THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to 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 Existing Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately. This document, which comprises an AIM admission document relating to Digital Classics plc, has been prepared in accordance with the AIM Rules. Notwithstanding the foregoing, this document is not a prospectus and, accordingly, a copy of this document has not been delivered to the Financial Services Authority in accordance with the Prospectus Rules published by the Financial Services Authority.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made for the Enlarged Issued Ordinary Share Capital (including the Consideration Shares to be issued pursuant to the Acquisition) to be admitted to trading on AIM. 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 an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

It is expected that Admission will become effective and that dealings will commence in the Enlarged Issued Share Capital on 23 February 2006. Your attention is drawn in particular to the section entitled "Risk Factors" in Part II of this document.

Digital Classics plc

(Incorporated and registered in England and Wales with registered no. 3393610)

Proposed acquisition of Done and Dusted Group Limited
Placing of 928,344,230 new Ordinary Shares at 0.65p per share
Change of name to DCD Media plc
Admission of the Enlarged Issued Ordinary Share Capital to trading on AIM
and
Notice of Extraordinary General Meeting

Nominated Adviser and Broker

Evolution Securities Limited

Share Capital on Admission

Authorised			*Issued and Fully Paid*	
Amount	*Number*		*Amount*	*Number*
£6,000,000	6,000,000,000	Ordinary Shares of 0.1p each	£2,963,315.71	2,963,315,714
£458,403.56	50,933,729	Deferred Shares of 0.9p each	£458,403.56	50,933,729

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below.

Evolution Securities Limited, which is authorised and regulated in the UK by the Financial Services Authority, is acting as nominated adviser, broker and financial adviser to the Company in connection with the matters described in this document. Persons receiving this document should note that Evolution Securities Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of Evolution Securities Limited or for advising any other person on the arrangements described in this document. Evolution Securities Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Evolution Securities Limited for the accuracy of any information or opinions contained in this document or for the omission of any information.

The Ordinary Shares 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 the Republic of Ireland, 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 the Republic of Ireland, United States, Canada, Australia or Japan.

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 the Republic of Ireland, 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.

Notice of an Extraordinary General Meeting of Digital Classics plc, to be held at the offices of Field Fisher Waterhouse, 35 Vine Street, London, EC3N 2AA at 11.00 a.m. on 21 February 2006, is set out at the end of this document. To be valid, the accompanying Form of Proxy for use in connection with the meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, by not later than 11.00 a.m. on 19 February 2006. The completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Proxy Forms	11.00 a.m. on 19 February 2006
Extraordinary General Meeting	11.00 a.m. on 21 February 2006
Expected completion of the Acquisition and dealings to commence in the Enlarged Issued Ordinary Share Capital on AIM	23 February 2006

ACQUISITION AND PLACING STATISTICS

Placing Price per Placing Share	0.65p
Net proceeds of the Placing	£5,314,237
Number of Consideration Shares to be issued pursuant to the Acquisition	721,875,000
Number of Placing Shares to be issued pursuant to the Placing	928,344,230
Number of Ordinary Shares in issue following the Acquisition and the Placing	2,963,315,714
Market Capitalisation at the Placing Price following completion of the Acquisition and the Placing	£19.26 million
New Ordinary Shares expressed as a percentage of the Enlarged Issued Share Capital	55.7 per cent.

DEFINITIONS

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

"Acquisition"	the proposed acquisition of the entire issued share capital of Done and Dusted by the Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 26 January 2006 between the Company and the Vendors relating to the Acquisition, further details of which are set out in this document
"Act" or "Companies Act"	the Companies Act 1985 (as amended)
"Admission"	admission of the Enlarged Issued Ordinary Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the AIM market of the London Stock Exchange
"AIM Rules"	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange
"Board" or "Directors"	the directors of the Company whose names are set out on Page 6 of this document
"Box TV"	Box TV Limited and its subsidiary undertakings
"Company" or "Digital Classics"	Digital Classics plc
"Consideration Shares"	721,875,000 new Ordinary Shares to be issued to the Vendors pursuant to the Acquisition Agreement
"Deferred Shares"	the 50,933,729 deferred shares of 0.9p each in issue at the date of this document
"Digital Classics Distribution"	Digital Classics Distribution Limited
"Done and Dusted"	Done and Dusted Group Limited
"EMI Plan"	Digital Classics EMI Share Option Plan
"Enlarged Group"	the Group as enlarged by the Acquisition
"Enlarged Issued Ordinary Share Capital"	the enlarged issued ordinary share capital of the Company on Admission comprising the Existing Ordinary Shares, the Consideration Shares and the Placing Shares
"Evolution Securities"	Evolution Securities Limited, the Company's nominated adviser and broker
"Existing Ordinary Shares"	the 1,313,096,484 Ordinary Shares in issue at the date of this document
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company, notice of which is set out at the end of this document
"Form of Proxy"	the form of proxy for use at the Extraordinary General Meeting, which is enclosed with this document
"Group"	the Company and its subsidiary undertakings at the date of this document
"Iambic Productions"	Iambic Productions Limited
"Loan Notes"	up to £8 million secured convertible loan notes issued to certain investors pursuant to a convertible loan note instrument dated 16 December 2005 further details of which are set out in paragraph 12(h) of Part VI of this document

"Loan Note Shares"	up to 1,230,769,230 new Ordinary Shares which may be issued to the holders of Loan Notes on conversion of the Loan Notes
"London Stock Exchange"	London Stock Exchange plc
"NBD Television"	NBD Television Limited
"NBD Group"	NBD Holdings Limited and its subsidiaries
"New Ordinary Shares"	the Consideration Shares and the Placing Shares
"Official List"	the Official List of the United Kingdom Listing Authority
"Ordinary Shares"	the ordinary shares of 0.1 pence each in the share capital of the Company
"Placing"	the conditional placing by Evolution Securities pursuant to the Placing Agreement of the Placing Shares with institutional and other investors at the Placing Price
"Placing Agreement"	the agreement dated 27 January 2006 between the Company, the Directors, the Proposed Directors and Evolution Securities pursuant to which Evolution Securities has conditionally agreed to use reasonable endeavours to procure subscribers, or itself subscribe, for the Placing Shares further details of which are set out in paragraph 12(e) of Part VI of this document
"Placing Price"	0.65 pence per Placing Share
"Placing Shares"	928,344,230 new Ordinary Shares which are the subject of the Placing
"Proposed Directors"	Justin Thomson-Glover, Nicola Davies Williams and Simon Pizey
"Registrars"	Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA
"Resolutions"	the resolutions set out in the notice of Extraordinary General Meeting at the end of this document
"Shareholders"	holders of Ordinary Shares
"Share Option Plans" or "the Plans"	the EMI Plan and the Unapproved Plan adopted by the Company, details of which are set out in paragraph 9 of Part VI of this document
"Unapproved Plan"	Digital Classics Unapproved Share Option Plan
"Vendors"	Hamish Hamilton, Simon Pizey and Ian Stewart

CURRENT DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Current Directors	David Keith Elstein *(Non-executive Chairman)* Christopher John Hunt *(Chief Executive)* Michael William Barton *(Finance Director)* Richard Shirvell Price MBE *(Non-executive Director)* Tarik Wildman *(Non-executive Director)*
Proposed Directors	Justin Thomson-Glover *(Box TV Director)* Nicola Davies Williams *(NBD Television Director)* Simon Pizey *(Done and Dusted Director)*
Registered and Head Office	30 Farringdon Street London EC4A 4HJ
Company Secretary	John Bottomley FCIS
Nominated Adviser and Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Solicitors to the Company	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
Solicitors to the Placing	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Reporting Accountant	BDO Stoy Hayward LLP Kings Wharf 20-30 Kings Road Reading Berkshire RG1 3EX
Auditors	BDO Stoy Hayward LLP Fourth Floor One Victoria Street Bristol BS1 6AA
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HL8 0LA

PART I

Letter from the Chairman of Digital Classics plc

Digital Classics plc

(Registered in England and Wales No. 3393610)

Directors:	*Registered and Head Office:*
David Keith Elstein	30 Farringdon Street
Christopher John Hunt	London
Michael William Barton	EC4A 4HJ
Richard Shirvell Price MBE	
Tarik Wildman	

27 January 2006

To Shareholders and, for information only, to holders of Options

Dear Shareholder

Acquisition of Done and Dusted , Placing of 928,344,230 Placing Shares at 0.65p per share, change of name to DCD Media plc, Admission of the Enlarged Issued Ordinary Share Capital to trading on AIM and Notice of Extraordinary General Meeting

Introduction

Your Board today announced that Digital Classics had, conditional, *inter alia,* on the approval of its Shareholders, agreed to acquire the entire issued share capital of Done and Dusted, one of the UK's leading production companies specialising in televising rock concerts, creating rock events, and making rock DVDs.

The consideration due under the Acquisition Agreement is a payment of £5,775,000 in cash and the issue of 721,875,000 Consideration Shares. In order to fund part of the cash element of the Acquisition, the Company also announced today that it is raising approximately £6.0 million (before expenses) for the Enlarged Group by means of a Placing of 928,344,230 new Ordinary Shares at 0.65p per share.

The proposed Acquisition is classified as a "reverse takeover" under the AIM Rules by virtue of its size. As such, it is subject to the approval of Shareholders, which is to be sought at the Extraordinary General Meeting, the notice in respect of which is set out at the end of this document. Further details of the Acquisition and the Acquisition Agreement are set out below and in Part VI of this document.

In aggregate, the Company has received irrevocable undertakings to vote in favour of the Resolutions to be proposed at the EGM in respect of 127,159,203 Ordinary Shares, representing approximately 9.7 per cent. of the Existing Ordinary Shares.

The purpose of this document is to provide you with information about the background to and the reasons for the Acquisition, to explain why the Board considers the Acquisition and the Placing to be in the best interests of the Company and its Shareholders as a whole and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the EGM.

Enlarged Group Overview

Information on Digital Classics

The Company was admitted to trading on AIM on 13 December 1999. At that time, the Company's aim was to become a leading website for audio-visual performing arts content. In November 2000, the Company acquired Iambic Productions, a company specialising in producing arts programmes for television and other media and in selling related rights, and this became the Company's primary activity. In March 2004, the Company acquired RM Associates Distribution Limited, a leading international distribution group specialising in high-quality music and arts documentary and performance programming.

Today, Digital Classics specialises in the production, distribution, and exploitation of music and arts audiovisual content. Production is the main activity of its award-winning subsidiary company, Iambic Productions, and this has been further developed by the recent acquisition of Box TV, an independent television production company, which produces drama for UK and overseas broadcasters. The distribution of programmes is conducted through the subsidiary company Digital Classics Distribution, which manages and exploits music and arts television catalogues. The recent acquisition of NBD Television, a specialist rock and pop television programme distributor, has enlarged and diversified the Company's distribution operations.

Digital Classics' divisions

Digital Classics has two principal areas of business activity: production of arts, drama and entertainment audiovisual content, and distribution. These activities are currently undertaken by six subsidiary companies.

Production

Iambic Productions: An award-winning production company specialising in arts, music and entertainment programmes, Iambic Productions has recently set up a new division called IP Entertainment to take advantage of the mainstream entertainment market. Iambic Productions passes its completed programmes to the Group's distribution division for further exploitation.

Box TV: The recent acquisition by Digital Classics of this event drama production company has not only increased the division's production capability but has also enabled diversification into a genre of programming hitherto not exploited by Iambic Productions. Box TV joined the Group with a slate of programmes at various stages of development and/or commissioning. Box TV anticipates passing its completed programmes to the Group's distribution division for further exploitation opportunities.

Distribution

Digital Classics Distribution: Having recently consolidated two libraries, this division is believed by the Directors to be one of the largest distributors of arts and classical music audiovisual content in the UK. The recent acquisition of Box TV will see further consolidation and diversification of this business as the division becomes able to offer a wider range of programming.

NBD Television: This recent acquisition by Digital Classics brings further diversity to the distribution division. NBD Television specialises in selling rights to popular music programmes and events and opens up another market area previously not exploited by Digital Classics.

Digital Classics DVD: This new division set up during 2005 owns and controls rights in hundreds of titles, which hitherto have been licensed to other DVD distributors around the world. Expected continuing market growth, together with a reduction in the costs of production of DVDs, have made the creation of an own-brand label a more attractive business proposition.

Digital Classics Education Limited: Set up to exploit library content in schools through the creation of a learning resource called MusicSuite, this subsidiary is gradually building up a portfolio of schools in the UK that use the product.

Information on Done and Dusted

History and Development

Done and Dusted is an award winning Television and Event Production Company with offices in both London and New York. Founded in April 1998 the company specialises in creating music programming for a global client base. Since its inception the company's production teams have worked around the world.

Marketplace and Customers

The Done and Dusted logo has graced productions featuring household names both musical and non-musical. A long-standing relationship with Robbie Williams created a Grammy nominated programme, Robbie Williams Live At the Albert. Other long and strong relationships exist with artists as diverse as Peter Gabriel, Coldplay, Britney Spears and organisations that include The

Laureus World Sports Awards, The Victoria's Secret Fashion Show and Smash Hits Poll Winners Party. Done and Dusted has relationships with record companies and television networks across the world. As well as relationships with artists, broadcasters and record labels they have also developed strong ties to some of the biggest brands that work in this area including Microsoft, Coors, Adidas and Lever Faberge.

