,844</u>
Maturity analysis			
In one year or less, or on demand	4,616	3,245	5,678
In more than one year but not more than two years	1,741	5,672	3,089
In more than two years but not more than five years	5,313	1,139	4,907
In more than five years	—	—	170
Financial liabilities	<u>11,670</u>	<u>10,056</u>	<u>13,844</u>
Interest analysis			
Non interest bearing	1,469	1,078	716
Variable rate	9,739	8,691	12,784
Fixed rate	462	287	344
Financial liabilities	<u>11,670</u>	<u>10,056</u>	<u>13,844</u>

Non interest bearing liabilities relates to provisions for liabilities and charges which are not subject to external interest. However, these balances have been discounted and will be subject to a financing cost as the provisions unwind.

Interest rates on the variable rate financial liabilities are principally determined with reference to the United Kingdom banks' base rates, the London Inter Bank Offered Rate ('LIBOR'), in the United States of America the prime bank rate and the European Central Bank base rate.

#### ***Fixed rate financial liabilities***

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
Sterling	—	—	—
US dollar	—	—	—
Euro	462	287	344
Fixed rate financial instruments	<u>462</u>	<u>287</u>	<u>344</u>

The Euro fixed rate financial liabilities carried a weighted average interest rate of 3.4 per cent. in 2006, 4.0 per cent. in 2005 and 7.3 per cent. in 2004. They had a weighted average period to maturity of 20.7 months in 2006, 22.8 months in 2005 and 24.6 months in 2004.

#### ***Fair value of financial instruments***

There is no material difference between the fair value and the book value of the Avesco Group's financial instruments.

At 31 March 2006, 31 March 2005 and 31 March 2004 there were no forward foreign exchange contracts being held to hedge forecast future transactions.

#### ***Currency exposures***

The tables below show the extent to which Avesco Group companies have monetary assets and liabilities in currencies other than their local currency. Exchange differences on these assets and liabilities are recognised in the profit and loss account.

Net foreign currency monetary assets/(liabilities) at 31 March 2006:

	<i>Sterling</i> £'000	<i>US dollar</i> £'000	<i>Euro</i> £'000	<i>Other</i> <i>currencies</i> £'000	<i>Total</i> £'000
Functional currency of Group company:					
Sterling	—	(213)	(103)	21	(295)
US dollar	—	—	(1)	—	(1)
Euro	11	(130)	—	—	(119)
Total	<u>11</u>	<u>(343)</u>	<u>(104)</u>	<u>21</u>	<u>(415)</u>

Net foreign currency monetary assets/(liabilities) at 31 March 2005:

	<i>Sterling</i> £'000	<i>US dollar</i> £'000	<i>Euro</i> £'000	<i>Other</i> <i>currencies</i> £'000	<i>Total</i> £'000
Functional currency of Group company:					
Sterling	—	(4)	(39)	—	(43)
US dollar	(4)	—	(2)	—	(6)
Euro	(8)	(158)	—	(11)	(177)
Total	<u>(12)</u>	<u>(162)</u>	<u>(41)</u>	<u>(11)</u>	<u>(226)</u>

Net foreign currency monetary assets/(liabilities) at 31 March 2004:

	<i>Sterling</i> £'000	<i>US dollar</i> £'000	<i>Euro</i> £'000	<i>Other</i> <i>currencies</i> £'000	<i>Total</i> £'000
Functional currency of Group company:					
Sterling	—	(96)	(44)	—	(140)
US dollar	—	—	(4)	—	(4)
Euro	<u>31</u>	<u>(66)</u>	<u>—</u>	<u>(2)</u>	<u>(37)</u>
Total	<u><u>31</u></u>	<u><u>(162)</u></u>	<u><u>(48)</u></u>	<u><u>(2)</u></u>	<u><u>(181)</u></u>

### ***Borrowing facilities***

At 31 March the Avesco Group had the following undrawn borrowing facilities:

	<i>2004</i> £'000	<i>2005</i> £'000	<i>2006</i> £'000
Overdraft facilities	2,551	3,461	3,151
Hire purchase facilities	<u>3,000</u>	<u>2,683</u>	<u>2,694</u>
	<u><u>5,551</u></u>	<u><u>6,144</u></u>	<u><u>5,845</u></u>

All undrawn committed borrowing facilities fall due for renewal within one year of the balance sheet date.

### **30 Commitments and contingent liabilities**

The Avesco Group had capital commitments at the balance sheet dates of £3,234,635 for 2006, £736,730 for 2005 and £827,000 for 2004 which had not been recognised in the financial statements.

Avesco has entered into guarantees in respect of hire purchase obligations of certain subsidiaries. The amounts outstanding at the balance sheet dates were £5,872,043 for 2006, £4,349,363 for 2005 and £4,262,000 for 2004, all of which were included in the consolidated balance sheets. Avesco is party to the cross guarantee arrangements the Avesco Group has in respect of its UK borrowings with HSBC Bank plc.

The Avesco Group had the following annual commitments under non-cancellable operating leases:

	<i>Land &amp;</i> <i>buildings</i> <i>2004</i> £'000	<i>Land &amp;</i> <i>buildings</i> <i>2005</i> £'000	<i>Land &amp;</i> <i>buildings</i> <i>2006</i> £'000	<i>Other</i> <i>2004</i> £'000	<i>Other</i> <i>2005</i> £'000	<i>Other</i> <i>2006</i> £'000
Operating leases which expire:						
Within one year	86	12	22	28	11	26
Within two and five years	474	595	860	152	355	677
After five years	<u>885</u>	<u>693</u>	<u>846</u>	<u>—</u>	<u>10</u>	<u>1</u>
Total	<u><u>1,445</u></u>	<u><u>1,300</u></u>	<u><u>1,728</u></u>	<u><u>180</u></u>	<u><u>376</u></u>	<u><u>704</u></u>

The commitments above represent the cash commitment and will differ from the actual charge in the profit and loss account due to rent free period incentives, for which the benefit is spread over the lease term until the break clause, and the receipt of sub-let income against these lease payments which reduce the overall charge to the profit and loss account.

### **31 Related party disclosures**

#### ***Loans to Directors***

In addition to his relocation benefit and in order to assist Mr Andrews in meeting certain expenses in connection with his relocation to the USA, the Avesco Group made advances to Mr Andrews of US \$24,000 on 18 November 2005, which was repaid in full by Mr Andrews on 21 April 2006, and US \$50,000 on 11 March 2004, which was repaid in full by Mr Andrews on 11 May 2004. No interest was charged on the advances.

There were no other transactions with related parties requiring disclosure under FRS 8.

Reproduced below is the wording of the Auditors' Report given in respect of Avesco plc financial statements for the year ended 31 March 2004.

### **“Independent Auditors’ Report to the members of Avesco plc**

We have audited the financial statements, which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholders' funds and the related notes.

### **Respective responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 Accounting Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 other transactions is not disclosed.

We read other information contained in the annual report, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the chairman's statement, the chief executive's review of operations, the directors' remuneration report, the corporate governance report, the financial review and the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with 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. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Gatwick

24 June 2004”

Reproduced below is the wording of the Auditors' Report given in respect of Avesco plc financial statements for the year ended 31 March 2005.

### **“Independent Auditors’ Report to the members of Avesco plc**

We have audited the financial statements, which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholders’ funds and the related notes.

### **Respective responsibilities of Directors and Auditors**

The Directors’ responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman’s statement, the Chief Executive’s review of operations, the Directors’ remuneration report, the corporate governance report, the financial review and the Directors’ report.

### **Basis of audit opinion**

We conducted our audit in accordance with 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. 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 Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Gatwick

1 July 2005”

Reproduced below is the wording of the Auditors' Report given in respect of Avesco plc financial statements for the year ended 31 March 2006.

### **“Independent Auditors’ Report to the Members of Avesco plc**

We have audited the Group and parent Company financial statements (the “financial statements”) of Avesco plc for the year ended 31 March 2006 which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Reconciliation of Movements in Equity Shareholders’ Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions 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 Directors’ Report, the Chairman’s Statement, the Review of Operations, the Financial Review, the Directors’ Remuneration Report and the Corporate Governance 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group’s and Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group’s and the parent Company’s affairs as at 31 March 2006 and of the Group’s profit and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

## PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Gatwick

30 June 2006"

## B. Unaudited Interim Results of Avesco for the six month period ended 30 September 2006

Included below is a reproduction of Avesco's consolidated unaudited interim report and accounts (excluding the Chairman's Statement) for the period ended 30 September 2006.

### "Unaudited consolidated profit and loss account

For the six months ended 30 September 2006

	Six months ended 30 September 2006			Six months ended 30 September 2005			Year ended 31 March 2006		
	Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	Total £'000
<b>Turnover</b>	36,826	—	36,826	29,058	—	29,058	65,338	—	65,338
Cost of sales	(22,987)	—	(22,987)	(18,839)	—	(18,839)	(42,019)	—	(42,019)
<b>Gross profit</b>	13,839	—	13,839	10,219	—	10,219	23,319	—	23,319
Operating expenses	(12,564)	(6)	(12,570)	(9,990)	(729)	(10,719)	(20,675)	(1,507)	(22,182)
<b>Operating profit/(loss)</b>	1,275	(6)	1,269	229	(729)	(500)	2,644	(1,507)	1,137
Loss on disposal of fixed assets			—			(43)			(43)
<b>Profit/(loss) on ordinary activities before interest and taxation</b>			1,269			(543)			1,094
Net interest payable and similar items			(397)			(218)			(550)
<b>Profit/(loss) on ordinary activities before taxation</b>			872			(761)			544
Taxation			(99)			(106)			(151)
<b>Profit/(loss) on ordinary activities after taxation and for the financial period</b>			773			(867)			393
Dividends			(286)			(190)			(191)
<b>Retained profit/(loss) for the financial period</b>			487			(1,057)			202
<b>Earnings/(losses) per share</b>									
Basic and diluted			4.0p			(5.0p)			2.2p

All turnover and operating profits relate to continuing operations.