Opportunities

The acquisition of Done and Dusted will provide Digital Classics with the opportunity to diversify its production activities from a music and arts producer via its subsidiary Iambic Productions to that of a popular music producer. By virtue of ownership the distribution business will now have a "firstlook" opportunity at the production schedule of Done and Dusted with a view to providing distribution services or participating in co-productions. Done and Dusted has also identified a significant growth opportunity for its core production and staging business in the US marketplace. The directors of Done and Dusted are also actively investigating the opportunities in the rapidly expanding 3G market place following a successful collaboration with Robbie Williams and T-Mobil in Germany.

Your attention is drawn to the Accountant's Report and financial information on Done and Dusted Limited set out in Sections A and B of Part IV of this document.

The Market Opportunity

The 2004 Ofcom Code of Practice gave independent production companies the right for the first time to exploit the international rights in programmes they produce for the major UK broadcasters. This structural change in the sector provides a new opportunity for production companies, which have hitherto not exploited these rights, to benefit from the revenues generated thereby, and for distributors to obtain valuable new rights from which to generate sales commission. The bringing together of Box TV and Done and Dusted with Digital Classics Distribution and NBD Television is anticipated to maximise the revenues available from this opportunity. Additionally as new forms of delivery emerge, such as video on demand, high definition television, IPTV and mobile applications, new revenue streams are expected to materialise for those able to offer suitable content.

Strategy of the Enlarged Group

Digital Classics has already acquired a large classical music distribution catalogue and from this has sprung a new DVD production business. The acquisition of Box TV has enabled entry to the drama production marketplace, and the acquisition of the distribution business, NBD Television, has provided access to the popular music marketplace for the distribution division. Done and Dusted is a UK market leader in televising rock concerts and following completion of the Acquisition, the Enlarged Group's music and arts production division will have progressed from that of a classical music and arts specialist to that of a more widely based entertainment group.

Current trading and prospects

Digital Classics announced its preliminary results for the year ended 30 June 2005 on 11 October 2005. On 30 November 2005, the Company held its Annual General Meeting and provided a trading update to the market in which the Directors expressed their satisfaction with the progress being made by each division within the Company.

On 9 December 2005, the Company announced the acquisitions of Box TV and NBD Television. These acquisitions were the first steps of a strategy to enable the Company to exploit recent legislative changes in the UK TV industry and transform the Group by increasing its programme production and programme distribution capacity.

The process of integrating the operations of the Company, Box TV and NBD Television has commenced and the Company continues to operate in line with the Directors' expectations.

The Directors believe that the prospects for the production business continue to be positive, having grown from purely serious music and arts programming to encompass the wider popular entertainment genres. This strategy provides greater access to the television production marketplace and the Directors believe that the acquisition of Box TV and the proposed acquisition of Done and Dusted will further improve the prospects for the Enlarged Group, as these companies have an existing trading history and have been acquired with productions at various stages of development and/or commissioning.

The Directors believe that the prospects for the distribution business are strong, having previously benefited from the acquisition of the RM Associates Limited catalogue, and the consolidation of the music and arts libraries, with its associated cost synergies, saw the creation of a new DVD business from which, whilst it is still early days, material benefits are expected. The acquisition of NBD Television is anticipated to improve the Enlarged Group's market presence and further cost synergies resulting from consolidation are expected.

Details of the Placing and use of proceeds

The Company is seeking additional investment to enable the Company to finance part of the cash payable pursuant to the Acquisition. The Company is proposing to raise up to approximately £6.0 million, before expenses, by the issue of 928,344,230 new Ordinary Shares which have been conditionally placed with institutional and other investors, pursuant to the Placing, at 0.65p per Placing Share. Evolution Securities, as agent for the Company, has agreed conditionally to use its reasonable endeavours to procure subscribers, or itself to subscribe, for the Placing Shares pursuant to the terms of the Placing Agreement. The Placing is conditional, *inter alia*, upon Shareholder approval at the EGM. The Placing Shares will represent 31.3 per cent. of the Enlarged Issued Ordinary Share Capital. The Placing Shares will be issued credited as fully paid and will, on issue, rank *pari passu* with the Existing Ordinary Shares.

The Placing has been structured as a private placing, and Shareholders are therefore being asked to pass at the EGM the Resolutions which will disapply Shareholders' pre-emption rights and renew the authority of the Directors to allot relevant securities. The primary reason for there being no offer to Shareholders to purchase or subscribe for the Placing Shares is that the Directors believe it to be in the best interests of the Company and Shareholders as a whole to procure in the most cost-effective manner the funds necessary for completion of the Acquisition.

Application will be made to the London Stock Exchange for the Enlarged Issued Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Issued Ordinary Share Capital will commence on AIM on 23 February 2006.

Further details of the Placing Agreement are set out in paragraph 12(e) of Part VI of this document.

Principal Terms of the Acquisition Agreement

Under the terms of the Acquisition Agreement, Digital Classics has conditionally agreed to acquire the entire issued share capital of Done and Dusted for a consideration to be satisfied by a payment of £5,775,000 in cash and the issue of 721,875,000 Consideration Shares, which will represent approximately 24.4 per cent of the Enlarged Issued Ordinary Share Capital. The Acquisition Agreement is conditional, *inter alia,* on the passing of the Resolutions at the Extraordinary General Meeting and Admission.

Further details of the Acquisition Agreement are set out at paragraph 12(c) of Part VI of this document.

Financial effects of the Acquisition and Placing

The Acquisition and the Placing are expected to materially strengthen the Company's balance sheet and provide the Enlarged Group with the funding required to pursue its strategy. The Company's shareholder base will be widened and it is expected that the liquidity of the Ordinary Shares will be enhanced.

An unaudited pro forma statement of net assets of the Enlarged Group prepared for illustrative purposes only and showing the impact of the Acquisition and Placing is set out in Part V of this document.

Summary Financial Information

(i) *Digital Classics*

The audited consolidated results of Digital Classics for the years ended 30 June 2003, 2004 and 2005 have been extracted without material adjustment from the financial information set out in Part III of this document.

	Year ended and as at 30 June		
	2003	*2004*	*2005*
	£000	*£000*	*£000*
Turnover	1,409	2,154	3,134
Gross profit	226	1,104	1,629
Operating (loss)	(3,059)	(541)	(566)
(Loss) before tax	(2,891)	(544)	(564)
(Loss) after tax	(2,927)	(590)	(616)
Retained (loss)	(2,927)	(590)	(616)
Net assets	2,625	6,771	6,877

(ii) *Box TV*

The unaudited consolidated results of Box TV for the years ended 31 October 2002 and 2003 and 17 month period ended 31 March 2005 have been prepared by de-consolidating the results of Meredith Services Limited ("Meredith") and Gordian Productions Limited ("Gordian") from the audited consolidated results of Box TV for those periods. Meredith and Gordian were sold by Box TV on 25 November 2005 and did not form part of Box TV when it was acquired by the Group on 16 December 2005.

	Year/period ended and as at		
	31 October	*31 October*	*31 March*
	2002	*2003*	*2005*
	£000	*£000*	*£000*
Turnover	10,847	10,400	1,566
Gross profit	791	665	160
Operating (loss)/profit	(367)	1,401	(845)
(Loss)/profit before tax	(326)	1,421	(845)
(Loss)/profit after tax	(326)	1,421	(647)
Retained (loss)/profit	(327)	1,422	(854)
Net (liabilities)/assets	(757)	663	(192)

(iii) *NBD Group*

The unaudited consolidated results of the NBD Group for the years ended 31 August 2003, 2004 and 2005 have been prepared by consolidating the audited results of NBD Holdings Limited, NBD Television Limited and CreaTVty Limited for those years, making only such adjustments as were required to eliminate intercompany trading and balances and to reflect the 5 per cent. minority interest in CreaTVty Limited.

	Year ended and as at 31 August		
	2003	*2004*	*2005*
	£000	*£000*	*£000*
Turnover	751	591	741
Gross profit	625	499	714
Operating (loss)/profit	(52)	(29)	159
(Loss)/profit before tax	(56)	(48)	133
(Loss)/profit after tax	(62)	(52)	106
Retained (loss)/profit	(62)	(52)	103
Net (liabilities)/assets	(38)	(90)	16

(iv) *Done and Dusted Limited*

The audited consolidated results of Done and Dusted Limited for the years ended 31 December 2002, 2003 and 2004, and for the period ended 30 June 2005 have been extracted without material adjustment from the financial information set out in Section B of Part IV of this document.

	Year/period ended and as at			
	31 December 2002 £000	*31 December 2003 £000*	*31 December 2004 £000*	*30 June 2005 £000*
Turnover	4,795	3,338	7,124	4,849
Gross profit	1,003	950	1,719	1,264
Operating (loss)/profit	(194)	7	383	749
(Loss)/profit before tax	(186)	34	397	756
(Loss)/profit after tax	(152)	22	264	529
Retained (loss)/profit	(152)	3	264	529
Net (liabilities)/assets	(47)	(45)	44	573

Admission to AIM, Settlement and Dealings

Application will be made to the London Stock Exchange for the Enlarged Issued Ordinary Share Capital to be admitted to trading on AIM upon completion of the Acquisition and the Placing. Subject to completion of the Acquisition and the Placing, it is expected that such Admission will become effective and trading in the Enlarged Issued Ordinary Share Capital will commence on 23 February 2006. If the Acquisition and the Placing are not completed, the Existing Ordinary Shares will continue to be traded on AIM, but the New Ordinary Shares will not be admitted to AIM and the Board will not change.

Directors and Proposed Directors of the Enlarged Group

Directors

David Keith Elstein (Non-executive Chairman), 61

David Elstein has been involved in the media and broadcasting industry for over forty years, having held numerous distinguished positions within both public and private companies. Mr Elstein held the position of Chief Executive of Channel 5 Broadcasting for four years where he led the channel through its launch in 1997. Prior to working at Channel 5, he was Head of Programming at BSkyB, where he was responsible for eleven broadcast channels. Mr Elstein is also a former Director of Programmes at Thames Television Plc and has been a visiting professor in Broadcasting Media at Oxford University.

Christopher John Hunt (Chief Executive), 51

Chris Hunt has been Chief Executive of Digital Classics since its inception in 1999. He oversaw the acquisitions of Iambic Productions in 2000 and of the arts distribution company, RM Associates Limited, in 2004. Born in 1954, he was educated at Clifton College and Jesus College Cambridge. He then entered the television industry, producing programmes for the BBC and ITV before founding Iambic Productions in 1988, of which he was Managing Director until its acquisition by Digital Classics.

Michael William Barton (Group Finance Director), 48

Michael Barton BSc, FCA, MIoD. has over 20 years experience in small and growing businesses and he specialises in fund raising, business planning, business purchases and business sales for such businesses. He is a Past President of the North West Society of Chartered Accountants and Deputy Chairman of the Audit Registration Committee of the Institute of Chartered Accountants in England and Wales.

Richard Shirvell Price MBE (Non-executive Director), 72

From 1968 to 1998, Richard was Chairman of the Primetime plc group, which included independent television distributor, Primetime Television Associates. His television productions have won a number of awards, including BAFTAs and Emmys. He is a past Chairman of BAFTA and a Fellow of the Royal Television Society. He is currently Vice-Chairman of the learning disability charity, the Home Farm Trust, and Chairman of the Watermill Theatre, Newbury.

Tarik Wildman (Non-executive Director), 46

Tarik Wildman has been involved in the financial industry for over 20 years. He was a Director at Credit Suisse First Boston and Dillon Read. He is currently an adviser at UBS. Tarik is also currently a partner in the Madrid-based firm, Forest Asset Management, and runs his own enterprise, Wildman & Company Limited, which finds financial solutions for a wide variety of corporate clients.

Proposed Directors

Justin Thomson-Glover (Box TV Director), 38

Prior to joining Box TV, Justin was Senior Business Affairs Executive at FilmFour. Justin also worked at Channel 4 as Senior Business Affairs Executive. Justin trained at the law firm Denton Hall (now Denton Wilde Sapte) with a subsequent period at Marriott Harrison, where he represented a number of leading television companies.

Nicola Davies Williams (NBD Director), 51

Nicola Davies Williams has been Chief Executive of NBD Television since she founded the company in 1983 and has managed its growth until 2005 when the company was acquired by Digital Classics. She graduated at Leeds University in 1975 and her professional career spans over 30 years working in the record industry and television distribution management.

Simon Pizey (Done and Dusted Director), 43

Simon started his television career in the post-production area and spent 5 years working up from runner to General Manager of Soho 601. In 1995, he joined the BBC as a production manager with the specific brief of re-vamping the post production process of the Youth and Entertainment Department. In the subsequent years Simon went on to manage a variety of programmes from The Travel Show to Standing Room Only. In 1997 Simon left the BBC to join Ian Stewart and Hamish Hamilton at MTV Europe, where they worked together on many MTV projects. When Hamilton and Stewart left MTV and eventually founded Done and Dusted, Simon stayed on at MTV to take up the role of Head of Production MTV Networks Europe. In this role he oversaw the production of 3 of MTV's annual awards and many of their other shows. He joined Done and Dusted in 2000.