**Unaudited consolidated balance sheet**  
**As at 30 September 2006**

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2005 £'000	<i>31 March</i> 2006 £'000
Intangible assets	94	781	—
Tangible assets	30,658	25,872	29,497
<b>Fixed assets</b>	<b>30,752</b>	<b>26,653</b>	<b>29,497</b>
Stocks	1,321	1,472	844
Debtors	13,542	11,339	15,715
Cash	4,025	4,262	808
<b>Current assets</b>	<b>18,888</b>	<b>17,073</b>	<b>17,367</b>
Borrowings	(6,046)	(3,097)	(5,307)
Other creditors	(13,874)	(13,883)	(13,462)
<b>Creditors: amounts falling due within one year</b>	<b>(19,920)</b>	<b>(16,980)</b>	<b>(18,769)</b>
<b>Net current (liabilities) / assets</b>	<b>(1,032)</b>	<b>93</b>	<b>(1,402)</b>
<b>Total assets less current liabilities</b>	<b>29,720</b>	<b>26,746</b>	<b>28,095</b>
Borrowings	(8,920)	(7,425)	(7,821)
<b>Creditors: amounts falling due after more than one year</b>	<b>(8,920)</b>	<b>(7,425)</b>	<b>(7,821)</b>
<b>Provisions for liabilities and charges</b>	<b>(637)</b>	<b>(1,001)</b>	<b>(716)</b>
<b>Net assets</b>	<b>20,163</b>	<b>18,320</b>	<b>19,558</b>
Share capital	1,909	1,909	1,909
Share premium	2,106	2,106	2,106
Capital redemption reserve	50	50	50
Other reserve	29,551	29,551	29,551
Profit and loss account	(13,453)	(15,296)	(14,058)
<b>Equity shareholders' funds</b>	<b>20,163</b>	<b>18,320</b>	<b>19,558</b>

**Unaudited consolidated cash flow statement  
For the six months ended 30 September 2006**

	<i>Six months ended 30 September 2006 £'000</i>	<i>Six months ended 30 September 2005 £'000</i>	<i>Year ended 31 March 2006 £'000</i>
<b>Group operating profit / (loss)</b>	1,269	(500)	1,137
Depreciation of tangible assets	5,642	4,621	9,819
Amortisation of intangible assets	6	729	1,507
LTIP charge	192	126	142
Profit on sale of tangible assets	(129)	(202)	(489)
Change in working capital	2,017	638	(2,498)
Change in provisions	(79)	(77)	(362)
<b>Net cash inflow from operating activities</b>	<u>8,918</u>	<u>5,335</u>	<u>9,256</u>
Returns on investments and servicing of finance	(418)	(218)	(510)
Taxation	(207)	(59)	(60)
<b>Net cash inflow before capital expenditure</b>	<u>8,293</u>	<u>5,058</u>	<u>8,686</u>
Purchase of tangible assets	(7,982)	(7,033)	(17,258)
Sale of tangible assets	286	1,239	2,155
<b>Net cash outflow for capital expenditure</b>	<u>(7,696)</u>	<u>(5,794)</u>	<u>(15,103)</u>
<b>Purchase of trades and businesses</b>	(96)	—	—
<b>Equity dividends paid</b>	—	—	(191)
<b>Net cash inflow / (outflow) before financing</b>	<u>501</u>	<u>(736)</u>	<u>(6,608)</u>
Issue of ordinary shares	—	2,383	2,383
Change in bank loans	358	1,585	1,243
Change in hire purchase obligations	2,522	(589)	1,672
<b>Net cash inflow from financing</b>	<u>2,880</u>	<u>3,379</u>	<u>5,298</u>
<b>Change in cash</b>	<u>3,381</u>	<u>2,643</u>	<u>(1,310)</u>
<b>Net debt:</b>			
Cash	4,025	4,262	808
Bank overdrafts	(812)	(982)	(1,474)
	<u>3,213</u>	<u>3,280</u>	<u>(666)</u>
Bank loans	(5,554)	(5,702)	(5,546)
Hire purchase obligations	(8,600)	(3,838)	(6,108)
<b>Net debt</b>	<u>(10,941)</u>	<u>(6,260)</u>	<u>(12,320)</u>

**Unaudited consolidated statement of total recognised gains and losses  
For the six months ended 30 September 2006**

	<i>Six months ended 30 September 2006 £'000</i>	<i>Six months ended 30 September 2005 £'000</i>	<i>Year ended 31 March 2006 £'000</i>
<b>Profit / (loss) for the period</b>	773	(867)	393
Currency translation differences	(74)	194	157
<b>Total recognised gains and losses relating to the period</b>	<u>699</u>	<u>(673)</u>	<u>550</u>

**Unaudited reconciliation of movements in equity shareholders' funds  
For the six months ended 30 September 2006**

	<i>Six months ended 30 September 2006 £'000</i>	<i>Six months ended 30 September 2005 £'000</i>	<i>Year ended 31 March 2006 £'000</i>
<b>Profit / (loss) for the period</b>	773	(867)	393
Dividends	(286)	(190)	(191)
<b>Profit / (loss) for the financial period</b>	487	(1,057)	202
Proceeds of ordinary shares issued for cash	—	2,383	2,383
Currency translation differences	(74)	194	157
LTIP	192	126	142
<b>Net change in equity shareholders' funds</b>	605	1,646	2,884
Opening equity shareholders' funds	19,558	16,674	16,674
<b>Closing equity shareholders' funds</b>	<u>20,163</u>	<u>18,320</u>	<u>19,558</u>

## Notes to interim report and accounts

### 1 Status of interim report and accounts

The interim report and accounts are unaudited but have been reviewed by the auditors and their independent review report is set out on page 12. The interim report and accounts, which were approved by the Board of Directors on 22 November 2006, are not full accounts within the meaning of section 240 of the Companies Act 1985.

The figures for the year ended 31 March 2006 have been extracted from the audited annual report and accounts that have been filed with the Registrar of Companies. The audit report on that annual report and accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

### 2 Accounting policies

The interim report and accounts have been prepared using the accounting policies to be applied in the annual report and accounts for the year ended 31 March 2007. These are consistent with those included in the annual report and accounts for the year ended 31 March 2006.

### 3 Loss on sale of fixed assets

On 5 July 2005 NMT Outside Broadcast (UK) Limited completed the exercise of its option to purchase the fixed assets of a Group company for a consideration of £433,000. This created a loss on disposal of £43,000.

### 4 Turnover by origin

	<i>Six months ended 30 September 2006 £'000</i>	<i>Six months ended 30 September 2005 £'000</i>	<i>Year ended 31 March 2006 £'000</i>
United Kingdom	15,438	13,047	27,420
Mainland Europe	8,116	6,442	13,215
United States of America	13,272	9,569	24,703
<b>Group turnover</b>	<b>36,826</b>	<b>29,058</b>	<b>65,338</b>

### 5 Profit / (loss) on ordinary activities before taxation by origin

	<i>Six months ended 30 September 2006 £'000</i>	<i>Excluding exceptional items and goodwill amortisation Six months ended 30 September 2005 £'000</i>	<i>Year ended 31 March 2006 £'000</i>
United Kingdom	637	373	1,927
Mainland Europe	386	238	452
United States of America	252	(382)	265
<b>Group operating profit</b>	<b>1,275</b>	<b>229</b>	<b>2,644</b>

	<i>Including exceptional items and goodwill amortisation</i>		
	<i>Six months ended 30 September 2006 £'000</i>	<i>Six months ended 30 September 2005 £'000</i>	<i>Year ended 31 March 2006 £'000</i>
United Kingdom	637	(37)	1,207
Mainland Europe	380	(81)	(335)
United States of America	252	(382)	265
<b>Group operating profit / (loss)</b>	<b>1,269</b>	<b>(500)</b>	<b>1,137</b>
Non-operating exceptional items	—	(43)	(43)
Net interest payable and similar items	(397)	(218)	(550)
<b>Profit / (loss) on ordinary activities before taxation</b>	<b>872</b>	<b>(761)</b>	<b>544</b>

## 6 Goodwill amortisation and loss on disposal of fixed assets

	<i>Six months ended 30 September 2006 £'000</i>	<i>Six months ended 30 September 2005 £'000</i>	<i>Year ended 31 March 2006 £'000</i>
Goodwill amortisation	(6)	(729)	(1,507)
Total goodwill amortisation	(6)	(729)	(1,507)
Loss on disposal of fixed assets	—	(43)	(43)
Total non-operating exceptional items	—	(43)	(43)

## 7 Earnings / (losses) per share

	<i>Six months ended 30 September 2006 £'000</i>	<i>Six months ended 30 September 2005 £'000</i>	<i>Year ended 31 March 2006 £'000</i>
<b>Earnings / (losses)</b>			
Profit / (loss) for the period	773	(867)	393
Non-operating exceptional items	—	43	43
Goodwill amortisation	6	729	1,507
Adjusted earnings / (losses)	779	(95)	1,943
Weighted average number of shares			
For basic and diluted earnings per share (000's)	19,094	17,318	18,204
<b>Earnings / (losses) per share</b>			
Basic and diluted	4.0p	(5.0)p	2.2p
Adjusted	4.1p	(0.5)p	10.7p

Basic earnings / (losses) per share have been calculated by dividing profit / (loss) after taxation by the weighted average number of ordinary shares in issue during the period.

Adjusted earnings per share have been calculated by dividing profit / (loss) after taxation in respect of continuing operations and excluding goodwill amortisation and exceptional items, by the weighted average number of ordinary shares in issue during the period.

## 8 Interim dividend

An interim dividend of 0.5p per share will be paid on 10 April 2007 to shareholders on the register on 16 March 2007. At 30 September 2006, the interim dividend had not been paid and is therefore not recognised in the results for the period to 30 September 2006.

## **9 Distribution of interim report and accounts**

Copies of this interim report and accounts are being sent to all shareholders and additional copies are available either from the Company's web site ([www.avesco.com](http://www.avesco.com)) or from the Company's registered office: Avesco plc, Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, West Sussex, RH10 9NH. Telephone: +44 (0) 1293 583 400. Fax: +44 (0) 1293 583 410. E-mail: [mail@avesco.co.uk](mailto:mail@avesco.co.uk)

### **Independent review report to Avesco Plc**

#### **Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 September 2006 which comprises the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet, consolidated cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

#### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules for Companies. The accounting policies are consistent with those that the directors intend to use in the preparation of the next annual financial statements.

The maintenance and integrity of the Avesco plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

#### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

#### **PricewaterhouseCoopers LLP**

Chartered Accountants

Gatwick

23 November 2006"

## PART 5

### Unaudited pro forma statement of net assets

The unaudited pro forma statement of net assets of the Company, illustrating the possible effect on the InvestinMedia Group of the Acquisition which is to occur after 30 September 2006, as if it took place on that date, is set out below. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not reflect the actual financial position of the Company post completion.

<i>Notes</i>	<i>Investinmedia Group £'000 1</i>	<i>Avesco Group £'000 2</i>	<i>Disposal of Complete £'000 3</i>	<i>Transaction adjustments £'000 4&amp;5</i>	<i>Pro-Forma £'000</i>
<b>As at 30 September 2006</b>					
<b>Fixed Assets</b>					
Intangible Assets	—	94	—	—	94
Tangible Assets	7,232	30,658	—	—	37,890
Investments	5,889	—	(2,406)	—	3,483
<b>Current Assets</b>					
Stocks	62	1,321	—	—	1,383
Debtors: amounts falling due within one year	488	13,542	882	—	14,912
Debtors: amounts falling due after more than one year	133	—	9,945	—	10,078
Cash at bank and in hand	322	4,025	17,420	(10,410)	11,357
<b>Creditors amounts falling due within one year</b>	<u>(6,790)</u>	<u>(19,920)</u>	<u>5,500</u>	<u>—</u>	<u>(21,210)</u>
<b>Net current (liabilities) / assets</b>	<u>(5,785)</u>	<u>(1,032)</u>	<u>33,747</u>	<u>(10,410)</u>	<u>16,520</u>
<b>Total assets less current liabilities</b>	<u>7,336</u>	<u>29,720</u>	<u>31,341</u>	<u>(10,410)</u>	<u>57,987</u>
Creditors: amounts falling due after more than one year	—	—	—	—	—
Bank loans falling due after more than one year	—	(8,920)	—	—	(8,920)
Provisions	—	(637)	—	—	(637)
<b>Net assets</b>	<u>7,336</u>	<u>20,163</u>	<u>31,341</u>	<u>(10,410)</u>	<u>48,430</u>
Equity minority interest	—	—	—	—	—
<b>Total shareholders' funds</b>	<u>7,336</u>	<u>20,163</u>	<u>31,341</u>	<u>(10,410)</u>	<u>48,430</u>

Notes

The pro-forma statement of net assets has been prepared on the following bases:

1. The net assets of InvestinMedia as at 30 September 2006 have been extracted without adjustment from the financial information of the InvestinMedia Group included in Part 3 of this document.
2. The net assets of Avesco as at 30 September 2006 have been extracted without adjustment from Avesco's unaudited interim accounts for the six months to 30 September 2006 included in Part 4B of this document.
3. As outlined in Part 1 of this document InvestinMedia completed the sale of its investment in the share capital of Complete on 20 December 2006 in exchange for approximately £35.6m, net of expenses, of which £1.9m was satisfied by the issue of shares in 2waytraffic £22.9m in cash has been received and a receivable of £9.9m held in an escrow account as security against possible future warranty and indemnity claims, and a net asset adjustment is expected to produce a further £0.8m. Part of the cash proceeds have been used to repay bank loans of £5.5m.
4. The transaction adjustments are based on:
  - The cash alternative of £1.40 per share is utilised in full resulting in a cash payment of £7.3m;
  - Expenses of £0.9m; and

- All 1,734,000 shares under LTIPs take the £1.135 per share cash offer in lieu of shares pursuant to the vesting of awards. This price has been based on 75 per cent. of the share price of Avesco on 26 March 2007 plus 25 per cent. of the £1.40 per share cash offer. This results in a cash payment of £2.2m including the 12.8 per cent. national insurance payable.
- 5. There has been no adjustment for movements in net assets since 30 September 2006 other than the specific adjustments referred to above.
- 6. The pro forma statement of net assets has been prepared on the basis of the accounting policies to be adopted by the Company in its next set of financial statements.
- 7. The pro forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

## ACCOUNTANTS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The following is the full text of a report on InvestinMedia plc from Baker Tilly, the Reporting Accountants, to the Directors of InvestinMedia plc.



**BAKER TILLY**

2 Bloomsbury Street  
London WC1B 3ST  
[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
InvestinMedia plc  
36 Elder Street  
London E1 6BT

30 March 2007

Dear Sirs

### **INVESTINMEDIA PLC (“the Company”)**

We report on the pro forma financial information (the “Pro forma Financial Information”) set out in Part 5 of the Admission Document dated 30 March 2007 (“Admission Document”) of InvestinMedia plc, which has been prepared on the basis described in notes 1 to 8, for illustrative purposes only, to demonstrate how the financial information is prepared under the historical cost convention and on the going concern basis in accordance with applicable United Kingdom accounting standards.

This report is required by paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of the Prospectus Rules if it had been applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

#### **Responsibilities**

It is the responsibility of the directors of Company to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

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

**Basis of Opinion**

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

**Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## PART 6

### Details of the Acquisition

The Acquisition is being effected by way of the Scheme. The Scheme is an arrangement made between Avesco and the Scheme Shareholders under section 425 of the Act. This involves an application by Avesco to the Court to sanction the Scheme and confirm the related Capital Reduction in consideration for which shareholders on the register of members of the Avesco at the Reorganisation Record Time will receive New InvestinMedia Shares and/or cash (depending on elections made in accordance with the Partial Cash Alternative). The cancellation of the Scheme Shares and the subsequent issue of new Avesco Shares to InvestinMedia provided for in the Scheme will result in Avesco becoming a wholly-owned subsidiary of Investinmedia.

The Scheme will require the approval of Scheme Shareholders at the Court Meeting to be held at Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, Sussex RH10 9NH at 10.45 a.m. on 25 April 2007. The implementation of the Scheme will also require the passing of Resolutions 1, 2 and 3 at the InvestinMedia EGM, the sanction of the Scheme by the Court, the approval of Avesco Shareholders of the special resolution to be proposed at the Avesco extraordinary general meeting to be held immediately after the Court Meeting and Re-admission. Only shareholders entered on the register of members of Avesco at the Voting Record Time will be entitled to attend and vote at the Meetings in respect of the number of Avesco Shares registered in their name at the relevant time.

The Court Meeting has been convened at the direction of the Court for 10.45 a.m. on 25 April 2007 to enable Scheme Shareholders to consider and, if thought fit, approve the Scheme.

At the Court Meeting, voting will be by poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Avesco Share held as at the Voting Record Time. The Scheme must be approved at the Court Meeting by a majority in number representing not less than 75 per cent. in value of the Avesco Shares held by those Scheme Shareholders present and voting in person or by proxy.

Under the terms of the Scheme, holders of Scheme Shares will receive New InvestinMedia Shares and/or, if they make a valid election, under the Partial Cash Alternative, cash for their shareholdings on the basis set out below.

Under the Scheme, Scheme Shareholders will receive New InvestinMedia Shares on the following basis:

**For every 13 Avesco Shares** **9 New InvestinMedia Shares**

and so in proportion for any number of Avesco Shares held.

Under the Partial Cash Alternative, Avesco Shareholders may elect in respect of some or all of their Avesco Shares to receive cash instead of New InvestinMedia Shares in the following amount:

**140 pence in cash** **in respect of each Avesco Share**

up to a maximum total of 5,207,018 Avesco Shares, representing 25 per cent. of Avesco's fully diluted share capital as at 28 March 2007 (being the latest practicable date prior to announcement of the Acquisition). If the Partial Cash Alternative were accepted in full and no elections were made by the Avesco LTIP award holders for cash, it would require a cash payment by InvestinMedia of approximately £7.3 million.

Fractions of New InvestinMedia Shares will not be allotted or issued pursuant to the Scheme. Fractional entitlements to New InvestinMedia Shares will be aggregated and sold in the market and the net proceeds of sale retained by InvestinMedia for the benefit of the Enlarged Group.

Assuming take up in full under the Partial Cash Alternative and no elections by the Avesco LTIP award holders for cash, InvestinMedia shareholders would own approximately 60.1 per cent. and Avesco Shareholders would own approximately 39.9 per cent. of InvestinMedia upon Re-Admission.

The New InvestinMedia Shares will be created under the Act and the legislation made thereunder and will be issued pursuant to the Scheme to Scheme Shareholders credited as fully paid, in registered form and will be capable of being held in certificated and uncertificated form. Full particulars of the rights attaching to the New InvestinMedia Shares are contained in this document, which has been issued by Investinmedia.

Application will be made to the London Stock Exchange for the New InvestinMedia Shares to be re-admitted to trading on AIM. It is expected that the New InvestinMedia Shares will be issued, and that Re-Admission of the New InvestinMedia Shares will become effective, on the Effective Date (currently expected to be 17 May 2007).

Assuming take up in full under the Partial Cash Alternative and no elections by the Avesco LTIP holders for cash, the maximum number of New InvestinMedia Shares that will be issued pursuant to the Acquisition is 10,814,577.

## PART 7

### Additional Information

*The information set out in this Part 7 has been prepared on the basis that the proposed Acquisition by InvestinMedia of Avesco completes on the terms set out in this document.*

#### 1. Responsibility Statement

1.1 The Directors, Proposed Directors and InvestinMedia, collectively and individually, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors, Proposed Directors and InvestinMedia (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

1.2 The Directors and their respective positions are:

Richard Alan Murray, *Non-Executive Chairman and proposed Non-Executive Deputy Chairman*  
Cameron Anderson Maxwell, *Chief Executive and proposed Non-Executive Director*  
Alfred Patrick Stirling, *Non-Executive Director*

Alfred Stirling will resign as a Director conditional on completion of the Acquisition and Admission

Richard Murray's full surname is Murray-Obodyski but he is referred to in this document by the name under which he is generally known in the industry.

The business address of all of the Directors is 36 Elder Street, London E1 6BT

1.3 The Proposed Directors and their respective positions are:

Michael Edward Stanley Gibbins, *Non-Executive Chairman*  
Ian Paul Martin, *Group Chief Executive*  
John Leslie Christmas, *Group Finance Director*  
Graham Peter Andrews, *Executive Director*  
David John Nicholson, *Executive Director*  
Laurence Charles Neil Blackall, *Non-Executive Director*

The business address of all of the Proposed Directors is Avesco plc, Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, Sussex, RH10 9NH.

#### 2. Incorporation and Registration

2.1 InvestinMedia was incorporated in England & Wales as a public company with liability limited by shares on 2 February 1984 with registration number 01788363 under the name Drivegable Limited. On 3 December 1984, InvestinMedia changed its name to Avesco Limited and then reregistered as a public limited company with the name Avesco Plc. On 18 February 2004, InvestinMedia changed its name to InvestinMedia plc, and on 25 April 2007 InvestinMedia changed its name to Avesco Group plc, conditional upon the Scheme becoming effective.