Authority to permit conversion of Loan Notes

Under a secured convertible loan note instrument dated 16 December 2005, the Company has agreed to issue up to £8,000,000 convertible loan notes to certain investors, of which £4,000,000 Loan Notes have already been subscribed for and issued. Additional Loan Notes will be subscribed for and issued to satisfy the balance of the cash consideration under the Acquisition Agreement. It is a condition of the Loan Notes that they do not become convertible into Ordinary Shares until Shareholders have granted the Directors authority to allot Ordinary Shares pursuant to such conversion. Accordingly, the Directors are seeking authority from Shareholders to permit the issue of the Loan Note Shares at the Extraordinary General Meeting.

Change of name of the Company

To reflect the wider focus of the activities of the Enlarged Group going forward, it is proposed that the Company change its name to DCD Media plc and an appropriate resolution is being put to Shareholders at the EGM for this purpose.

Corporate Governance

The Company has taken steps to ensure that, where practicable for a company of its size, the principles of good governance and code of best practice (the "Combined Code") are complied with and the appropriate corporate governance structures have been put in place.

The Board of the Enlarged Group will comprise five executive Directors and three non-executive Directors. The Company holds Board meetings throughout the year at which reports relating to the Company's operations, together with financial reports, are considered. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The members of the Audit Committee are D Elstein, M Barton, R Price and T Wildman. Within its agreed terms of reference, the Audit Committee will meet semi-annually and it is responsible for ensuring that the financial performance of the Company is properly monitored and reported on. It has the opportunity to meet with the Company's auditors without executive Board members being present and will review reports relating to accounts and internal control systems.

The Remuneration Committee comprises D Elstein, R Price and T Wildman. Within its agreed terms of reference, the Remuneration Committee considers and determines the remuneration of the executive and non-executive Directors and senior employees of the Group and also considers and determines incentive arrangements for executives and employees including the Company's share option arrangements.

The terms of reference prevent any member of the Remuneration Committee who is an executive Director from taking part in any discussions or decisions relating to his own remuneration.

The Company will take all reasonable steps to ensure compliance by Directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities.

Extraordinary General Meeting

You will find set out at the end of this document a notice convening the Extraordinary General Meeting of the Company to be held at the offices of Field Fisher Waterhouse, 35 Vine Street, London, EC3N 2AA at 11.00 a.m. on 21 February 2006. At this meeting the following resolutions will be proposed:

(1) an ordinary resolution to approve the Acquisition;

(2) an ordinary resolution to increase the authorised share capital of the Company to £5,000,000 by the creation of 3,000,000,000 new Ordinary Shares of 0.1 pence each;

(3) an ordinary resolution to give the Directors authority under Section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £3,796,233 such authority expiring at the conclusion of the next Annual General Meeting;

(4) a special resolution to disapply the statutory pre-emption rights contained in Section 89(1) of the Act for the purposes of the Placing, to permit the issue of the Loan Note Shares, certain future issues to Shareholders on a pre-emptive basis and for the allotment of equity securities for cash up to an aggregate nominal amount of £296,331 such authority expiring at the conclusion of the Company's next Annual General Meeting; and

(5) a special resolution to change the name of the Company to DCD Media plc.

Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Whether or not they propose to attend the Extraordinary General Meeting, Shareholders are requested to complete the Form of Proxy and return it to Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to arrive no later than 11.00 a.m. on 19 February 2006. The completion and return of a Form of Proxy will not prevent a Shareholder from attending the EGM and voting in person if he or she so wishes. Shareholders who are CREST members should refer to their CREST sponsors regarding the action to be taken in connection with this document.

Additional information

Your attention is drawn to the risk factors set out in Part II of this document and the additional information set out in Part VI of this document.

Recommendation

Your Directors unanimously recommend Shareholders to vote in favour of the Resolutions as they have irrevocably undertaken to do in respect of their shareholdings, which total 127,159,203 Ordinary Shares (representing approximately 9.7 per cent. of the Existing Ordinary Shares).

Yours faithfully

David Elstein
Chairman

PART II

Risk Factors

In addition to all other information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. 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 that might result from such investment. If you are in any doubt about the action you should take, you 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.

1. Investment in AIM listed securities

Investment in securities traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose securities are listed on the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

2. Share price volatility and liquidity

The listed securities of emerging and smaller companies are often less liquid than securities of companies that are listed on the Official List. As such, an investment in the Ordinary Shares may be difficult to realise. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect quoted companies generally. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

3. International Financial Reporting Standards

In June 2002, the Council of Ministers of the European Union approved a regulation (the "IAS Regulation") requiring all companies that are governed by the law of a member state of the European Union and whose securities are admitted to trading on a regulated market of any member state to prepare their consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The IAS Regulation is to be effective for each financial year starting on or after 1 January 2005.

On 12 October 2004, AIM changed its regulatory status and it is now regulated by the London Stock Exchange. Therefore, it is no longer a regulated market and is not covered by the European Union IAS Regulation. On 7 October 2004, the London Stock Exchange issued guidance to Rule 17 of the AIM rules which stated that the London Stock Exchange intended to mandate International Accounting Standards for all AIM companies for financial years commencing on or after 1 January 2007. AIM companies were also encouraged to prepare for this change well in advance of this date. This intention was confirmed on 21 December 2005.

The International Accounting Standards Board issued a standard on transition to IFRS (IFRS 1 First Time Adoption) in June 2003. Some of the exemptions in IFRS 1 were subsequently revised following the issue of later accounting standards. It is expected that there will be significant continuing developments in IFRS between now and the date of adoption of IFRS by the Company and consequently there is uncertainty about exactly what IFRS will require at that time. This uncertainty will be reduced as the International Accounting Standards Board finalises and publishes its standards.

In the meantime, the UK Accounting Standards Board is adopting a phased transition to the conversion of existing UK GAAP to IFRS and is in the process of issuing a number of new standards or revisions to existing standards over the next two years. However, it is likely that by the implementation date set by the European Union, UK GAAP will not be fully aligned by IFRS.

Therefore the transition of UK GAAP to IFRS and/or the adoption of IFRS would possibly have a material impact on the Enlarged Group's financial position and reported results, although the Directors have not quantified the likely impact at this time.

4. Business risk factors

Key personnel

The Enlarged Group's future success is largely dependent upon its senior management, and in particular, its executive Directors. The departure from the Enlarged Group of any of the executive Directors or certain senior employees could have a material adverse effect on the Enlarged Group. The Enlarged Group has provided certain senior management and key employees with shares and share options to reward them for their contribution to the Enlarged Group's performance and to encourage them to remain with the Enlarged Group. However, the retention of the services of these people cannot be guaranteed. The Enlarged Group may be adversely affected by an inability to recruit and retain sufficient personnel of the right calibre.

Competition

The Directors intend to continue to invest in the development of potentially competitive and market-leading productions. However, the television production market is becoming increasingly competitive in the UK and the Enlarged Group may face significant competition, including from domestic and overseas competitors who have greater capital and other resources and superior brand recognition than the Enlarged Group. There is no assurance that the Enlarged Group will be able to compete successfully in such a marketplace.

Current operating results as an indication of future results

The Enlarged Group'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 Enlarged Group'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, slower than expected take-up by broadcasters of its programmes and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Enlarged Group'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.

The need to raise additional capital in the future

The Enlarged Group's growth and profitability may be reliant in the future on its ability to access capital for further development. Additional equity fundraising on the capital markets may be dilutive for existing Shareholders, and debt-based funding may bind the Enlarged Group to restrictive covenants and curb its operating activities. Inability to access funding may result in a curtailment of the scale or scope of the Enlarged Group's business.

IP protection

To the extent the Enlarged Group considers prudent, the Enlarged Group relies, and will in the future rely upon, international IP laws and third party non-disclosure agreements to protect its IP rights. Despite precautions taken by the Enlarged Group (to the extent that the Enlarged Group considers them to be commercially reasonable) to protect its IP rights, unauthorised parties may attempt to copy, or otherwise obtain and use, its IP or the programmes in which it is incorporated. There can be no assurance that the IP required by the Enlarged Group to develop, produce and sell its programmes will not be challenged or that the IP belonging to the Enlarged Group will continue to be owned by it indefinitely. To the extent that IP rights protect the Enlarged Group's programmes, litigation may be necessary to protect such rights and could result in substantial costs to, and diversion of effort by, the Enlarged Group with no guarantee of success. The failure of the Enlarged Group to protect its proprietary information, and the expense of doing so, could have a material adverse effect on its operating results and financial condition.

Reliance on certain clients

Due to the nature of the primary UK market in which it operates, the Enlarged Group is reliant upon a small number of broadcasters as its significant clients. While at present good relationships exist between the Enlarged Group and each of the broadcasters, there can be no guarantee that this will continue in the future. While the Enlarged Group has begun to develop good relationships with the key broadcasters in the US, there can be no guarantee that these relationships will result in further commissioning of the Enlarged Group's programmes, or that the relationships that have been developed will continue in the future.

Hit programming origination

Television production is a creative business. The Enlarged Group has a track record of developing and successfully commercialising original hit programming but there is no guarantee in the future that it will have the same success in the development of its new programming.

PART III

Financial Information on Digital Classics plc

The following financial information relating to the Group for the years ended 30 June 2003, 2004 and 2005 has been extracted without material adjustment from the audited consolidated financial statements of Digital Classics plc for these years.

The financial information set out in this Part III does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

Copies of the financial statements for the three years ended 30 June 2005 have been delivered to the Registrar of Companies in England and Wales. BDO Stoy Hayward LLP, Fourth Floor, One Victoria Street, Bristol BS1 6AA, have made a report under section 235 of the Companies Act 1985 in respect of the statutory consolidated accounts for the three years ended 30 June 2005. Such reports were unqualified and did not contain a statement under section 237 of the Companies Act 1985. The audit report for the year ended 30 June 2003 contained a fundamental uncertainty in respect of going concern. Copies of these reports are reproduced from page 41 to page 44 of this Part III of this document.

Consolidated profit and loss accounts

	Notes	2003 £	2004 £	2005 £
Group turnover and share of joint venture	1	1,409,307	2,154,051	3,133,552
Less: share of joint venture's turnover		(211,043)	—	—
Group turnover		1,198,264	2,154,051	3,133,552
Continuing operations		1,195,837	2,154,051	3,133,552
Discontinued operations		2,427	—	—
		1,198,264	2,154,051	3,133,552
Cost of sales	2	(972,363)	(1,050,402)	(1,504,113)
Gross profit		225,901	1,103,649	1,629,439
Other operating income and charges:	2			
Exceptional items		(1,470,728)	—	—
Other		(1,821,663)	(1,644,929)	(2,195,155)
		(3,292,391)	(1,644,929)	(2,195,155)
Group operating loss	1			
Continuing operations		(3,250,668)	(541,280)	(565,716)
Discontinued operations		184,178	—	—
		(3,066,490)	(541,280)	(565,716)
Share of operating profit of joint venture		7,174	—	—
		(3,059,316)	(541,280)	(565,716)
Exceptional item:				
Profit on sale of joint venture investment		195,855	—	—
Interest receivable and similar income:				
Group		104	5,956	3,506
Joint venture		164	—	—
		268	5,956	3,506
Interest payable and similar charges	5	(27,737)	(8,727)	(2,071)
Loss on ordinary activities before taxation	1	(2,890,930)	(544,051)	(564,281)
Tax on (loss) from ordinary activities	6	(36,423)	(45,555)	(51,748)
Loss for the financial period	16	(2,927,353)	(589,606)	(616,029)
Basic and diluted loss per share	8	(2.17p)	(0.15p)	(0.08p)

There were no recognised gains or losses other than those recognised in the profit and loss account for the year.

Consolidated balance sheets

	Notes	2003 £	2004 £	2005 £
Fixed assets				
Intangible assets	9	3,618,602	6,622,708	6,007,583
Tangible assets	10	780,473	154,883	136,710
		4,399,075	6,777,591	6,144,293
Current assets				
Work in progress		5,471	169,093	169,093
Debtors	11	730,319	1,553,245	2,995,726
Cash at bank and in hand		5,235	335,055	24,214
		741,025	2,057,393	3,189,033
Creditors: amounts falling due within one year	13	(2,515,178)	(2,064,026)	(2,456,397)
Net current (liabilities)/assets		(1,774,153)	(6,633)	732,636
Total assets less current liabilities		2,624,922	6,770,958	6,876,929
Capital and reserves				
Called up share capital	15	699,291	1,201,502	1,297,752
Share premium account	16	14,582,168	18,815,599	19,441,349
Merger reserve	16	6,355,556	6,355,556	6,355,556
Profit and loss account	16	(19,012,093)	(19,601,699)	(20,217,728)
Shareholders' funds	17	2,624,922	6,770,958	6,876,929
Equity shareholders' funds		2,166,518	6,312,554	6,418,525
Non-equity shareholders' funds		458,404	458,404	458,404
		2,624,922	6,770,958	6,876,929

Consolidated cash flow statements

	Notes	2003 £	2004 £	2005 £
Net cash (outflow) from operating activities	23	(342,428)	(2,461,612)	(510,419)
Returns on investments and servicing of finance				
Interest received		104	5,956	3,506
Interest paid		(28,313)	(8,727)	(2,071)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(28,209)	(2,771)	1,435
Taxation		(29,533)	(43,451)	(38,188)
Capital expenditure				
Purchase of tangible fixed assets		(3,565)	(205,107)	(65,658)
Sale of tangible fixed assets		—	37,579	2,000
Refunds on tangible fixed assets acquired in prior year		19,333	—	—
Deferred development expenditure		(118,602)	(42,810)	—
Net cash outflow from capital expenditure		(102,834)	(210,338)	(63,658)
Acquisitions and disposals				
Sale of investment in joint venture		99,479	—	—
Acquisition of subsidiary		—	(9,188)	—
Expenses on acquisition of subsidiary undertakings		—	(61,730)	—
Net cash inflow /(outflow) from acquisitions and disposals		99,479	(70,918)	—
Financing				
Issue of shares		393,242	2,959,544	—
Expenses paid in connection with share issues		(125,962)	(145,902)	—
Sale of current asset investments		146,905	—	—
Repayment of loan		—	(200,000)	(14,000)
New loan		—	500,000	313,006
Net cash inflow from financing		414,185	3,113,642	299,006
Increase/(decrease) in cash for the year	24	10,660	324,552	(311,824)

Principal accounting policies

These financial statements have been prepared in accordance with the historical cost convention and applicable accounting standards, and on a going concern basis. The principal accounting policies have remained consistent with those adopted in the previous year. Consideration has been given to the principal accounting policies in the light of Financial Reporting Standard 18 "accounting policies" and no changes have been made.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings. Profits or losses on intra-group transaction are eliminated in full.