2.2 The principal legislation under which InvestinMedia operates is the Act and the regulations made under it.

2.3 The liability of the members of InvestinMedia is limited.

2.4 At the date of this document InvestinMedia is the ultimate holding company of the following subsidiary undertakings, all of which are wholly owned:

<i>Name</i>	<i>Registered Office</i>	<i>Place of Incorporation</i>	<i>Nature of Business</i>
InvestinMedia Holdings Limited	36 Elder Street, London E1 6BT	England and Wales	Investment holding company
InvestinMedia Investments Limited	36 Elder Street, London E1 6BT	England and Wales	Investment holding company
Fountain Television Ltd	36 Elder Street, London E1 6BT	England and Wales	Owns and operates television studios
Fountain Television (Properties) Ltd	36 Elder Street, London E1 6BT	England and Wales	Dormant
Medal Productions Ltd	36 Elder Street, London E1 6BT	England and Wales	Dormant

2.5 The registered office and principal place of business of InvestinMedia is 36 Elder Street, London E1 6BT, telephone number +44 (0) 20 7588 7352; [www.investinmedia.com](http://www.investinmedia.com)

2.6 At the date of this document Avesco is the ultimate holding company of the following principal subsidiary undertakings:

<i>Name</i>	<i>Registered Office</i>	<i>Place of Incorporation</i>	<i>Nature of Business</i>
Creative Technology Limited	Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, Sussex, RH10 9NH	England and Wales	Audio visual services
Media Control (UK) Limited	Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, Sussex, RH10 9NH	England and Wales	Audio visual services
Presteigne Limited	Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, Sussex, RH10 9NH	England and Wales	Broadcast equipment hire, repair & maintenance
Avesco Finance Limited	Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, Sussex, RH10 9NH	England and Wales	Finance
Action SAM	Gildo Pastor Center Monaco 7 rue du Gabian Monaco MC 98000		Audio visual services

<i>Name</i>	<i>Registered Office</i>	<i>Place of Incorporation</i>	<i>Nature of Business</i>
JVR Audiovisual BV	Rucphensebaan 52/Postbus 311 4700 GC Roosendaal, Holland	The Netherlands	Audio visual services
CT Creative Technology GmbH & Co KG	Seilerstrasse 6, 72622 Nuertingen, Germany	Germany	Audio visual services
Presteigne GmbH	Hans-Böckler Strasse 163, D-50354 Hürth, Germany	Germany	Broadcast equipment hire, repair & maintenance
Creative Technology North America, Inc	20675 Nordhoff Street, Chatsworth, California, CA 91311, USA	United States of America	Audio visual services

At 28 March 2007 all classes of share of all these subsidiaries were 100 per cent. beneficially owned by the Avesco Group except for CT Creative Technology GmbH & Co KG, a German limited liability partnership, which is effectively 74.9 per cent. beneficially owned by the Avesco Group.

### 3. Share Capital

- 3.1 Following the demerger of Avesco from InvestinMedia on 18 February 2004, the authorised share capital of InvestinMedia was 21,000,000 Ordinary Shares of 10p each.
- 3.2 At an extraordinary general meeting of InvestinMedia held on 25 April 2007 a resolution was passed to increase the authorised share capital of InvestinMedia to 42,000,000 Ordinary Shares of 10p each.
- 3.3 As at the date of this document and immediately following Admission the authorised and issued share capital of InvestinMedia is as follows (all such shares being fully paid):

	<i>At the date of this document</i>		<i>Immediately following Admission*</i>	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
<i>Authorised: Ordinary Shares of 10p each</i>	<u>21,000,000</u>	<u>2,100</u>	<u>42,000,000</u>	<u>4,200</u>
Allotted, called up and fully paid: Ordinary Shares of 10p each	<u>16,316,297</u>	<u>1,632</u>	<u>27,130,874</u>	<u>2,713</u>

\* Assuming take up in full of the Partial Cash Alternative and no elections by the Avesco LTIP award holders for cash.

- 3.4 All the Ordinary Shares in issue are in registered form, and may be held in certificated or uncertificated form. The Existing Ordinary Shares have been admitted to CREST so as to enable dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those shareholders who have requested the issue of the New InvestinMedia Shares in certificated form by 31 May 2007 and it is expected that CREST accounts of participating members be credited with New InvestinMedia Shares on 17 May 2007. The ISIN number in respect of the Ordinary Shares is GB0000653229.
- 3.5 Save as disclosed in paragraph 4 of this Part 7:
- 3.5.1 no share or loan capital of InvestinMedia has been issued or is proposed to be issued;
- 3.5.2 no person has any preferential subscription rights for any share capital in Investinmedia;
- 3.5.3 no share or loan capital of InvestinMedia is under option or agreed conditionally or unconditionally to be put under option;
- 3.5.4 there are no outstanding convertible securities issued by the Company;

- 3.5.5 no commissions, discounts, brokerages or other special terms have been granted by InvestinMedia since its incorporation in connection with the sale of any share or loan capital of Investinmedia;
- 3.5.6 all the shares rank *pari passu* in all respects including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares from the date of this document, save that the Ordinary Shares issued as part of the Scheme after the date of this document will not be eligible for the dividend payable on 10 April 2007;
- 3.5.7 other than as set out in paragraph 3.5.6 of this Part 7 above, there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived; and
- 3.5.8 none of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.
- 3.6 On 25 April 2007, at an extraordinary general meeting of InvestinMedia a resolution was passed pursuant to which the Directors and Proposed Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all powers of InvestinMedia to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £2,421,524. The authority expires at the conclusion of the next annual general meeting after the passing of the resolution (or 15 months from the passing of the resolution (if sooner)) except that after the date when it expires the Directors may use the authority to allot relevant securities in accordance with the terms of any offer or agreement made by InvestinMedia before that date.
- 3.7 On 25 April 2007, at an extraordinary general meeting of InvestinMedia a resolution was passed pursuant to which in accordance with section 95 of the Act the Directors and Proposed Directors were given power:
- (i) to allot equity securities (within the meaning of section 94 of the Act as at the date hereof) pursuant to the authority given by the resolution described in paragraph 3.6 above; and
  - (ii) to allot equity securities (within the meaning of section 94 of the Act as amended by the Regulations) which are held by the Company in treasury;
- as if section 89(1) of the Act did not apply to any such allotment, provided that the power shall be limited to the allotment of such equity securities:
- (a) in connection with or which are the subject of an offer or invitation, open for acceptance for a period fixed by the Directors and Proposed Directors, to holders of ordinary shares of 10p each and such other equity securities of the Company as the Directors and Proposed Directors may determine on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors and Proposed Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or legal or practical problems under the laws or requirements of any regulatory body or any stock exchange in any territory); and
  - (b) (otherwise than pursuant to subparagraph (a) above) up to an aggregate nominal value of £162,000; and shall expire at the conclusion of the next annual general meeting of the Company after the passing of the resolution (or 15 months from the passing of the resolution (if sooner)) except that after the date when it expires the Directors and Proposed Directors may use the authority to allot such equity securities in accordance with the terms of any offer or agreement made by the Company before that date. All outstanding powers under Section 95 of the Act shall be revoked.
- For the purposes of the resolution, “the Regulations” means The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2004.
- 3.8 On 25 April 2007, at an extraordinary general meeting of InvestinMedia a resolution was passed pursuant to which the Directors and Proposed Directors were given power to make a market purchase or market purchases (within the meaning of Section 163(3) of the Act) of the Company’s own ordinary shares of 10p each in such a manner and on such terms as the Directors and Proposed Directors may from time to time determine provided that:

- (a) the maximum aggregate number of shares authorised to be so acquired is 3,240,000 or, if the shares have a nominal value other than 10p each, such number as has an aggregate nominal value equal to £324,000;
- (b) the minimum price which may be paid for each share is 10p (exclusive of expenses) or, if each share has a nominal value other than 10p, that nominal value;
- (c) the maximum price (exclusive of expenses) which may be paid for each share is not more than 5 per cent above the average of the middle market quotations derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase of the shares;
- (d) the authority conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2008 or 18 months from the date this resolution is passed, whichever is the earlier, unless such authority is revoked, varied or renewed prior to such time; and
- (e) the Company may, prior to the expiry of the authority conferred, enter into a contract to purchase shares, which will or may be executed wholly or partly after such expiry, and may purchase shares pursuant to such contract.

#### 4. Directors' and other interests

4.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and Proposed Directors and their immediate families and the persons connected with them (within the meaning of Section 346 of the Act) which have been notified to InvestinMedia pursuant to Sections 324 and 328 of the Act or are required to be disclosed in the Register of Directors' Interests pursuant to Section 325 of the Act in the issued share capital of InvestinMedia and the existence of which is known to, or could with reasonable due diligence be ascertained by, any of the Directors and Proposed Directors as at the date of this document and immediately following Admission are as follows:

	<i>At the date of this document</i>			<i>Immediately Following Re-Admission</i>		
	<i>Number of Ordinary Shares</i>	<i>% of issued share capital</i>	<i>Number of Options</i>	<i>Number of Ordinary Shares</i>	<i>% of issued share capital</i>	<i>Number of Options</i>
<i>Directors</i>						
Richard Murray	3,216,074	19.7	652,652	4,381,253	16.1	652,652
Cameron Maxwell	50,000	0.3	489,489	50,000	0.2	489,489
Alfred Stirling	14,000	0.1	326,326	14,000	0.1	326,326
<i>Proposed Directors</i>						
Michael Gibbins	—	—	—	27,692	0.1	—
Ian Martin	—	—	—	456,923	1.7	—
John Christmas	—	—	—	114,230	0.4	—
Graham Andrews	17,139	0.1	—	98,235	0.4	—
David Nicholson	—	—	—	129,412	0.5	—
Laurence Blackall	—	—	—	—	—	—

#### Notes

- \* Assuming that all Proposed Directors and Directors opting for the cash alternative obtain the maximum they intend to apply for under the mix & match facility, full take up of the Partial Cash Alternative and no election by Avesco LTIP award holders for cash. Richard Murray's interests include shares held by his pension fund. Cameron Maxwell's interests include shares beneficially owned by his wife. Graham Andrews interests include shares beneficially owned by his wife.

Save as disclosed above, all of these interests are beneficial.

Save as disclosed above, none of the Directors or Proposed Directors nor any member of their respective immediate families nor any person connected with the Directors or Proposed Directors (within the meaning of Section 346 of the Act) has any interest or has had any interest, whether beneficial or non-beneficial, in any share capital of InvestinMedia in the three financial period ending 30 September 2006.