Turnover

Turnover and attributable profits on programmes produced for commissioning broadcasters are recognised on programmes which are incomplete at the year end in the proportion that costs incurred to date and state of completion bear to estimated ultimate costs after making provision for anticipated losses. Production does not commence until an agreement is in place. Turnover in excess of payments on account is recognised in the financial statements as amounts recoverable on contracts and is separately disclosed within debtors. Where the balance of payments on account exceeds recognised turnover, the balance is treated as payments on account and is separately disclosed within creditors. Turnover from internet and other sales is the amounts received during the year, excluding value added tax. Turnover from distribution sales is the amounts receivable from contracts signed during the year, excluding value added tax.

Joint venture

The group financial statements incorporate its joint venture under the gross equity method of accounting, supplemented by additional disclosures for joint ventures.

Goodwill

Goodwill on consolidation, representing the excess of the fair value of consideration paid over the fair value of the identifiable net assets of subsidiary undertakings at the date of acquisition, is capitalised. Goodwill is amortised on a straight line basis over its useful life which is estimated to be 20 years and is subject to impairment review by the directors when considered necessary.

Research and development

Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with expected sales. All other development costs are written off in the year of expenditure.

Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over the expected useful economic lives on the following bases:

Short leasehold property	Straight line over the life of the lease
Office and technical equipment	15-50 per cent. straight line
Motor vehicles	20 per cent. straight line

Programme rights

Programme rights are stated at the lower of cost, less accumulated amortisation, or net realisable value. Cost comprises the cost of production and all other direct programme costs incurred up to date of first release of the programme and all programme development costs. Where programmes in development are not expected to proceed, the related costs are written off to the profit and loss account. Programme costs are amortised on a straight line basis over an appropriate period reflecting the directors' opinion of the estimated useful economic life of the programme, such period not to exceed 20 years. Costs in respect of bought programmes are amortised over the period of rights held by the company. At each balance sheet date, the directors review the carrying value of programme rights and consider whether a provision is required to reduce the carrying value of the investment in programmes to net realisable value. Amortisation and any change in respect of writing down to net realisable value during the period is included in the profit and loss account as part of cost of sales. Programme costs in respect of incomplete programmes is separately classified as work in progress.

Work in progress

Work in progress has been valued at the lower of cost and net realisable value.

Programme distribution advances

Advances paid in order to secure distribution rights on third party catalogues or programmes are included within current assets. The advances are stated at the lower of the amounts advanced to the rights' owners less actual sales income to date, and the value of likely future sales income to be received against those advances.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Leasing

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company operates pension schemes for the benefit of a director. The schemes are defined contribution schemes and the contributions are charged against profits as they accrue.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Prior year adjustment

Programme rights have been reclassified from tangible fixed assets to intangible fixed assets. This has no impact on the net assets or profit and loss account reported for the periods.

Notes to the consolidated financial information

1. Turnover and loss on ordinary activities before taxation

Class of business segments

	2003 £	*2004* £	*2005* £
Turnover: To group undertakings			
Programme production	107,897	—	—
Programme distribution	11,105	10,000	—
Internet/TV broadcasting	—	—	—
Educational music course	—	—	—
Other income	—	—	—
Total continuing	119,002	10,000	—
Turnover: External			
Programme production	670,908	963,894	1,012,634
Programme distribution	521,822	1,126,091	2,095,868
Internet/TV broadcasting	3,107	332	—
Educational music course	—	50,450	25,050
Other income	—	13,284	—
Total continuing	1,195,837	2,154,051	3,133,552
Discontinued:			
TV broadcasting	2,427	—	—
	1,198,264	2,154,051	3,133,552
(Loss) before tax			
Programme production	(90,733)	164,508	218,636
Programme distribution	(37,317)	(32,072)	(144,894)
Internet/TV broadcasting	(268,841)	(20,559)	55,618
Educational music course	—	(82,147)	(118,044)
Other income	—	13,284	—
Total	(396,891)	43,014	11,316
Common costs	(1,198,871)	(608,549)	(577,252)
Profit on sale of fixed asset	—	24,255	220
Exceptional items	(1,470,728)	—	—
Operating loss	(3,066,490)	(541,280)	(565,716)
Share of operating profit and net assets of joint venture	7,174	—	—
Profit on sale of fixed asset investment	195,855	—	—
Net interest (paid)/received	(27,469)	(2,771)	1,435
Group loss before taxation	(2,890,930)	(544,051)	(564,281)

Class of business segments

	2003 £	*2004* £	*2005* £
Net assets			
Programme production	3,640,451	3,853,126	3,836,194
Programme distribution	(57,228)	2,142,949	2,157,103
Internet/TV broadcasting	448,438	399,824	376,587
Educational music course	—	95,148	78,965
Total	4,031,661	6,491,047	6,448,849
Unallocated assets	(1,406,739)	279,911	428,080
Group net assets	2,624,922	6,770,958	6,876,929

Geographical segments

All turnover arose in the United Kingdom. Turnover by destination was as follows:

	2003	*2004*	*2005*
	£	*£*	*£*
United Kingdom	402,979	1,173,583	1,056,830
Rest of Europe	242,622	316,027	941,658
North and South America, including Canada	447,332	266,478	769,921
Australia/Far East	80,184	380,967	346,000
Africa	25,147	16,996	19,143
	1,198,264	2,154,051	3,133,552

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

	2003	*2004*	*2005*
	£	*£*	*£*
Auditors' remuneration:			
Audit services	15,100	23,000	28,000
Non audit services	71,526	15,039	7,500
Operating lease rentals:			
Plant and machinery	6,782	100	—
Other	124,292	120,884	148,369
(Profit)/loss on foreign exchange fluctuations	(4,625)	8,557	7,781
Depreciation and amortisation:			
Goodwill	239,544	200,952	200,952
Tangible fixed assets	299,860	39,970	82,051
Intangible fixed assets	—	299,840	289,488
Exceptional item included within cost of sales:			
Provision for permanent diminution in value of fixed assets	256,493	50,000	—
Exceptional items included within other operating income and charges:			
Provision for permanent diminution in value of goodwill	651,944	—	—
Loss on sale of current asset investment	493,095	—	—
Due diligence costs of potential acquisition	325,689	—	—
	1,470,728	—	—
Other operating income:			
Rent receivable in respect of operating leases	(32,579)	(19,949)	(4,517)

2. Cost of sales and other operating income and charges

	2003 £	2004 £	2005 £
Cost of sales			
Continuing	1,145,132	1,050,402	1,504,113
Discontinuing	(172,769)	—	—
	972,363	1,050,402	1,504,113
Other operating income and charges			
Selling and distribution expenses:			
Continuing	230,605	198,354	113,940
Discontinuing	(8,982)	—	—
	221,623	198,354	113,940
Administrative expenses: Continuing			
Exceptional items	1,470,728	—	—
Other	1,632,619	1,446,575	2,081,215
Total administrative expenses	3,103,347	1,446,575	2,081,215
Other operating income	(32,579)	—	—
Total other operating income and charges	3,292,391	1,644,929	2,195,155

3. Going concern

Year ended 30 June 2003

As at the balance sheet date, the group has net current liabilities of £1.77 million. In its day to day operations the group is at present reliant upon the continued support of its major creditors and directors in order to carry on trading and meet its liabilities as they fall due.

As at the date of approval of the financial statements for the year ended 30 June 2003 the directors have prepared detailed cash flow and budget projections for the next 12 months. These projections assume that the group will receive additional funding of £717,000 by the end of January 2004 by way of a share issue. Further, the projections assume significant sales for both 'MusicSuite' and 'The Michael Jackson Story'.

The directors consider that in preparing the financial statements they have taken into account all information they could have reasonably expected to be available. On this basis, they consider that it is appropriate to prepare the financial statements on a going concern basis. This assumes that the group will receive the additional funding of £717,000 and achieve the significant sales as outlined above. The financial statements do not include any adjustments that would result if these assumptions were incorrect and the group was unable to continue trading.

Years ended 30 June 2004 and 2005

The directors confirm that they have every expectation that the group will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to use the going concern basis in preparing the accounts.

4. Directors and employees

Staff costs during the year, including directors, were as follows:

	2003 £	2004 £	2005 £
Wages and salaries	680,144	621,921	945,312
Social security costs	76,961	41,572	96,055
Other pension costs	23,990	76,686	28,550
	781,095	740,179	1,069,917

Other pension costs include contributions totalling £71,017 in 2004 and £27,455 in 2005 (amount for 2003 was undisclosed) to money purchase pension schemes in respect of one director.

The average number of employees of the group during the year was as follows:

	2003 Number	*2004 Number*	*2005 Number*
Sales and distribution	4	6	9
Production	4	5	5
Directors and administration	6	5	7
	14	16	21

Remuneration in respect of directors was as follows:

	Emoluments £	*Payments to third parties for directors' services* £	*Pension contributions* £	*Money value of non-cash benefits received* £	*Total* £
2003					
C Hunt	147,000	—	23,990	15,187	186,177
M Barton	—	27,863	—	—	27,863
R Price	—	33,000	—	—	33,000
T Wildman	—	20,000	—	—	20,000
A Sievewright	104,000	—	—	—	104,000
C Frampton	—	12,000	—	—	12,000
Z Appleyard	—	22,500	—	—	22,500
	251,000	115,363	23,990	15,187	405,540
2004					
C Hunt	67,500	—	71,017	1,302	139,819
M Barton	—	18,162	—	—	18,162
R Price	—	17,739	—	—	17,739
T Wildman	—	18,001	—	—	18,001
D Stoessel (appointed 25 March 2004)	—	5,100	—	—	5,100
A Sievewright (resigned 31 March 2004)	30,001	—	—	—	30,001
C Frampton (resigned 8 January 2004)	—	5,500	—	—	5,500
Z Appleyard (resigned 8 January 2004)	—	7,020	—	—	7,020
	97,501	71,522	71,017	1,302	241,342
2005					
C Hunt	120,000	—	27,455	—	147,455
M Barton	—	16,600	—	—	16,600
R Price	—	12,000	—	—	12,000
T Wildman	—	12,000	—	—	12,000
D Elstein (appointed 9 February 2005)	—	9,792	—	—	9,792
D Stoessel (resigned 10 January 2005)	—	4,575	—	—	4,575
	120,000	54,967	27,455	—	202,422

Details of share options held by directors and their related parties are as follows:

Name	*As at 1 July*	*Granted during the year*	*Exercised during the year*	*Lapsed during the year*	*As at 30 June*	*Exercise price (pence)*	*Date from which exercisable*	*Expiry date*
Year ended 30 June 2003								
R Price	80,000	—	—	—	80,000	125	04.09.00	04.09.03
T Wildman	133,333	—	—	—	133,333	60	10.11.00	10.11.03
M Barton	125,000	—	—	—	125,000	60	08.12.00	08.12.03
C Frampton	444,444	—	—	—	444,444	45	10.01.01	09.01.08

During the period the highest and lowest share prices were 3.5p and 0.5p.

The middle market closing price at 30 June 2003 was 2p.

Year ended 30 June 2004								
R Price	80,000	—	—	(80,000)	—	125	04.09.00	04.09.03
T Wildman	133,333	—	—	(133,333)	—	60	10.11.00	10.11.03
M Barton	125,000	—	—	(125,000)	—	60	08.12.00	08.12.03
C Frampton	444,444	—	—	—	444,444	45	10.01.01	09.01.08

During the period the highest and lowest share prices were 2.4p and 0.7p

The middle market closing price at 30 June 2004 was 1.44p

Year ended 30 June 2005

There were no share options held by directors or their related parties during the year ended 30 June 2005.