4.2 At the date of this document and immediately following Admission, save as disclosed in paragraph 4.1 above, InvestinMedia is only aware of the persons shown in the table below who are interested or will be interested whether directly or indirectly, jointly or severally in 3 per cent. or more of the issued share capital of InvestinMedia or could exercise control over InvestinMedia.

<i>Shareholder</i>	<i>At the date of this document</i>		<i>On Re-Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>% of issued share capital</i>	<i>Number of Ordinary Shares*</i>	<i>% of issued share capital*</i>
Talpa Beheer B.V.	3,825,125	23.4%	3,825,125	14.1
Prudential plc**	2,487,174	15.2%	4,429,589	16.3
JPMorgan Chase & Co.***	1,614,600	9.9%	2,765,444	10.2
Jupiter Asset Management	—	—	1,274,581	4.7
Paul Smith & Sarah King	1,225,000	7.5%	1,225,000	4.5
Charles Stanley Group PLC	—	—	843,647	3.1

Notes

\* Assuming that none of such shareholders opt for the Partial Cash Alternative, that there is a full take up in aggregate of the Partial Cash Alternative and no elections by the Avesco LTIP award holders for cash.

\*\* The holding of Prudential plc includes the shareholding of M&G Investment Management Limited of 1,631,654 ordinary shares, representing 10.00 per cent. and on readmission represent 6.0 per cent. of the allotted ordinary shares and on readmission M&G Investment Funds 3 will hold 1,301,737 ordinary shares representing 4.8 per cent. of the issued share capital.

\*\*\* The holding of JPMorgan Chase & Co. includes the shareholding of JPMorgan Fleming Mercantile Investment Trust PLC of 1,514,600 ordinary shares, representing 9.3 per cent. and on readmission representing 5.6 per cent. of the allotted ordinary shares.

Save as disclosed above, there are no other persons, as far as the Directors and Proposed Directors are aware, who are or will be immediately following Admission interested, directly or indirectly, in three per cent. or more of the Enlarged Issued Share Capital, nor, so far as the Directors and Proposed Directors are aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

Save as disclosed in this document, there are no arrangements known to the Directors or Proposed Directors, the operation of which may at a subsequent date result in a change of control of the Company. The Company's share capital consists of one class of ordinary shares with equal voting rights (subject to the articles of association). No major shareholder of the Company has any different voting rights from the other shareholders.

- 4.3 There are no outstanding loans or guarantees, which have been granted or provided by InvestinMedia to or for the benefit of any of the Directors or Proposed Directors.
- 4.4 Save as disclosed in this document, none of the Directors or Proposed Directors has any interest in any transaction which in relation to InvestinMedia is of an unusual nature or contains unusual conditions or which is significant to the business of InvestinMedia and which remains in any respect outstanding or unperformed.
- 4.5 Save as specified in paragraph 5 below, there are no service agreements or proposed service agreements between any of the Directors or Proposed Directors and InvestinMedia (excluding contracts expiring or determinable by InvestinMedia within one year without payment of compensation).
- 4.6 The aggregate remuneration to be paid and benefits in kind (including pension contributions) to be granted to the Directors and Proposed Directors by InvestinMedia under the arrangements in force at the date of this document are estimated to be £650,000 for the financial period ending on 30 September 2007.
- 4.7 Save as disclosed, no Director or Proposed Directors has, or has had, any direct or indirect interest in any asset which, during the 5 years immediately preceding publication of this document, has been, or is proposed to be, acquired or disposed of by, or leased to, InvestinMedia.
- 4.8 Save as disclosed in this document, there have been no related party transactions of the kind set out in the standards adopted according to the Regulation (EC) No 1606/2002 that the Company has entered into in the period covering the last three financial periods ended 30 September 2006.
- 4.9 No Director or Proposed Director nor any member of his immediate family nor any person connected with him (within the meaning of section 346 of the Act) has a Related Financial Product (as defined in the AIM Rules) referenced to the Ordinary Shares.

4.10 In addition to their directorships of InvestinMedia, the Directors and Proposed Directors have held the following directorships of UK companies and been partners in the following partnerships within the 5 years prior to the date of this document:

<i>Director</i>	<i>Current Directorships / Partnerships</i>	<i>Past Directorships / Partnerships</i>
<b>Directors</b>		
Richard Alan Murray	Avesco plc Bolistrom Limited Charlton Athletic Plc Charlton Athletic Football Company Limited Charlton Athletic Holdings Limited Fountain Television Limited InvestinMedia Holdings Limited InvestinMedia Investments Limited Medal Entertainment & Media Plc Welsh Industrial Investment Trust Plc	CILL Holdings Limited Globalwave Group Plc Zyzygy Plc
Cameron Anderson Maxwell FCA	CMA Services Ltd Fountain Television Limited InvestinMedia Holdings Limited InvestinMedia Investments Limited	CILL Holdings Limited
Alfred Patrick Stirling FCA	Accrington Limited Beira Investment Trust Plc Buckton Homes Limited Chartermet Limited City House Limited Deacon Commercial Development And Finance Limited Deacon Industrial Projects Limited Deacon Knowsley Limited Entertainment Corporation Sponsorship & Licensing Company Limited Exchange Services Limited Friars Management Services Limited Greenwich Communications Plc Gresham House Plc Gresham House Finance Plc InvestinMedia Holdings Limited InvestinMedia Investments Limited Kinross Enterprises Limited (In Liquidation) Knowsley Industrial Property Limited Medigroup Limited Melfred Entertainments Limited Minos Investments Limited New Capital Construction Plc New Capital Developments Limited New Capital Holdings Limited	Buckton Holdings Limited Conversionrate Limited Newilton Consortium Limited Newinnhall Securities Limited Newinnhall Trust Limited Secure Schedule Limited Stratton Holdings Plc

<i>Director</i>	<i>Current Directorships / Partnerships</i>	<i>Past Directorships / Partnerships</i>
	Newton Estate Limited Omnitech Consultants Limited Outland Limited Oxford Investment Trust Limited Plotbond Limited Security Change Limited Smearcheck Limited Strathclyde University Incubator Limited Tower Street Properties Limited Watlington Investments Limited Watlington Securities Limited Welsh Industrial Securities Limited Welsh Industrial Investment Trust Plc Wolden Estates Limited	
<b><i>Proposed Directors</i></b>		
Michael Edward Stanley Gibbins	Avesco plc The Incorporated Froebel Educational Institute	Ancomass Limited Bread Street (Singer & Friedlander Life & Pension Trust) Limited Bread Street Pension Trust Limited Clarke London Limited Gilbert Estates Limited Kaupthing Singer & Friedlander Group Plc. Kaupthing Singer & Friedlander Limited Pc&W Properties Limited Singer & Friedlander Holdings Limited Singer & Friedlander Investment Management Holdings Limited Singer & Friedlander Investment Management Limited Singer & Friedlander Quest Limited Singer & Friedlander Securities Limited Singer & Friedlander Services Limited The Diana, Princess Of Wales Memorial Fund
Ian Paul Martin	A.J.R.G. Limited Ascot Underwriting Limited Avesco Plc Chelverton Asset Management Limited Forest Highways Limited Forest Support Services Plc Forest Traffic Signals Limited Topmarks (UK) Limited	Global Wave Limited Globalwave Group Plc InvestinMedia Plc Red Wave Plc The Hub Post Productions Limited Wave Europe Limited

<i>Director</i>	<i>Current Directorships / Partnerships</i>	<i>Past Directorships / Partnerships</i>
John Leslie Christmas	<p>Avesco Finance Limited  Avesco Group plc  Avesco Holdings Limited  Avesco Overseas Limited  Avesco plc  Creative Technology Limited  Creative Technology Outside Broadcast Limited  CT Germany Limited  Dimension Audio Limited  Dornden House Drive Limited  Fountain Group Ltd  Lexip Limited  Media Control (Europe) Limited  Media Control (UK) Limited  Microwave Video Systems Limited  Presteigne Limited  Screen Rental Services Limited  Screenco Group Limited  Screenco Limited</p>	<p>Anglo-Soviet Music Press Limited  Anton J. Benjamin Limited,  Big Picture Music Ltd.  Boosey &amp; Co., Limited  Boosey &amp; Hawkes Group Services Limited  Boosey &amp; Hawkes International Holdings Ltd.  Boosey &amp; Hawkes Limited  Boosey &amp; Hawkes Media Music Limited  Boosey &amp; Hawkes Multimedia Limited  Boosey &amp; Hawkes Music Publishers Limited  Boosey &amp; Hawkes Overseas Investments Limited  Boosey &amp; Hawkes Pension Trustee Limited  Boosey &amp; Hawkes Post Production Music Ltd.  Boosey &amp; Hawkes Retail Limited  Booseytones Limited  British Standard Music Company Limited  Cavendish Music Company Limited  Hawkes &amp; Son (London) Limited  Hendon Music Limited  Lafleur Music Ltd  Lime Green Music Ltd  Mawlaw 673 Limited  Melon Yellow Music Limited  Schauer &amp; May Limited  Strip Sounds Limited  The Music Group External Affairs Limited  The Music Group Offshore Management Limited  United Nations Music Publishing Limited  Winthrop Rogers Limited</p>
Graham Peter Andrews	<p>Avesco plc  Creative Technology Limited  Creative Technology Outside Broadcast Limited  Dimension Audio Limited  Media Control (Europe) Limited  Media Control (UK) Limited  Screenco Limited</p>	<p>InvestinMedia Plc  Visual Techniques Limited</p>

<i>Director</i>	<i>Current Directorships / Partnerships</i>	<i>Past Directorships / Partnerships</i>
David John Nicholson	Avesco Finance Limited Avesco Group plc Avesco Holdings Limited Avesco Overseas Limited Avesco plc Creative Technology Limited Creative Technology Outside Broadcast Limited CT Germany Limited Dimension Audio Limited Fountain Group Limited Lexip Limited Media Control (Europe) Limited Media Control (UK) Limited Microwave Video Systems Limited Prestegne Limited Screen Rental Services Limited Screenco Group Limited Screenco Limited	Art Of The Avid Limited Avesco Broadcast Limited Avesco Research Limited Avesco Technology Limited Audio Video Technical Services Limited CILL Holdings Limited Forefront Information Systems Limited Fountain Television (Properties) Limited InvestinMedia Holdings Limited InvestinMedia Investments Limited InvestinMedia Plc Medal Productions Limited Theatre-Screen Limited Tontel Limited Visual Techniques Limited
Laurence Charles Neil Blackall	Avesco plc Blackweir Inns Limited Blueweir Inns Limited Brownweir Inns Limited Coastal Living Limited Colourweir Inns Limited Cybertrends Limited Greenweir Inns Limited Greyweir Inns Limited Manoir Hotels Limited Navyweir Inns Limited Orangeweir Inns Limited Pinkweir Inns Limited Pipex Communications Plc Purpleweir Inns Limited Redweir Inns Limited Shadeweir Inns Limited Whiteweir Inns Limited Yellowweir Inns Limited	Agentscore Limited Ballynatray Holdings Plc Boat International Group Limited Bulldog Communications Limited Cyberpress Limited Cyberpress Software Limited Defries & Haim Limited Digital Communities Limited Drivememory Limited Ekkanto Limited Faultbasic Limited Freedomainname Limited Globalhost Limited Global On-Line Limited Global Wave Group Plc Global Wave Limited Gx Networks Eleven Limited Gx Networks Five Limited Gx Networks Four Limited Gx Networks Seven Limited Gx Networks Six Limited Gx Networks Ten Limited Gx Networks Thirteen Limited Gx Networks Three Limited Gx Networks Twelve Limited Gxn Limited Homecall (UK) Limited Internet Technology Group (Europe) Limited

*Director**Current Directorships /  
Partnerships**Past Directorships /  
Partnerships*

Internet Technology Group  
Limited  
Madforsport Limited  
Pipex Communications One  
Limited  
Pipex Communications Services  
Limited  
Red Wave Plc  
Total Internet Limited  
Transigent Limited  
Xara Networks Limited  
Xchangeoint Holdings Limited  
Zero Alpha Limited

- 4.11 Cameron Maxwell was a director of Salen & Wicander (UK) Ltd, (a sub-holding company) when this company was put into liquidation on 28 February 1985. Unsecured creditors of approximately £1 million received a dividend of 4.8p in the pound on 10 October 1986. The insolvency was due to liquidation of parent Saleninvest AB and withdrawal of support for bank borrowings.

A P Stirling was appointed a non-executive Director of the under mentioned companies representing Security Change Limited who had loaned money to these companies. In his capacity as representative of Security Change Limited he was required to take the decision to appoint a Receiver.

<i>Company</i>	<i>Date of Appointment of Receiver</i>
Tufturf Limited	27.07.78
Wheeler & Mansell Limited	29.09.80
Prenwain Developments Limited	19.11.82
Covec Transmissions Limited	05.11.85
Meditech Engineering Limited	22.05.86
Kinross Enterprises Limited	25.03.91
Entertainment Corporation Concerts & Arts Limited	31.05.91
Brickland Securities Limited	23.06.92
Wester Deans Properties Limited	19.03.93

In the case of Chace Estates Limited, where Mr Stirling was a director, the shareholder sold the company which was solvent on 20 August 1992 and it went into liquidation on 5 February 1993. An administrative receiver was appointed in the case of Tower Street Properties Limited on 12 April 1996 and a Law of Property Act Receiver in the case of Newilton Consortium Limited on 10 October 1995. In both cases the receivers retired and the companies continue to operate, the first as a full time trading company, the second is dormant.

- 4.12 Save as referred to above, no Director or Proposed Director has been a director of any company or a partner of any partnership that was subject to any insolvency arrangement or procedure (including administration, receivership or any composition or arrangement with creditors generally or any class of creditors, administrative receivership, company voluntary arrangement, partnership voluntary arrangement or insolvent liquidation) whilst he was a director or partner or during the 12 months after his leaving it.

- 4.13 No Director or Proposed Director:

4.13.1 has any unspent convictions in relation to an indictable offence; or

4.13.2 has ever been declared bankrupt or has been the subject of an individual voluntary arrangement; or

- 4.13.3 has ever had any public criticism by any professional, statutory or regulatory authority including any order or undertaking disqualifying him from serving as a director (whether in the UK or overseas) or from acting in management or conduct of affairs of any company.
- 4.14 Following Admission InvestinMedia will continue to be controlled by its present shareholders who will be in a position to influence substantially the outcome of any matters requiring a vote of shareholders.

## **5. Directors' and Proposed Directors' Service Contracts and Emoluments**

### ***The Directors***

- 5.1 Richard Murray serves as a Non-Executive Director and Chairman of InvestinMedia on the terms of a letter of appointment dated 23 December 2003. The appointment is terminable at any time by either party on 12 months' notice. The fee payable for his services is currently £10,000 per annum for up to five board meetings per annum plus £500 per half day for any additional time spent. It is intended that he will become the Non-Executive Deputy Chairman on Admission, and the fee payable for his services will be £75,000 (exclusive of VAT) reviewable on 1 October 2008 and annually thereafter.
- 5.2 Cameron Maxwell serves as Chief Executive of InvestinMedia on the terms of a letter of appointment dated 23 December 2003. The appointment is terminable at any time by either party on 12 months' notice. The fee payable for his services is £5,000 per annum for up to five board meetings per annum plus £500 per half day for any additional time spent. It is intended that he will relinquish his role as Chief Executive on Admission, but remain as a Non-Executive Director, on the same terms, reviewable on 30 September 2007 and annually thereafter.
- 5.3 Alfred Stirling serves as a Non-Executive Director of InvestinMedia on the terms of a letter of appointment dated 23 December 2003. The appointment is terminable at any time by either party on 12 months' notice. The fee payable for his services is £5,000 per annum for up to five board meetings per annum plus £500 per half day for any additional time spent. It is intended that he will resign from the Board on Admission.

### ***The Proposed Directors***

It is intended that following Admission the Proposed Directors will be appointed or employed on the following terms:

- 5.4 Michael Gibbins will be appointed as the Non-Executive Chairman of InvestinMedia. The appointment will be terminable at any time by either party on 3 months' notice. The fee payable for his services will, following Admission, be £35,000 per annum reviewable on 1 October 2008 and annually thereafter.
- 5.5 Ian Martin will be employed as the Chief Executive of the Enlarged Group. As from 1 July 2007, his annual salary will be £225,000 and will be reviewable with effect from 30 September 2008 and annually thereafter. In addition, he will be entitled to receive pension contributions, medical insurance cover, life assurance cover, permanent health insurance cover and to be considered for an annual bonus. The agreement will continue unless terminated by either party giving the other not less than twelve months' notice. Specific provisions will apply in the event of termination of the service contract during a fixed period subsequent to a change of control of InvestinMedia.
- 5.6 John Christmas will be employed as the Finance Director of the Enlarged Group. His annual salary will be £157,631 and will be reviewable on 30 September 2007 and annually thereafter. In addition, he will be entitled to receive a company car (or allowance in lieu), pension contributions, medical insurance cover, life assurance cover, permanent health insurance cover and to be considered for an annual bonus. The provisions relating to duration and termination will be identical to the provisions described above in respect of Ian Martin.
- 5.7 Graham Andrews will be employed as an Executive Director of InvestinMedia. His annual salary will be £180,150 and will be reviewable on 30 September 2007 and annually thereafter. In addition, he will be entitled to receive a company car, pension contributions, medical

insurance cover, life assurance cover, permanent health insurance cover and to be considered for an annual bonus. Mr Andrews is also entitled to receive an overseas allowance of £6,681 per month which is in addition to, but does not form part of, his base salary. The provisions relating to duration and termination will be identical to the provisions described above in respect of Ian Martin.

- 5.8 David Nicholson will be employed as an Executive Director of InvestinMedia. His annual salary will be £191,409 and will be reviewable on 30 September 2007 and annually thereafter. In addition, he will be entitled to receive a company car, pension contributions, medical insurance cover, life assurance cover, permanent health insurance cover and to be considered for an annual bonus. The provisions relating to duration and termination will be identical to the provisions described above in respect of Ian Martin.
- 5.9 Laurence Blackall will be appointed as a Non-Executive Director of InvestinMedia. The appointment will be terminable at any time by either party on 3 months' notice. The fee payable for his services is £25,000 per annum and will be reviewable on 1 October 2008 and annually thereafter.

## **6. Employees**

As at the date of this document the InvestinMedia Group has 40 full time employees. Following Admission it is expected that the Enlarged Group will also include the employees of the Avesco Group.

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

The Memorandum of Association of InvestinMedia (the "Memorandum of Association") provides that InvestinMedia's principal objects are, *inter alia*, to carry on the business of a general commercial company.

The objects of InvestinMedia are set out in full in clause 4 of the Memorandum of Association, which is available for inspection at the location specified in paragraph 19 below.

The Articles of Association were adopted pursuant to a special resolution of InvestinMedia passed on 25 April 2007, and are substantially on the same terms as the existing Avesco articles of association and include provisions to the following effect:

### **7.1 Voting rights**

Subject to any special terms as to voting on which any shares may have been issued or may from time to time be held, at a general meeting of InvestinMedia every member who is present in person (including any corporation present by its duly authorised representative) shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is a holder. The Board may accept the appointment of a proxy contained in an electronic communication subject to such terms and conditions as the Board may determine. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Unless the Board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a member in respect of any share held by him unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) have been paid to InvestinMedia or if he, or any other person appearing to be interested in such shares, has been issued with a notice pursuant to section 793 of the Companies Act 2006 (requiring disclosure of interests in shares) (a "Section 793 Notice") and has failed in relation to any such shares to give InvestinMedia the information required by such notice within the prescribed period.

### **7.2 Dividends**

Subject to the provisions of the Act and of the New Articles, InvestinMedia may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of InvestinMedia. However, no dividend shall exceed the amount

recommended by the Board. Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of InvestinMedia available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by InvestinMedia.

The Board may, with the authority of an ordinary resolution of InvestinMedia, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

The Board may also, with the prior authority of an ordinary resolution of InvestinMedia and subject to such conditions as the Board may determine, offer to holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of ordinary shares will be withheld if such shares represent at least 0.25 per cent. of their class and the holder, or any other person appearing to be interested in those shares, has been duly served with a Section 793 Notice and has failed to supply the information required by such notice within the prescribed period. Furthermore such a holder shall not be entitled to elect to receive ordinary shares instead of a dividend.