5. Interest payable and similar charges

	2003 £	*2004* £	*2005* £
Bank overdraft	544	1,898	1,716
Deferred loan notes	14,154	2,193	—
Other	12,317	4,636	355
	27,015	8,727	2,071
Share of interest payable by joint venture	722	—	—
	27,737	8,727	2,071

6. Tax on loss on ordinary activities

	2003 £	*2004* £	*2005* £
The tax charge represents:			
Overseas withholding tax not recoverable	29,533	45,555	51,748
Share of tax of joint venture	6,890	—	—
	36,423	45,555	51,748
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 2003: 19%; 2004: 30%; 2005: 30%	(549,277)	(163,215)	(169,285)
Effects of			
Trading losses utilised	—	(134,426)	(164,537)
Expenses not deductible for tax purposes	277,745	28,248	28,774
Depreciation in excess of capital allowances	24,659	36,693	(21,777)
Other timing differences	317	(21,226)	(11,745)
Capital revenue	—	(72,504)	—
Trading losses incurred in year carried forward	284,342	—	—
Joint venture activity adjustments	(1,363)	—	—
Current tax charge	36,423	—	—

A deferred tax asset of £2,424,578 in 2005 (2003: £2,026,474; 2004: £1,744,965) arising principally from losses in the group, has not been recognised. These losses can be offset against future trading profits generated. Although the directors ultimately expect sufficient profits to arise, they believe at this stage that it is prudent not to recognise the deferred tax asset within the financial statements.

7. Dividends

No dividends have been paid or proposed in the year ended 30 June 2005 (2003: £nil; 2004: £nil).

8. Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the average number of shares in issue during the year. The calculation of diluted loss per share is based on the basic loss per share, adjusted to allow for the issue of shares and the post tax effect of dividends and interest, on the assumed conversion of all dilutive options and other potential ordinary shares.

	2003	*2004*	*2005*
	£	*£*	*£*
Basic loss per share			
Loss attributable to ordinary shareholders	(2,927,353)	(589,606)	(616,029)
Weighted average number of shares	134,596,611	384,512,000	743,096,484
Per share amount pence	(2.17)	(0.15)	(0.08)

Due to losses incurred in the year, share options outstanding at the year end do not have a dilutive effect on the stated loss per share. As such, no separate calculation is disclosed. The above calculations exclude the shares issued on 28 June 2005 per note 15.

9. Intangible assets

	Programme rights £	*Goodwill on consolidation* £	*Deferred development expenditure* £	*Total* £
Cost				
As at 1 July 2002	—	11,240,111	—	11,240,111
Additions	—	—	118,602	118,602
As at 1 July 2003	—	11,240,111	118,602	11,358,713
As restated from tangible assets	5,281,778	—	—	5,281,778
Additions	—	—	42,810	42,810
As at 1 July 2004	5,281,778	11,240,111	161,412	16,683,301
Re-classified to current assets	(124,685)	—	—	(124,685)
As at 30 June 2005	5,157,093	11,240,111	161,412	16,558,616
Amortisation				
As at 1 July 2002	—	6,848,623	—	6,848,623
Provided for the year	—	239,544	—	239,544
Provided for impairment	—	651,944	—	651,944
As at 1 July 2003	—	7,740,111	—	7,740,111
Provided for the year	—	200,952	62,763	263,715
As restated from tangible assets	2,056,767	—	—	2,056,767
As at 1 July 2004	2,056,767	7,941,063	62,763	10,060,593
Provided for the year	208,788	200,952	80,700	490,440
As at 30 June 2005	2,265,555	8,142,015	143,463	10,551,033
Net book value				
As at 30 June 2003	—	3,500,000	118,602	3,618,602
As at 30 June 2004	3,225,011	3,299,048	98,649	6,622,708
As at 30 June 2005	2,891,538	3,098,096	17,949	6,007,583

The net book value of goodwill at 30 June 2003, 30 June 2004, 30 June 2005 represents goodwill on the acquisition of Iambic Productions Limited. This is being amortised over its estimated useful economic life, which the directors consider to be 20 years.

10. Tangible assets

	Short leasehold property	*Programme rights*	*Office and technical equipment* £	*Motor vehicles* £	*Total* £
Cost					
As at 1 July 2002	65,882	3,377,944	598,305	57,990	4,100,121
Additions	—	211	3,354	—	3,565
Adjustment to cost	—	(80,833)	—	—	(80,833)
Disposals	—	(818,123)	(28,978)	—	(847,101)
As at 1 July 2003	65,882	2,479,199	572,681	57,990	3,175,752
Additions	7,505	51,495	118,478	—	177,478
Fair value on acquisition of subsidiary	—	2,710,289	4,900	6,330	2,721,519
Adjustment to cost	—	40,795	—	—	40,795
Disposals	—	—	(3,878)	(64,320)	(68,198)
As restated to intangible assets	—	(5,281,778)	—	—	(5,281,778)
As at 1 July 2004	73,387	—	692,181	—	765,568
Additions	32,398	—	33,260	—	65,658
Disposals	—	—	(2,000)	—	(2,000)
As at 30 June 2005	105,785	—	723,441	—	829,226
Depreciation					
As at 1 July 2002	24,848	2,332,160	287,209	41,810	2,686,027
Provided for the year	11,214	121,227	158,734	8,685	299,860
Provided for impairment	—	134,426	122,067	—	256,493
Disposals	—	(818,123)	(28,978)	—	(847,101)
As at 1 July 2003	36,062	1,769,690	539,032	50,495	2,395,279
Provided for the year	8,816	237,077	30,653	501	277,047
Provided for impairment	—	50,000	—	—	50,000
Disposals	—	—	(3,878)	(50,996)	(54,874)
As restated to intangible assets	—	(2,056,767)	—	—	(2,056,767)
As at 1 July 2004	44,878	—	565,807	—	610,685
Provided for the year	28,292	—	53,759	—	82,051
Disposals	—	—	(220)	—	(220)
As at 30 June 2005	73,170	—	619,346	—	692,516
Net book value					
As at 30 June 2003	29,820	709,509	33,649	7,495	780,473
As at 30 June 2004	28,509	—	126,374	—	154,883
As at 30 June 2005	32,615	—	104,095	—	136,710

Year ended 30 June 2003

The adjustment to cost of programme rights arises because terms relating to certain rights which were purchased in a previous year, were renegotiated in this year. In some cases this has resulted in a reduction on the cost and in others the company has obtained distribution rights so that amounts previously paid for the rights are now partly recoupable against royalty payments due on distribution of those programmes. The recoupable amount has been transferred to current assets.

At 30 June 2003 the directors carried out an impairment review of the programme rights and office and technical equipment. Rights and technical equipment relating to internet broadcasting and the group's website have been written down to their estimated recoverable amount.

Year ended 30 June 2004

The adjustment to cost of programme rights arises because terms relating to certain rights which were purchased in a previous year, were renegotiated in this year.

At 30 June 2004 the directors carried out an impairment review of the programme rights and where appropriate these have been written down to their estimated recoverable amount.

In March 2004, the group acquired RM Associates Distribution Limited for a total consideration of £1,483,730. The purchase has been accounted for by the acquisition method of accounting, and a fair value of the assets acquired is recognised in the group balance sheet. The net assets of RM Associates Distribution Limited, and the recognised fair value of those assets were as follows:

	Book value £	*Fair value adjustment* £	*Fair value at acquisition date* £
Tangible fixed assets – programme rights	464,950	2,245,339	2,710,289
Tangible fixed assets – other	11,230		11,230
Debtors	205,377		205,377
Bank and cash	691		691
Creditors	(1,433,978)		(1,433,978)
Bank overdraft	(9,879)		(9,879)
Net assets acquired	(761,609)	2,245,339	1,483,730
Satisfied by:			
Shares allotted			1,422,000
Expenses of acquisition			61,730
			1,483,730

The directors consider the fair value of the acquired programme rights is £4.5 million, but have not recognised this amount in full because the applicable accounting standards do not allow any negative goodwill to arise as a result of a fair valuation of intangible assets where there is no readily ascertainable market value for those intangible assets.

The revaluation of programme rights of £2,245,339 is being amortised over 20 years, as the directors believe this to be the economic life of the asset. The charge for amortisation in the group accounts during the period was £28,068.

During the period since acquisition, the subsidiary undertaking's turnover was £625,627, the profit after taxation £483, the contribution to the group's net operating cash flow £24,722, payments in respect of taxation £28,931 and payments on capital expenditure £13,200.

The loss after taxation of RM Associates Distribution Limited for the period from 1 July 2003, the beginning of the subsidiary's financial year, to the date of acquisition was £605,274. The loss after taxation for the one month period ended 30 June 2003, following the commencement of trading in May 2003, was £156,435.

11. Debtors

	2003 £	*2004* £	*2005* £
Trade debtors	219,909	686,648	969,280
Called up share capital not paid	—	—	722,000
Amounts recoverable on contracts	142,712	—	—
Other debtors	100,250	177,163	159,173
Distribution royalty advances	77,902	78,283	212,759
Prepayments and accrued income	189,546	611,151	932,514
	730,319	1,553,245	2,995,726

Included within other debtors is an amount falling due after more than one year of £nil (2003: £56,700; 2004: £61,700).

Included within distribution royalty advances is an amount falling due after more than one year of £100,000 (2003: £58,000; 2004: £50,000).

12. Current asset investments

Year ended 30 June 2003

During the year the company issued 64 million new shares at 1p each to a new investment trust company in exchange for 640,000 shares issued at £1 per share by the trust company. These shares were subsequently sold for £146,905 resulting in a loss on disposal of £493,095 which has been taken to the profit and loss account.

13. Creditors

	2003 £	*2004* £	*2005* £
Amounts falling due within one year:			
Bank overdraft	20,620	25,888	339,877
Deferred loan notes	200,000	—	—
Trade creditors	1,153,333	827,238	703,723
Social security and other taxes	21,543	38,861	33,149
Other creditors	132,216	222,569	801,968
Accruals and deferred income	987,466	949,470	577,680
	2,515,178	2,064,026	2,456,397

A subsidiary company, Iambic Productions Limited, has an overdraft facility of 2003: £25,000; 2004: £25,000; 2005: £25,000.

Included within trade creditors, other creditors and accruals are amounts of £22,884, £79,714 and £10,167 respectively relating to unpaid directors' remuneration (2003: £28,995, £nil and £345,909; 2004: £4,319, £70,000 and £136,334). This has been accrued in accordance with the directors' contract of service.

Year ended 30 June 2003

The deferred loan notes are unsecured and attract interest at the rate of half of one per cent below the base rate of Barclays Bank plc. The final maturity date is 1 July 2005 however the holders can require repayment in multiples of £50,000 on 1 January and 1 July each year.

At an EGM on 30 December 2002 it was agreed that £100,000 of loan notes due to a director, C Hunt would be waived as consideration for the sale of half of the group's interest in the joint venture company. It was also agreed that £500,000 deferred loan notes be cancelled in consideration for the issue of ordinary shares at 1.5p each.

Year ended 30 June 2005

Included in other creditors was an amount of £313,006 relating to a short term bank loan which was repaid after the year. This has been re-analysed to bank loans and overdrafts.

14. Financial instruments and risk management

The group's financial instruments comprise cash, including short term deposits, trade debtors and trade creditors that arise directly from its operations, and loan notes. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, and currency risk. The Board has reviewed and agreed policies for managing each of these risks and they are summarised below.

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosure. The group has no financial assets other than debtors and cash at bank. The balance sheet values for the financial assets and liabilities are not materially different from their fair values.

Interest rate risk

The group finances its operations at present through funds raised on the share placings and its bank overdraft facility. The group manages its exposure to interest rate fluctuations by mixing the duration of its deposits and borrowings to reduce the impact of interest rate fluctuations. For the year ended 30 June 2004, the bank interest rate is 6.5 per cent.

Liquidity risk

The group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The group's policy throughout the year has been to ensure the continuity of funding. Short term flexibility is currently provided through the availability of a £25,000 bank overdraft facility.

Currency risk

The group operates in overseas markets and is subject to exposures on transactions undertaken during the year. The group's exposure to exchange rate fluctuations is small based on its revenue and cost base and its policy is not to hedge against foreign currency transactions.

The sterling equivalent of the group's net assets denominated in foreign currencies was as follows:

	2003	*2004*	*2005*
	£	*£*	*£*
US dollar	(12,869)	116,655	201,382
Euros	25,823	41,735	100,985
Other	6,516	11,961	69,328
Net assets	19,470	170,351	371,695

15. Share capital

	2003	*2004*	*2005*
	£	*£*	*£*
Authorised			
2,000,000,000 ordinary shares of 0.1p each in 2005 (2003: 291,596,439; 2004: 2,000,000,000)	291,596	2,000,000	2,000,000
50,933,729 deferred shares of 0.9p each in 2003, 2004 and 2005	458,404	458,404	458,404
	750,000	2,458,404	2,458,404
Allotted, called up and fully paid			
839,346,484 ordinary shares of 0.1p each in 2005 (2003: 240,887,062; 2004:743,096)	240,887	743,098	839,348
50,933,729 deferred shares of 0.9p each in 2003 2004 and 2005	458,404	458,404	458,404
	699,291	1,201,502	1,297,752

The deferred shares are not entitled to receive a dividend or other distribution, to attend or vote at any general meeting and on return of capital on a winding up, shall only be entitled to receive the amount paid up on the shares after holders of the ordinary shares have received £100,000 for each ordinary share.

Year ended 30 June 2003

In July 2002, 1,440,476 shares were allotted to directors at 3.5p per share.

At an EGM on 30 December 2002 it was agreed to effect a capital reorganisation by sub-dividing every existing ordinary share of 1p into 1 new ordinary share of 0.1p and one deferred share of 0.9p. The deferred shares are not entitled to receive a dividend or other distribution, to attend or vote at any general meeting and on a return of capital on a winding up, shall only be entitled to receive the amount paid up on the shares after holders of the ordinary shares have received £100,000 for each ordinary share.