### 7.3 ***Distribution of assets on a winding-up***

If InvestinMedia is wound up, the liquidator may, with the sanction of a special resolution of InvestinMedia and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of InvestinMedia and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

### 7.4 ***Transfer of shares***

Every member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder until the transferee's name is entered in the register of members.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless:

7.4.1 it is in respect of a share which is fully paid up;

7.4.2 it is in respect of only one class of shares;

7.4.3 it is in favour of a single transferee or not more than four joint transferees;

7.4.4 it is duly stamped (if so required); and

7.4.5 it is delivered for registration to the registered office for the time being of InvestinMedia or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the New Articles) where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person

on his behalf, the authority of that person to do so; provided that the Board shall not refuse to register any transfer of partly paid shares which are listed on the grounds they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been duly served with a Section 793 Notice, has failed to supply the information required by such notice within the prescribed period and the shares in respect of which such notice has been served represent at least 0.25 per cent. of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, or in consequence of a sale on a recognised stock exchange or a sale to an unconnected party.

#### **7.5 *Variation of rights***

If at any time the share capital of InvestinMedia is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in InvestinMedia may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class. The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of capital paid up on such shares or by the allotment of further shares ranking in priority thereto in any respect but shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by InvestinMedia of its own shares in accordance with the provisions of the Act and the New Articles.

#### **7.6 *Borrowing powers***

The Board may exercise all the powers of InvestinMedia to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Act, to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of InvestinMedia or of any third party. The Board shall restrict the borrowings of InvestinMedia, and shall exercise all voting and other rights and powers of control exercisable by InvestinMedia in relation to its subsidiary undertakings, so as to procure (as far as it can in relation to its subsidiary undertakings) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the InvestinMedia Group does not at any time, without the previous sanction of an ordinary resolution of InvestinMedia, exceed an amount equal to five times the adjusted total of capital and reserves.

#### **7.7 *Changes in capital***

Subject to the provisions of the Act, InvestinMedia in general meeting may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, cancel any 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 share capital by the amount of the shares so cancelled and sub-divide all or any of its shares into shares of smaller amount. InvestinMedia may also, subject to the provisions of the Act and to any rights for the time being attached to any shares, purchase its own shares and, by special resolution, reduce its share capital or any capital redemption reserve or any share premium account in any way.

## 7.8 *Issue of shares*

Subject to the provisions of the Act and to any special rights for the time being attached to any shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as InvestinMedia may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine, and any share may be issued which is, or is liable to be, redeemed at the option of InvestinMedia or the holder in accordance with the New Articles. Subject to the Act and to any relevant authority of InvestinMedia in general meeting required by the provisions of the Act, the unissued shares at the date of adoption of the New Articles and any shares created thereafter shall be at the disposal of the Board.

## 7.9 *Remuneration of Directors*

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors (in addition to their contracted salary) such sum as the Board may from time to time determine not exceeding £300,000 per annum in aggregate or such other sum as InvestinMedia in general meeting by ordinary resolution shall from time to time determine. Such sum (unless otherwise directed by the resolution of InvestinMedia by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

The Directors are entitled to be repaid all travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors.

The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as Director.

## 7.10 *Pensions and gratuities for Directors*

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

## 7.11 *Directors' interests in contracts*

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

## 7.12 *Restrictions on Directors' voting*

Save as provided in the New Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any other proposal whatsoever to which InvestinMedia is or is to be a party and in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through InvestinMedia, unless the resolution concerns any of the following matters:

- 7.12.1 the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of InvestinMedia or any of its subsidiary undertakings;
- 7.12.2 the giving of any guarantee, security or indemnity in respect of a debt or obligation of InvestinMedia or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- 7.12.3 any proposal concerning an offer of shares or debentures or other securities of or by InvestinMedia or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- 7.12.4 any proposal concerning any other body corporate in which he (together with persons connected with him) does not to his knowledge have an interest (as the term is used in Part VI of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;
- 7.12.5 any proposal relating to an arrangement for the benefit of the employees of InvestinMedia or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- 7.12.6 any proposal concerning insurance which InvestinMedia proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

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

#### 7.13 *Number of Directors*

Unless and until otherwise determined by an ordinary resolution of InvestinMedia, the number of Directors shall be not less than two nor more than 18.

#### 7.14 *Directors' appointment and retirement by rotation*

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

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

#### 7.15 *Untraced shareholders*

Subject to the New Articles, InvestinMedia may sell any shares in InvestinMedia registered in the name of a member remaining untraced for 12 years who fails to communicate with InvestinMedia following advertisement of an intention to make such a disposal. Until InvestinMedia can account to the member, the net proceeds of sale will be available for use in the business of InvestinMedia or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

#### 7.16 *Non-United Kingdom shareholders*

There are no limitations in the New Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to the Ordinary Shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

### **8. Corporate governance**

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. The principles of corporate governance and a code of best practice are set out in the Combined Code. Under the AIM Rules the Group is not required to comply in full with the Combined Code nor to state where it derogates from it. The Board has reviewed the requirements of the Combined Code and intends that the Company should comply with its principles where possible given the size and nature of the Group.

The Board will comprise the Non-Executive Chairman, three other Non-Executive Directors and the Executive Directors. Because of the Board's size prior to completion of the Scheme, there is currently no separate nomination committee and the Board as a whole considers all such matters. The Board will continue to review the level of corporate governance appropriate to the Group.

The audit committee undertakes a formal assessment of the auditors' independence each year, which includes a review of non-audit services provided to the Group, the related fees and a discussion with the auditors about any relationships with the Group or its Directors or its Proposed Directors that could affect their independence or the perception of independence.

The remuneration committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Chief Executive, all other executive Directors, the Company Secretary and such other members of the executive Management of the Company as it is designated to consider.

The Directors and Proposed Directors also, where considered appropriate, consider the guidance published by the Institute of Chartered Accountants in England and Wales (commonly referred to as the Turnbull Report) concerning the internal control requirements of the Combined Code and will regularly review and manage the key business risks in addition to the financial risks facing the Company in the operation of its business.

InvestinMedia has adopted and will continue to operate a share dealing code for directors of InvestinMedia in accordance with the restrictions on such dealings contained in Rule 21 of the AIM Rules.

### **9. Environmental Issues**

The Directors are of the opinion that there are no environmental issues, which may affect the Enlarged Group's utilisation of its assets.

### **10. Material Contracts**

#### ***The InvestinMedia Group***

The following contract(s), not being contracts entered into in the ordinary course of business, have been entered into by members of the InvestinMedia Group during the period commencing on 30 March 2005 (being two years prior to the date of this document) and are, or may be, material:

- (i) An agreement dated 6th September 2006 made between (1) Medal and (2) InvestinMedia Investments Limited for the sale and purchase of the entire issued share capital of Fountain Television Limited for a total consideration of £6.8 million paid in cash upon completion; and
- (ii) An agreement dated 1 December 2006 made between (1) all the shareholders of Complete, The River Studio Limited and Knight Whitehill Limited and (2) 2waytraffic (the "SPA") whereby 2waytraffic acquired the entire issued share capital of Complete, Knight Whitehill Limited and The River Studio Limited, (which included the business assets and rights to "Who Wants To Be A

Millionaire?") for an initial consideration of £106 million and deferred earnout consideration payable in shares in 2waytraffic of between £1.5 million and £5.5 million and certain other potential further payments relating to the net asset value of Complete and also relating to the outcome of the existing litigation between Celador and The Walt Disney Company, American Broadcasting Companies, Inc., Buena Vista Television, Valleycrest Productions, Ltd. and Walt Disney World Co.

The portion of the aggregate initial consideration paid to InvestinMedia in respect of InvestinMedia Holdings Limited's shareholding in Complete was approximately £35.6 million of which approximately £1.9 million was used to subscribe for fully paid, 2waytraffic shares at the price of their placing and of which approximately £9.9 million is currently held in the retention account referred to below. Such 2waytraffic shares are subject to lock-in arrangements during the period until 30 September 2007 or, if earlier, 7 days following the publication of 2waytraffic's interim results for the half year ending 30 June 2007 and an orderly marketing arrangement for a further 12 months. The SPA also contains commercial and tax warranties and indemnities in relation to various matters, including the existing litigation referred to in the preceding paragraph. £30 million of the aggregate initial consideration (of which approximately £9.9 million relates to InvestinMedia) is being held in a retention account for the period to 31 December 2008 to meet any potential warranty and indemnity claims. The maximum amount of potential claims which may be made against InvestinMedia Holdings Limited (the wholly owned subsidiary of InvestinMedia which is a party to the SPA) is on a proportionate basis and subject to financial limitations. Notwithstanding provisions in the SPA in relation to the several and proportionate liability of the sellers, the sellers will be liable on a joint and several basis for claims against the retention sum.

- (iii) A deed of contribution dated 1 December 2006 entered into between the warrantors (as defined in the SPA and including InvestinMedia Holdings Limited) under the terms of which the parties have agreed that (as amongst themselves and notwithstanding the provisions in the SPA referred to above in relation to sums held in the retention account) their liability will be dealt with on the several and proportionate basis as otherwise set out in the SPA and each warrantor has agreed to indemnify the other warrantors accordingly.

### ***The Avesco Group***

Save for a placing agreement dated 1 July 2005 made between KBC Peel Hunt (1) and Avesco (2) pursuant to terms of which KBC Peel Hunt placed 2,777,778 Avesco Shares with institutional and other investors at a price of 90 pence per Avesco Share, there are no contracts that are not entered into in the ordinary course of business, that have been entered into by members of the Avesco Group during the period commencing on 30 March 2005 (being two years prior to the date of this document) and that are, or may be, material.

## **11. Litigation**

- 11.1 Save as disclosed in this paragraph 11, the InvestinMedia Group has not been engaged in any litigation or arbitration proceedings during the 12 months prior to the date of this document which have or may have a significant effect on the Group's financial position or profitability and no such material litigation, arbitration or claim is known to be pending or threatened against the Group.
- 11.2 The Directors and Proposed Directors are not aware of the Avesco Group being engaged in any litigation or arbitration proceedings during the 12 months prior to the date of this document which have or may have a significant effect on the Avesco Group's financial position or profitability, nor such material litigation, arbitration or claim is known to be pending or threatened against the Avesco Group.
- 11.3 As part of the agreement for the disposal of Complete as set out in paragraph 10(ii) above, InvestinMedia has the potential to receive further payments from 2waytraffic in relation to litigation brought by Celador against The Walt Disney Company, American Broadcasting Companies, Inc., Buena Vista Television, Valleycrest Productions, Ltd. and Walt Disney World Co. (together the "Disney Companies") in relation to a joint venture to produce and distribute the "Who Wants To Be A Millionaire?" show in the US.

Whilst InvestinMedia itself is not a party to the litigation, under the terms of the agreement for the disposal of Complete, InvestinMedia (with the other covenantors) has covenanted with 2waytraffic to pay its due proportion, as calculated under that agreement of: a) all costs and damages awarded to the Disney Companies against Complete and/or Celador arising out of the claim; b) all legal fees incurred by Complete and/or Celador in investigating and prosecuting the claim, save to the extent that such costs have been provided for in the accounts of Complete and/or Celador or are recovered from the Disney Companies; c) all costs otherwise incurred by Complete and/or Celador resulting from any time spent by employees of Complete and/or Celador in progressing the claim; and d) any other direct costs incurred by Complete and/or Celador arising out of the claim, save to the extent that such costs have been provided for in the accounts of Complete and/or Celador as are recovered from the Disney Companies.

- 11.4 Certain companies within the Complete group are engaged in litigation regarding claims being made by a former managing director of Celador against such companies, amongst other things, that he was owed unpaid monies under certain phantom share dividends, for breach of contract relating to a possible opportunity to purchase Celador and a claim of unfair dismissal. It has been confirmed to InvestinMedia that the claims are being vigorously defended by Complete and the other defendants. This is one of the matters in respect of which InvestinMedia Holdings Limited was required to provide an indemnity to the buyer of Complete, as referred to above, and to the extent any indemnity payment is made it may be material in the context of the Group.

## **12. Related Party Transactions**

Save as referred to elsewhere in this document there have not been nor are there contemplated to be any related party transactions to which InvestinMedia was or will be a party.

## **13. Working Capital**

The Directors and Proposed Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Enlarged Group will be sufficient for its present requirements or for at least 12 months from the date of this document for Admission to AIM.

## **14. Intellectual Property**

### ***The InvestinMedia Group***

The Group does not own or otherwise have any interest in any intellectual property rights that are material to the Group's business.

### ***The Avesco Group***

The Avesco Group does own certain intellectual property rights none of which are considered material for the purposes of the Avesco Group business.

## **15. United Kingdom Taxation**

### **15.1 General**

The following paragraphs include advice received by the Directors about the current taxation position of shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes in respect of their holdings of Ordinary Shares as investments and not as securities to be realised in the course of a trade. The statements below are intended only as a general guide and do not constitute advice to any shareholder on his or her tax position and may not apply to certain classes of investor (such as dealers, charities or pension providers). The comments are based on current legislation and UK HM. Revenue & Customs practice for the tax year 6 April 2006 to 5 April 2007. The comments are of a general nature only, are not a full description of all relevant tax considerations. Levels of taxation bases and reliefs may change from time to time and the value of reliefs will depend on circumstances of the shareholder. Any person who is in any doubt as to his or her tax position, or who may be subject to tax in any other jurisdiction, should consult his or her professional adviser.

## 15.2 *Taxation of Chargeable Gains*

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding. If a Shareholder disposes of all or some of his or her Ordinary Shares, a liability to tax on chargeable gains may, depending on his or her circumstances, arise. Capital gains arising on the disposal of the Ordinary Shares subscribed for may be eligible for taper relief allowance. Companies are not entitled to taper relief, but are due indexation allowance, which may also reduce the chargeable gain and may depending on their circumstances and the level of their holding be entitled to claim substantial shareholding exemption.

## 15.3 *Stamp Duty and Stamp Duty Reserve Tax*

15.3.1 No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the New InvestinMedia Shares.

15.3.2 Any subsequent transfer or sale of Ordinary Shares outside CREST will generally give rise to a liability on the purchaser to ad valorem stamp duty at a rate equivalent to £5 for every £1,000 or part of £1,000 (subject to a minimum of £5) of the consideration paid. An unconditional agreement to transfer such Ordinary Shares will be subject to SDRT at a rate of 0.5 per cent. of the consideration paid. However, when an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement, a claim can normally be made to cancel or obtain repayment of the SDRT liability.

15.3.3 Any subsequent transfer or sale of Ordinary Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration. The SDRT is normally settled by CREST, on behalf of the purchaser or transferee, on the same day as the sale, but otherwise is payable on the "accountable date" for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made.

15.3.4 Special rules apply to the agreements made by market makers in the ordinary course of their business, broker-dealers and certain other persons.

15.3.5 Agreements to transfer Ordinary Shares to charities will not give rise to SDRT or stamp duty.

## 15.4 *Dividends and other Distributions*

A dividend paid by the Company to a non-corporate shareholder will carry a tax credit equal to one-ninth of the net dividend. A dividend of £90 would therefore have an accompanying tax credit of £10. Individual shareholders whose income including the dividend and tax credit is within the lower or basic rate bands will be liable to the "Dividend Ordinary Rate" of income tax at 10 per cent. on the aggregate of the dividend and the tax credit (the "gross dividend"). The tax credit will therefore satisfy their income tax liability on the gross dividend. Individual shareholders who are liable to income tax at the higher rate of tax will be charged to the "Dividend Upper Rate" of tax at 32.5 per cent. on the gross dividend. The 10 per cent. tax credit is set against the income tax liability of 32.5 per cent. leaving an additional income tax liability of 22.5 per cent. of the gross dividend. Where an individual's total income including the gross dividend does not exceed the individual's personal allowance and the tax credit is not used, it is not refundable.

Subject to certain exceptions for certain insurance companies which hold shares as trading stock, a UK corporate shareholder who receives a dividend paid by the Company should not be liable to corporation tax or income tax in respect of the dividend received from the Company unless that company is carrying on a trade of dealing in shares. Since July 1997 pension providers and most UK corporate shareholders have not been entitled to payment of tax credits by H.M. Revenue & Customs.

Trustees who are liable to income tax at the rate applicable to trusts (40 per cent. with effect from 6 April 2004) will pay tax on the gross dividend at the dividend trust rate (32.5 per cent. with effect from 6 April 2004) against which they can set the tax credit. To the extent that the tax credit

exceeds the trustees' liability to account for the income tax the trustees will have no right to claim repayment of the tax credit. Special tax provisions apply where trustees of discretionary trusts receive payment of dividends and substantially make a distribution out of the trust. Trustees who are in any doubt as to their position should consult their own professional advisers immediately

Persons who are not resident or ordinarily resident in the UK should consult their own tax advisers generally.

## **16. No Significant Change**

- 16.1 Save as disclosed in Part 1 of this document there has been no significant change in the financial or trading position of the InvestinMedia Group since 30 September 2006 being the date to which the latest audited published financial information of the InvestinMedia Group was prepared.
- 16.2 There has been no significant change in the financial or trading position of the Avesco Group since 30 September 2006, being the last financial period for which the Avesco Group has published financial information.

## **17. Other Information**

- 17.1 J M Finn have given and not withdrawn their written consent to the issue of this document with the inclusion of the references to their name in the form and context, which they appear.
- 17.2 Baker Tilly of 2 Bloomsbury Street, London WC1B 3ST were the auditors to InvestinMedia for the years ended 30 September 2005 and 2006 and were the auditors to InvestinMedia for the 18 months ended 30 September 2004.
- 17.3 Baker Tilly of 2 Bloomsbury Street, London WC1B 3ST have given and not withdrawn their consent to the issue of this document with inclusion herein of their report on the pro forma financial information included in Part 5 of this document. Baker Tilly have not given their consent in respect of their auditors reports included in Part 3 of this document.
- 17.4 There is no agreement, arrangement or understanding (including any compensation arrangements) between InvestinMedia or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of the Avesco Group or any person interested or recently interested in shares in the Avesco Group having any connections with or dependence on, or which is conditional upon the outcome of, the Scheme.
- 17.5 There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Avesco Shares to be acquired by InvestinMedia will be transferred to another person.
- 17.6 No repayment of, nor the security for, any liability (contingent or otherwise) of InvestinMedia will depend to any significant extent on the business of the Avesco Group.
- 17.7 Save as disclosed, no person (other than the Company's professional advisers, or advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve 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 Admission fees totalling £10,000 or more, securities in the Company with a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of this document.
- 17.8 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is aware and able to ascertain from the information by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 17.9 Save as disclosed in this document, the Directors and Proposed Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 17.10 Save as disclosed in this document, the Directors and Proposed Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on the Company's prospects for the current financial year.

- 17.11 Save as disclosed in this document, there have not been any investments in each of the financial years covered by the historical financial information and there are no investments in progress and there are no future investments on which the Directors and Proposed Directors have already made firm commitments which are significant to the Company and or the Enlarged Group.
- 17.12 Save as disclosed in this document, the Directors and Proposed Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 17.13 The Company is subject to the provisions of the City Code, including the rules regarding mandatory takeover offers set out in the City Code. Under Rule 9 of the City Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him (as defined in the City Code), carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds no less than 30 per cent. but no more than 50 per cent. of the voting rights of a company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of voting rights in the company, then, in either case, that person, together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him, for shares in the company within the preceding twelve months, for all the remaining equity share capital of the company.
- 17.14 The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in sections 428 to 430(F) (inclusive) of the Act. Under section 429 of the Act, where an offeror makes a takeover offer (within the meaning of Part XIII A of the Act) and receives valid acceptances in respect of, or acquires, more than 90 per cent. of the shares to which the offer related, that offeror is entitled to compulsorily acquire the shares of any holder who has not accepted the offer on the terms of such offer.
- 17.15 There has not been a takeover offer (within the meaning of Part XIII A of the Act) for any Ordinary Shares in the last or the current financial year.
- 17.16 The current accounting reference period of the Company will end on 30 September 2007.
- 17.17 It is estimated that the aggregate costs and expenses payable by InvestinMedia in connection with the Acquisition will amount to approximately £500,000 (excluding amounts in respect of VAT).

## **18. Documents available for inspection**

Copies of this document and the following documents will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of DMH Stallard, 37 Jewry Street, London EC3N 2ER from the date of this document until the date being one month after the date on which Admission takes place, which is expected to be 17 May 2007.

- the EGM Circular and form of proxy;
- the Scheme Document and forms of proxy and form of election;
- the letters of appointment or, as the case may be, service contracts of the Directors and Proposed Directors;
- the material contracts referred to in paragraph 10 above;
- the Memorandum and Articles of Association of InvestinMedia and the New Articles;
- the audited consolidated accounts for InvestinMedia for the 18 months ended 30 September 2004, the year ended 30 September 2005, and the year ended 30 September 2006;
- the audited consolidated accounts of the Avesco Group for the three years ended 31 March 2006;
- the written consents referred to in paragraph 17 above; and
- unaudited interim accounts of the Avesco Group for the six months to 30 September 2006.

Dated: 30 March 2007