It was also agreed at the EGM that 99,999,999 ordinary shares of 0.1p per share are issued at 1.5p as consideration for the cancellation of £500,000 deferred loan notes and £1,000,000 convertible loan notes.

In January 2003, 64 million shares were issued to an investment trust, Jubilee Investment Trust, at 1p per share in exchange for 640,000 shares in trust, at £1 per share.

During the year 25,963,334 shares were issued via placings at an average price of 1.32p per share.

The total consideration received during the year was £2,533,242 resulting in a premium on issue of £2,328,883 which has been credited to the share premium account. Expenses in connection with the share issues of £125,962 have been taken to the share premium account.

Year ended 30 June 2004
In January 2004, 15,239,200 shares were allotted to directors at 1.5p per share, raising a total of £228,558.

At an EGM on 25 March 2004, it was agreed that 222,222,222 ordinary shares of 0.1p per share be issued at a consideration of 0.9p per share, and a further 158,000,000 ordinary shares of 0.1p per share be issued for the acquisition of RM Associates Distribution Limited.

It was also agreed at the EGM to issue 50,000,000 ordinary shares of 0.1p per share at 1p per share to Mr C Hunt, a director, as consideration for the cancellation of a loan of £500,000 made to the company by Mr C Hunt in December 2003.

During the year 278,970,222 shares were issued via placings at an average price of 0.98p per share, raising a total of £2,730,957 in cash.

The total consideration received during the year was £4,881,545 resulting in a premium on issue of £4,379,333 which has been credited to the share premium account. Expenses in connection with the share issues of £145,902 have been taken to the share premium account.

Year ended 30 June 2005
On 28 June 2005, 96,250,000 shares were issued via placings at an average price of 0.79p per share, raising a total of £760,000 in cash. These shares are excluded in Note 8 for the purposes of calculating the weighted average number of shares during the year.

The total consideration received during the year was £760,000 resulting in a premium on issue of £663,750 which has been credited to the share premium account. Expenses in connection with the share issues of £38,000 have been taken to the share premium account.

Details of the company's share options are as follows:

As at 1 July	*Granted during the year*	*Exercised during the year*	*Lapsed during the year*	*As at 30 June*	*Exercise price (pence)*	*Date from which exercisable*	*Expiry date*
Year ended 30 June 2003							
170,417	—	—	170,417	—	—	—	—
80,000	—	—	—	80,000	125	4.9.00	4.9.03
133,333	—	—	—	133,333	60	10.11.00	10.11.03
125,000	—	—	—	125,000	60	8.12.00	8.12.03
444,444	—	—	—	444,444	45	10.1.01	9.1.08
623,395	—	—	547,720	75,675	17.5	4.5.02	4.5.04
Year ended 30 June 2004							
80,000	—	—	80,000	—	—	—	—
133,333	—	—	133,333	—	—	—	—
125,000	—	—	125,000	—	—	—	—
444,444	—	—	—	444,444	45	10.1.01	9.1.08
75,675	—	—	—	75,675	17.5	4.5.02	4.5.04

	As at 1 July	*Granted during the year*	*Exercised during the year*	*Lapsed during the year*	*As at 30 June*	*Exercise price (pence)*	*Date from which exercisable*	*Expiry date*
Year ended 30 June 2005								
	444,444	—	—	—	444,444	45	10.01.01	9.1.08
	75,675	—	—	75,675	—	17.5	4.5.02	4.5.04

16. Share premium account and reserves

	Share premium account £	*Merger reserve* £	*Profit and loss account* £	*Total* £
As at 1 July 2002	12,379,247	6,355,556	(16,084,740)	2,650,063
Retained loss for the year	—	—	(2,927,353)	(2,927,353)
Share capital issued on placing	2,328,883	—	—	2,328,883
Placing expenses	(125,962)	—	—	(125,962)
As at 1 July 2003	14,582,168	6,355,556	(19,012,093)	1,925,631
Retained loss for the year	—	—	(589,606)	(589,606)
Share capital issued on placing	4,379,333	—	—	4,379,333
Issue expenses	(145,902)	—	—	(145,902)
As at 1 July 2004	18,815,599	6,355,556	(19,601,699)	5,569,456
Retained loss for the year	—	—	(616,029)	(616,029)
Share capital issued on placing	663,750	—	—	663,750
Issue expenses	(38,000)	—	—	(38,000)
As at 30 June 2005	19,441,349	6,355,556	(20,217,728)	5,579,177

17. Reconciliation of movements in shareholders' funds

	2003 £	*2004* £	*2005* £
Loss for the financial year	(2,927,353)	(589,606)	(616,029)
Issue of shares	2,407,280	4,735,642	722,000
Net (decrease)/ increase in shareholders' funds	(520,073)	4,146,036	105,971
At the beginning of the year	3,144,995	2,624,922	6,770,958
At the end of the year	2,624,922	6,770,958	6,876,929

18. Sale and leaseback

The company had a liability to pay annual rentals under a sale and leaseback agreement, for the next ten years. This obligation has not been recognised in the financial statements because as at 30 June 2005 £673,519 (30 June 2003: £770,025; 30 June 2004: £723,010) is held in a bank deposit account which may only be used to settle those rental obligations. The deposit is held with the same bank to whom the rental are paid, and full set-off is applicable in the event of the failure of the bank.

19. Capital commitments

There were no capital commitments at 30 June 2003, 30 June 2004 or 30 June 2005.

20. Transactions with directors and other related parties

Loans from directors

At the year end the following amounts were due to C Hunt, a director:

	Unpaid remuneration £	*Deferred loan notes* £	*Current account* £
2003			
Balance	—	200,000	5,072
Interest paid in the year	—	14,154	—
2004			
Balance	70,000	—	1,327
Interest paid in the year	—	2,193	—
2005			
Balance	56,000	—	—

As stated in Note 13, a total of £112,765 (2003: £374,904; 2004: £210,653) is due to the directors as unpaid remuneration.

On 30 December 2002 the convertible loan notes and £500,000 deferred loan notes were cancelled on the issue of 99,999,999 new shares to Mr Hunt at 1.5p each. Also on 30 December 50 per cent. of the group's interest in the joint venture company, Richard Price and Chris Hunt Limited, was sold to Mr Hunt. £100,000 deferred loan notes were cancelled as consideration for the sale.

Other transactions

During the year the following amounts were received from/(paid to) companies in which the directors have an interest:

Company	*Director*	*Amount receivable /(payable)*	*Description*
2003			
RPTA Limited	R Price	33,293	Office charges and staff costs
		(4,007)	Royalties
		100,000	Sale of 50% of the group's interest in the joint venture company, Richard Price and Chris Hunt Limited
		(9,959)	Interest paid on loans
Richard Price and Chris Hunt Limited trading as The Performance Company	R Price	42,559	Production costs and royalties
	C Hunt	(27,220)	Office charges and staff costs
2004			
RPTA Limited	R Price	33,205	Office charges and staff costs
		(2,758)	Royalties
		(4,542)	Interest paid on loans
2005			
RPTA Limited	R Price	6,341	Office charges and staff costs
		(9,690)	Royalties
World Poker Masters Limited	C Hunt	200,000	Production fee

The balances outstanding at the year end were as follows:

Company	*Director*	*Amount receivable /(payable)*	*Description*
2003			
RPTA Limited	R Price	(618)	Net trading balance
		(79,334)	Outstanding loan and accrued interest
Richard Price and Chris Hunt Limited	R Price C Hunt	(70,329)	Net trading balance
2004			
RPTA Limited	R Price	35,996	Net trading balance
		(2,800)	Outstanding loan and accrued interest
2005			
RPTA Limited	R Price	(618)	Net trading balance
		(79,334)	Outstanding loan and accrued interest
World Poker Masters Limited		200,000	Net trading balance

The transactions above were all in the normal course of business.

In the year ended 30 June 2003 RPTA Limited granted a loan of £30,000 to the group which was advanced and repaid within the year.

21. Pensions

The group operates defined contribution pension schemes for the benefit of a director.

The assets of the schemes are administered by trustees in funds independent from those of the group.

The amount paid to the schemes during the year was £27,455 (2003: £23,990; 2004: £71,017).

The annual commitment for contributions to the pension schemes amounts to £26,900 (2003: £24,000; 2004: £24,000).

22. Operating lease rental commitments

At 30 June 2005, the group had operating lease rental commitments as follows:

	2003	*2004*	*2005*
	£	*£*	*£*
Leases expiring within one year:			
Land and buildings	123,895	123,895	123,895

23. Reconciliation of operating loss to operating cash flows

	2003	*2004*	*2005*
	£	*£*	*£*
Operating loss	(3,066,490)	(541,280)	(565,716)
Depreciation and amortisation	1,447,841	575,055	572,491
Loss on sale of current asset investments	493,095	—	—
Loss on sale of fixed assets	—	24,255	220
Decrease/(increase) in work in progress	550	(163,622)	—
Decrease/(increase) in debtors	688,272	(617,549)	(595,796)
Increase/(decrease) in creditors	94,304	(1,738,471)	78,382
Net cash outflow from operating activities	(342,428)	(2,461,612)	(510,419)

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

	2003 £	2004 £	2005 £
Increase/(decrease) in cash in the year	10,660	324,552	(311,824)
Net cash inflow from changes in debt	—	(300,000)	(313,006)
Other non-cash changes	1,600,000	500,000	—
Movement in net funds/(debt) in the year	1,610,660	524,552	(624,830)
Net (debt)/funds at the beginning of the year	(1,826,045)	(215,385)	309,167
Net (debt)/funds at the end of the year	(215,385)	309,167	(315,663)

25. Analysis of net debt

	At start of the year £	*Cash flow* £	*Other non cash changes* £	*At the end of the year* £
2003				
Cash at bank and in hand	4,016	1,219	—	5,235
Bank overdraft	(30,061)	9,441	—	(20,620)
	(26,045)	10,660	—	(15,385)
Debt due after one year	(1,000,000)	—	1,000,000	—
Debt due within one year	(800,000)	—	600,000	(200,000)
Total	(1,826,045)	10,660	1,600,000	(215,385)
2004				
Cash at bank and in hand	5,235	329,820	—	335,055
Bank overdraft	(20,620)	(5,268)	—	(25,888)
	(15,385)	324,552	—	309,167
Debt due within one year	(200,000)	200,000	—	—
New loan	—	(500,000)	500,000	—
Net of new loan	(200,000)	(300,000)	500,000	—
	(215,385)	24,552	500,000	309,167
2005				
Cash at bank and in hand	335,055	(310,841)	—	24,214
Bank overdraft	(25,888)	(983)	—	(26,871)
	309,167	(311,824)	—	(2,657)
New loan	—	(313,006)	—	(313,006)
Total	309,167	(624,830)	—	(315,663)

"Report of the independent Auditors to the members of Digital Classics plc

We have audited the financial statements of the group for the year ended 30 June 2005 on pages 7 to 22 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and 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 group 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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Report 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 the group's affairs as at 30 June 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
Bristol

10 October 2005"

"Report of the independent Auditors
to the members of Digital Classics plc

We have audited the financial statements of Digital Classics plc for the year ended 30 June 2004 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the principal accounting policies and notes 1 to 25. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of Directors' responsibilities within the Directors' report.

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 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 with the company 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 and Chairman's statement. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 mis-statement, whether caused by fraud or error or other irregularity. 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 group as at 30 June 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB AV Audit plc
Registered Auditors
Crown House
37 – 41 Prince Street
Bristol
BS1 4PS

10 November 2004"

"Report of the independent Auditors to the members of Digital Classics plc

We have audited the financial statements of Digital Classics plc for the year ended 30 June 2003 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and notes 1 to 28. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of Directors' responsibilities within the Directors' report.

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 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 with the company 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 and Chairman's statement. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going Concern

In forming our opinion we have considered the adequacy of the disclosures made in note 2 to the accounts. The Group is currently relying on the support of its major creditors and the Directors. The financial statements have been prepared on a going concern basis, the validity of which depends on the receipt of £717,000 as a result of further share issues over the next two months and the achievement of significant sales from two key projects during the current financial year. If the additional funding is not forthcoming and the anticipated sales do not materialise the Group may be unable to continue trading. In view of the significance of these uncertainties we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group as at 30 June 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB AV Audit plc
Registered Auditors
Crown House
37 – 41 Prince Street
Bristol
BS1 4PS

27 November 2003"

PART IV

A – Accountant's Report on Done and Dusted Limited

BDO Stoy Hayward LLP
Corporate Finance

Kings Wharf 20 -30 Kings Road
Reading Berkshire RG1 3EX

The Directors
Digital Classics plc
31 Eastcastle Street
London
W1W 8DL

The Directors
Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

27 January 2006

Dear Sirs

Done and Dusted Limited and its subsidiary undertakings
(together, the "Done and Dusted Group")

Introduction

We report on the financial information set out in Section B of Part V. This financial information has been prepared for inclusion in the admission document dated 27 January 2006 of Digital Classics plc (the "Admission Document") on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

As described in Section B of Part V, the directors and prospective directors of Digital Classics plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with applicable UK accounting standards.

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

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document a true and fair view of the state of affairs of the Done and Dusted Group as at the dates stated and of its consolidated profits and losses, cash flows, and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable UK accounting standards as described in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of 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. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

B – Financial information on Done and Dusted Limited

Responsibility

The directors and prospective directors of Digital Classics plc are responsible for preparing the financial information set out below on the basis of preparation set out in note 1 to the financial information and in accordance with applicable UK accounting standards.

Consolidated profit and loss accounts

		Year to 31 December			*Period to 30 June*
		2002	*2003*	*2004*	*2005*
	Notes	*£*	*£*	*£*	*£*
Turnover	2	4,795,155	3,337,874	7,124,056	4,849,096
Cost of sales		(3,791,802)	(2,387,813)	(5,404,579)	(3,584,963)
Gross profit		1,003,353	950,061	1,719,477	1,264,133
Administrative expenses		(1,197,105)	(942,809)	(1,336,135)	(514,742)
Operating (loss)/profit	3	(193,752)	7,252	383,342	749,391
Investment income	4	—	19,060	—	—
Other interest receivable and similar income		7,691	7,805	13,831	6,937
Interest payable and similar charges	6	(132)	(550)	(518)	(259)
(Loss)/profit on ordinary activities before taxation		(186,193)	33,567	396,655	756,069
Tax on loss/(profit) from ordinary activities	7	34,225	(11,699)	(132,348)	(226,662)
(Loss)/profit on ordinary activities after taxation		(151,968)	21,868	264,307	529,407
Dividends	8	—	(19,060)	—	—
Retained (loss)/profit for the year/period	19	(151,968)	2,808	264,307	529,407
(Loss)/earnings per share					
Basic and diluted	9	(759.84)	109.34	1,476.58	3,529.38

All amounts relate to continuing activities.

Statement of total recognised gains and losses

	Year to 31 December			*Period to 30 June*
	2002	*2003*	*2004*	*2005*
	£	*£*	*£*	*£*
(Loss)/profit on ordinary activities after taxation	(151,968)	21,868	264,307	529,407
Currency translation differences on foreign currency net investments	(100)	(409)	(447)	(1)
Total recognised gains and losses relating to the year	(152,068)	21,459	263,860	529,406

Consolidated balance sheets

	Notes	As at 31 December 2002 £	2003 £	2004 £	As at 30 June 2005 £
Fixed assets					
Tangible assets	10	30,142	27,081	—	—
Fixed asset investments	11	804	2,760	2,757	2,757
		30,946	29,841	2,757	2,757
Current assets					
Stocks	12	—	—	341,135	59,373
Debtors	13	638,949	410,429	692,860	1,810,809
Cash at bank and in hand		378,559	24,697	430,160	975,150
		1,017,508	435,126	1,464,155	2,845,332
Creditors: amounts falling due within one year	14	(1,090,178)	(507,258)	(1,423,031)	(2,274,802)
Net current (liabilities)/assets		(72,670)	(72,132)	41,124	570,530
Total assets less current liabilities		(41,724)	(42,291)	43,881	573,287
Creditors: amounts falling due after more than one year	15	(5,191)	(2,225)	—	—
		(46,915)	(44,516)	43,881	573,287
Capital and reserves					
Called up share capital	18	200	200	150	150
Capital redemption reserve	19	—	—	50	50
Profit and loss account	19	(47,115)	(44,716)	43,681	573,087
Shareholders' (deficit)/funds	20	(46,915)	(44,516)	43,881	573,287

Consolidated cash flow statements

	Notes	*Year to 31 December* 2002 £	2003 £	2004 £	*Period to 30 June* 2005 £
Net cash inflow/(outflow) from operating activities	23	101,238	(340,457)	713,885	764,974
Returns on investments and servicing of finance					
Interest received		7,691	7,805	13,831	6,937
Interest paid		(3)	(32)	—	—
Interest element of finance lease payments		(129)	(518)	(518)	(259)
Dividends received		—	9,530	—	—
Net cash (outflow)/inflow from returns on investments and servicing of finance		7,559	16,785	13,313	6,678
Tax paid		(3,847)	(11,699)	(132,348)	(226,662)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(32,589)	(4,039)	(8,289)	—
Acquisitions and disposals		(902)	(1,956)	(175,907)	—
Equity dividends paid		—	(9,530)	—	—
Cash inflow/(outflow) before financing		71,459	(350,896)	410,654	544,990
Financing					
Capital element of finance lease payments		8,157	(2,966)	(5,191)	—
Cash inflow/(outflow) from financing		8,157	(2,966)	(5,191)	—
Increase/(decrease) in cash for the year/period	24	79,616	(353,862)	405,463	544,990

Notes to the financial information

1. Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

Basis of consolidation

The Done and Dusted Group financial information consolidates the financial information of Done and Dusted Limited and certain of its subsidiary undertakings (namely, Done and Dusted Inc and Done and Dusted Productions Inc, together the "US Subsidiaries"), which together comprise the trade and assets of the group which is the subject of the Acquisition, for the periods shown. Profits or losses on inter-group transactions are eliminated in full.

The Done and Dusted Group financial information does not consolidate the financial statements of Done and Dusted's other subsidiary undertakings (the "non-US subsidiaries") either on the grounds of materiality, where such subsidiary undertakings were dormant throughout the periods shown, or on the grounds that the non-US subsidiaries do not form part of the trade and assets of the group which is the subject of the Acquisition. Profits or losses on inter-group transactions and intercompany balances with the non-US subsidiaries are not eliminated. Investments in the non-US subsidiaries are stated at cost.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25 per cent. reducing balance

Investments

Fixed asset investments in the non-US Subsidiaries are stated at cost less provision for diminution in value.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Stock

Work in progress has been valued at the lower of cost and net realisable value.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Leasing

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

Done and Dusted Limited operates a defined contribution scheme and the contributions are charged against profits as they accrue.

2. Turnover

All turnover arose in the United Kingdom. Turnover by destination was as follows:

	Year to 31 December			Period to 30 June
	2002	2003	2004	2005
	£	£	£	£
United Kingdom	4,488,031	2,510,862	4,945,523	4,138,897
Rest of the World	307,124	827,012	2,178,533	710,199
	4,795,155	3,337,874	7,124,056	4,849,096

3. Operating(loss)/ profit

	Year to 31 December			Period to 30 June
	2002	2003	2004	2005
	£	£	£	£
Operating (loss)/ profit is stated after charging:				
Depreciation of tangible assets	6,211	7,099	6,680	—
Auditors' remuneration:				
Audit services	3,500	3,500	3,500	4,000
Operating lease rentals:				
Plant and machinery	—	—	4,713	2,675
Other	96,000	96,000	48,000	—
Directors' emoluments	371,809	272,556	373,076	177,288

Year ended 31 December 2003

Included within bad debts is £214,048 that is irrecoverable from Done and Dusted Music Management Limited, a fixed asset investment of the company that ceased trading in 2003.

4. Investment income

	Year to 31 December			Period to 30 June
	2002	2003	2004	2005
	£	£	£	£
Income from shares in group undertakings	—	19,060	—	—

5. Directors and employees

Staff costs including directors, were as follows:

	Year to 31 December 2002 £	2003 £	2004 £	Period to 30 June 2005 £
Wages and salaries	706,233	442,107	731,723	341,426
Social security costs	69,017	46,739	75,908	37,052
Other pension costs	7,307	3,935	3,900	2,288
	782,557	492,781	811,531	380,766

The average number of employees including directors was as follows:

	Year to 31 December 2002 Number	2003 Number	2004 Number	Period to 30 June 2005 Number
Production	4	2	4	5
Directors and administration	7	6	5	8
	11	8	9	13

The number of directors who were members of the Done and Dusted Limited money purchase pension schemes was as follows:

	Year to 31 December 2002 Number	2003 Number	2004 Number	Period to 30 June 2005 Number
Directors	1	1	1	1

Remuneration in respect of directors was as follows:

	Emoluments £	Pension contributions £	Non cash benefits received £	Total £
Year to 31 December 2002				
S Pizey	109,677	4,073	—	113,750
I D Stewart	60,986	823	—	61,809
M G N H Hamilton (Resigned 4 July 2002)	40,000	—	—	40,000
A Pettett (Resigned 31 October 2002)	42,500	—	—	42,500
P Morrison	114,227	(477)	—	113,750
	367,390	4,419	—	371,809
Year to 31 December 2003				
S Pizey	125,000	3,755	—	128,755
I D Stewart	119,000	—	—	119,000
P Morrison	24,801	—	—	24,801
	268,801	3,755	—	272,556

Year to 31 December 2004				
S Pizey	162,700	3,900	—	166,600
I D Stewart	173,629	—	—	173,629
P Morrison (Resigned 4 August 2004)	32,847	—	—	32,847
	369,176	3,900	—	373,076
Period to 30 June 2005				
S Pizey	87,500	2,288	—	89,788
I D Stewart	87,500	—	—	87,500
	175,000	2,288	—	177,288

6. Interest payable and similar charges

	Year to 31 December 2002 £	2003 £	2004 £	*Period to 30 June* 2005 £
Other interest	3	32	—	259
Hire purchase interest	129	518	518	—
	132	550	518	259

7. Taxation

	Year to 31 December 2002 £	2003 £	2004 £	*Period to 30 June* 2005 £
Domestic current year tax				
UK corporation tax	(34,796)	11,576	131,941	226,662
Adjustment for prior years	—	—	328	—
Current UK tax charge	(34,796)	11,576	132,269	226,662
US tax	571	123	79	—
	(34,225)	11,699	132,348	226,662

The tax assessed for each period is different from the standard rate of corporation tax in the UK. The differences are explained below:

	Year to 31 December 2002 £	2003 £	2004 £	*Period to 30 June* 2005 £
(Loss)/profit on UK ordinary activities before taxation	(191,005)	34,829	398,000	756,069
Tax on (loss)/profit on UK ordinary activities at the standard rate of corporation tax in the UK of 30% (2002: 25.5%; 2003: 19%; 2004: 30%)	(42,976)	6,618	119,400	226,821
Effect of:				
Expenses not deductible for tax purposes	9,839	42,444	13,031	1,193
Depreciation in excess of capital allowances	(1,659)	73	(491)	(1,352)
Group relief	—	(34,113)	—	—
Other tax adjustments	—	(3,621)	—	—
Current UK tax charge	(34,796)	11,576	132,269	226,662

8. Dividends

	Year to 31 December			Period to 30 June
	2002	2003	2004	2005
	£	£	£	£
Final proposed of £nil per share for the period to 30 June 2005 (For the year to 31 December 2002: £nil; 2003: £95.30; 2004: £nil)	—	19,060	—	—

9. (Loss)/earnings per share

(Loss)/earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the (loss)/earnings, being (loss)/profit after tax are as follows:

	Year to 31 December			Period to 30 June
	2002	2003	2004	2005
	Number	Number	Number	Number
Weighted average number of equity shares	200	200	179	150
	£	£	£	£
(Loss)/earnings, being (loss)/profit after tax	(151,968)	21,868	264,307	529,407

The number of shares used for the diluted (loss)/earnings per share is the same as that used for the basic (loss)/earnings per share.

10. Tangible assets

	Fixtures and fittings £
Cost	
As at 1 January 2002	5,018
Additions	32,589
As at 31 December 2002	37,607
Additions	4,039
As at 31 December 2003	41,646
Additions	8,289
Disposals	(49,935)
As at 31 December 2004 and 30 June 2005	—
Depreciation	
As at 1 January 2002	1,254
Charge for the year	6,211
As at 31 December 2002	7,465
Charge for the year	7,100
As at 31 December 2003	14,565
Charge for the year	6,680
On disposals	(21,245)
As at 31 December 2004 and 30 June 2005	—
Net book value	
As at 1 January 2002	3,764
As at 31 December 2002	30,142
As at 31 December 2003	27,081
As at 31 December 2004 and 30 June 2005	—

The net book value of tangible assets includes an amount of £nil as at 30 June 2005 (as at 31 December 2002: £9,887; 2003: £6,643; 2004: £nil) in respect of assets held under finance lease and hire purchase contracts.

The depreciation charge in respect of such assets amounted to £nil for the period to 30 June 2005 (for the year ended 31 December 2002: £1,030; 2003: £2,214; 2004: £nil).

11. Fixed asset investments

Fixed asset investments comprise investments in the non-US subsidiaries, which have been shown at cost as not forming part of the Done and Dusted Group which is the subject of the acquisition (refer to note 26).

	Shares in group undertakings and participating interests
	£
Cost	
As at 1 January 2002	2
Additions	802
As at 31 December 2002	804
Additions	1,956
As at 31 December 2003	2,760
Disposals	(3)
As at 31 December 2004 and 30 June 2005	2,757

Holdings of more than 20 per cent.

Done and Dusted Limited holds more than 20 per cent. of the share capital of the following companies:

Year ended 31 December 2002

Company	*Country of registration or corporation*	*Class*	*Shares held %*
Subsidiary undertakings			
Done and Dusted (Events) Ltd	UK	Ordinary	100
Done and Dusted Brands Ltd	UK	Ordinary	80
Done and Dusted Music Management Ltd	UK	Ordinary	100
Done and Dusted Holdings Ltd	UK	Ordinary	100
Done and Dusted Films Ltd (formerly Larna Limited)	UK	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	*Profit/(loss) for the year*
Done and Dusted (Events) Ltd	(3,479)	(87,581)
Done and Dusted Brands Ltd	307,000	306,000
Done and Dusted Music Management Ltd	17,119	17,118
Done and Dusted Films Ltd	1	—
Done and Dusted Holdings Ltd	1	—

Year ended 31 December 2003

Company	*Country of registration or incorporation*	*Class*	*Shares held %*
Subsidiary undertakings			
Done and Dusted (Events) Ltd	UK	Ordinary	100
Done and Dusted Brands Ltd	UK	Ordinary	80
Done and Dusted Music Management Ltd	UK	Ordinary	100
Done and Dusted Holdings Ltd	UK	Ordinary	100
Done and Dusted Films Ltd	UK	Ordinary	100
Participating interests			
FiredUp.TV Limited	UK	Ordinary	50
Done and Dusted @Radical LLC	USA		50

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	*Profit/(loss) for the year*
Done and Dusted (Events) Ltd	(3,479)	—
Done and Dusted Brands Ltd	397,940	90,940
Done and Dusted Music Management Ltd	3,092	(14,027)
Done and Dusted Holdings Ltd	1	—
Done and Dusted Films Limited	1	—
FiredUp.TV Limited	(36,358)	(36,360)
Done and Dusted @Radical LLC	(8,998)	(12,498)

Year ended 31 December 2004

Company	*Country of registration or incorporation*	*Class*	*Shares held %*
Subsidiary undertakings			
Done and Dusted Brands Ltd	UK	Ordinary	80
Done and Dusted Holdings Ltd	UK	Ordinary	100
Done and Dusted Films Ltd	UK	Ordinary	100
Participating interests			
FiredUp.TV Limited	UK	Ordinary	50
Done and Dusted @Radical LLC	USA		50

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	*Profit/(loss) for the year*
Done and Dusted Brands Ltd	397,940	—
Done and Dusted Holdings Ltd	1	—
Done and Dusted Films Limited	1	—
FiredUp.TV Limited	(21,138)	15,220
Done and Dusted @Radical LLC	21,789	(13,810)

Period ended 30 June 2005

Company	*Country of registration or incorporation*	*Class*	*Shares held %*
Subsidiary undertakings			
Done and Dusted Brands Ltd	UK	Ordinary	80
Done and Dusted Holdings Ltd	UK	Ordinary	100
Done and Dusted Films Limited	UK	Ordinary	100
FiredUp.TV Limited	UK	Ordinary	50
Done and Dusted @Radical LLC	USA		50

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	*Profit/(loss) for the period*
Done and Dusted Brands Ltd	397,940	—
Done and Dusted Holdings Ltd	1	—
Done and Dusted Films Limited	1	—
FiredUp.TV Limited	(21,138)	15,220
Done and Dusted @Radical LLC	23,407	—

12. Stock

	As at 31 December			As at 30 June
	2002	*2003*	*2004*	*2005*
	£	£	£	£
Work-in-progress	—	—	341,135	59,373

13. Debtors

	As at 31 December			As at 30 June
	2002	*2003*	*2004*	*2005*
	£	£	£	£
Trade debtors	207,758	115,734	496,593	708,689
Amounts owed by group undertakings and undertakings in which Done and Dusted has a participating interest	96,616	116,039	116,120	219,218
Other debtors	334,575	178,656	80,147	882,902
	638,949	410,429	692,860	1,810,809

Amounts owed by group undertakings and undertakings in which Done and Dusted Limited has a participating interest include amounts due from the non-US subsidiaries, which have been excluded from the consolidation, as set out in note 1.

Included within other debtors is an amount falling due after more than one year of £nil at 30 June 2005 (as at 31 December 2002: £28,200; 2003: £28,200; 2004: £nil).

14. Creditors: amounts falling due within one year

	As at 31 December			As at 30 June
	2002	*2003*	*2004*	*2005*
	£	£	£	£
Net obligations under hire purchase contracts	2,966	2,966	—	—
Trade creditors	746,756	307,558	308,776	895,879
Amounts owed to group undertakings and undertakings in which Done and Dusted Limited has a participating interest	23,735	801	5,127	800
Taxation and social security	134,417	83,563	161,123	494,768
Other creditors	182,304	112,370	948,005	883,355
	1,090,178	507,258	1,423,031	2,274,802

Amounts owed to group undertakings and undertakings in which Done and Dusted Limited has a participating interest include amounts due to the non-US subsidiaries, which have been excluded from the consolidation, as set out in note 1.

Years ended 31 December 2003 and 31 December 2004

The company's bankers Coutts and Co have a fixed and floating charge over the assets of the company.

15. Creditors: amounts falling due after more than one year

	As at 31 December			As at 30 June
	2002	*2003*	*2004*	*2005*
	£	£	£	£
Net obligations under hire purchase contracts	5,191	2,225	—	—

Financial liabilities are due:

	As at 31 December			As at 30 June
	2002	*2003*	*2004*	*2005*
	£	*£*	*£*	*£*
Hire purchase contracts				
– in one year or less	2,966	5,191	—	—
– in more than one year	5,191	—	—	—
	8,157	5,191	—	—

16. Pension costs

Done and Dusted Limited operates a defined contribution pension scheme. The assets of the scheme are held separately from those of Done and Dusted Limited in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £2,288 in the period to 30 June 2005 (for the year ended 31 December 2002: £7,307; 2003: £3,755; 2004: £3,900). Contributions of £1,558 in the period to 30 June 2005 were outstanding at the balance sheet date (for the year ended 31 December 2002: £1,477; 2003: £3,471; 2004: £579).

17. Financial instruments and risk management

The Done and Dusted Group's financial instruments comprise cash, including short term deposits, trade debtors and trade creditors that arise directly from its operations. The main risks arising from the Done and Dusted Group's financial instruments are liquidity risk and currency risk. The board has reviewed and agreed policies for managing each of these risks and they are summarised below.

Short-term debtors and creditors have been excluded from all of the following disclosures, other than the currency risk disclosure. The Done and Dusted Group has no financial assets other than debtors and cash at bank. The balance sheet values for the financial assets and liabilities are not materially different from their fair values.

Currency risk

The Done and Dusted Group operates in overseas markets and is subject to exposures on transactions undertaken during the year. The Done and Dusted Group's exposure to exchange rate fluctuations is small based on its revenue and cost base and its policy is not to hedge against foreign currency transactions.

The sterling equivalent of the Done and Dusted Group's net assets denominated in foreign currencies was as follows:

	As at 31 December			As at 30 June
	2002	*2003*	*2004*	*2005*
	£	*£*	*£*	*£*
US dollar	4,241	(6,551)	25,164	23,982

18. Share capital

	As at 31 December			As at 30 June
	2002	*2003*	*2004*	*2005*
	£	*£*	*£*	*£*
Authorised				
1,000 Ordinary shares of £1 each	1,000	1,000	1,000	1,000
Allotted, called up and fully paid				
150 Ordinary shares of £1 each at 30 June 2005 (at 31 December 2002: 200; 2003: 200; 2004: 150)	200	200	150	150

19. Statement of movement on reserves

	Capital redemption reserve £	*Profit and loss account* £
At 1 January 2002	—	104,953
Retained loss for the year	—	(151,968)
Foreign exchange difference	—	(100)
As at 31 December 2002	—	(47,115)
Retained profit for the year	—	2,808
Foreign exchange difference	—	(409)
As at 31 December 2003	—	(44,716)
Retained profit for the year	—	264,307
Purchase of own shares	—	(175,463)
Foreign exchange difference	—	(447)
Capital redemption reserve movement	50	—
As at 31 December 2004	50	43,681
Retained profit for the period	—	529,407
Foreign exchange difference	—	(1)
As at 30 June 2005	50	573,087

During the year ended 31 December 2004 the company purchased 50 ordinary shares from P Morrison, for the sum of £175,513.

20. Reconciliation of movements in shareholders' funds

	As at 31 December			*As at 30 June*
	2002 £	*2003* £	*2004* £	*2005* £
At the beginning of the year/period	105,153	(46,915)	(44,516)	43,881
(Loss)/profit for the year/period	(151,968)	2,808	264,307	529,407
Purchase of own shares	—	—	(175,463)	—
Foreign exchange differences	(100)	(409)	(447)	(1)
At the end of the year/period	(46,915)	(44,516)	43,881	573,287

21. Related party transactions

	As at 31 December			*As at 30 June*
	2002 £	*2003* £	*2004* £	*2005* £
Amounts owed by the company:				
Done and Dusted Brands Limited	800	800	800	800
FiredUp.TV Limited	—	—	4,327	—
Done and Dusted Music Management Limited	22,934	—	—	—
Amounts owed to the company:				
Kazoo Communications Limited	93,234	13,443	118,341	218,982
Done and Dusted Films Limited	—	—	—	104
Done and Dusted Inc.	26,367	3,309	—	132
FiredUp.TV Limited	—	5,124	—	—
Done and Dusted Music Management Limited	—	83,872	—	—
Done and Dusted Events Limited	3,479	3,479	—	—

Done and Dusted Limited sold services of £nil in the period ended 30 June 2005 to Kazoo Communications Limited (for the year ended 31 December 2002: £74,644; 2003: £380; 2004: £nil). Kazoo Communications Limited is a wholly owned subsidiary of Done and Dusted Brands Limited.

Year ended 31 December 2002

During the year £127,500 was paid to H Hamilton, who was a director of the company until 4 July 2002, as film directing fees. At the balance sheet date £nil was outstanding.

22. Financial commitments

The following are the annual commitments under non-cancellable operating leases:

	As at 31 December			*As at 30 June*
	2002	*2003*	*2004*	*2005*
	£	£	£	£
Land and buildings				
Operating leases which expire:				
Within one year	—	96,000	—	—
In two to five years	96,000	—	—	—
	96,000	96,000	—	—

	As at 31 December			*As at 30 June*
	2002	*2003*	*2004*	*2005*
	£	£	£	£
Other				
Operating leases which expire:				
Within one year	—	—	2,842	—
In two to five years	—	—	2,584	2,584
	—	—	5,426	2,584

23. Reconciliation of operating (loss)/profit to net cash flow from operating activities

	As at 31 December			*As at 30 June*
	2002	*2003*	*2004*	*2005*
	£	£	£	£
Operating profit	(193,752)	7,252	383,342	749,391
Depreciation	6,211	7,099	6,680	—
Loss on disposal of fixed assets	—	—	28,690	—
Exchange adjustment	—	(408)	—	—
(Increase)/decrease in stocks	—	—	(341,135)	281,762
(Increase)/decrease in debtors	(250,927)	228,520	(282,431)	(1,117,949)
Increase/(decrease) in creditors	539,706	(582,920)	918,739	851,770
Net cash flow from operating activities	101,238	(340,457)	713,885	764,974

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

	As at 31 December			*As at 30 June*
	2002	*2003*	*2004*	*2005*
	£	£	£	£
Increase/(decrease) in cash in the year/period	79,616	(353,862)	405,463	544,990
Cash outflow/(inflow) from decrease/(increase) in lease financing	2,966	5,191	—	—
Change in net funds/(debt) resulting from cash flows	82,582	(348,671)	405,463	544,990
New finance leases	—	—	—	—
Movement in net funds/(debt) in the year/period	82,582	(348,671)	405,463	544,990
Net funds/(debt) at the beginning of the year/period	290,786	373,368	24,697	430,160
Net funds/(debt) at the end of the year/period (note 24)	373,368	24,697	430,160	975,150

25. Analysis of net funds/(debt)

	At the start of the year/period	*Cash flow*	*Non-cash changes*	*At the end of the year/period*
	£	£	£	£
As at 31 December 2002				
Cash in hand and at bank	298,943	79,616	—	378,559
Finance leases	(8,157)	2,966	—	(5,191)
Total	290,786	82,582	—	373,368
As at 31 December 2003				
Cash in hand, at bank	378,559	(353,862)	—	24,697
Finance leases	(5,191)	5,191	—	—
Total	373,368	(348,671)	—	24,697
As at 31 December 2004				
Cash in hand, at bank	24,697	405,463	—	430,160
As at 30 June 2005				
Cash in hand, at bank	430,160	544,990	—	975,150

26. Post balance sheet events

On 26 January 2006, Done and Dusted Limited underwent a reorganisation for the purposes of the Acquisition. The trade and assets of Done and Dusted Limited relating to the production of music concerts and other live events, including its investments in Done and Dusted Inc and Done and Dusted Productions Inc, were distributed to Done and Dusted Group Limited, a company established specifically for the purpose of the reorganisation on 24 November 2005. The shareholders of Done and Dusted Group Limited are the same as those in Done and Dusted Limited and hold their shares in the same proportions.

As part of the reorganisation, the investment of Done and Dusted Limited in Done and Dusted Brands Limited was distributed to a second company, HIS Newco Limited, established specifically for the purpose of the reorganisation on 24 November 2005.

An application for the dissolution of Done and Dusted Music Management Limited was made on 30 September 2005 and of Done and Dusted Films Limited on 13 January 2006. Done and Dusted (Events) Limited was dissolved on 19 April 2005.

BDO Stoy Hayward LLP
Corporate Finance

Kings Wharf 20 -30 Kings Road
Reading Berkshire RG1 3EX

The Directors
Digital Classics plc
31 Eastcastle Street
London W1W 8DL

The Directors
Evolution Securities Limited
100 Wood Street
London EC2V 7AN

27 January 2006

Dear Sirs

Done and Dusted Group Limited ("Done and Dusted Group Limited")

Introduction

We report on the financial information set out in Section D of Part V. This financial information has been prepared for inclusion in the admission document dated 27 January 2006 of Digital Classics plc (the "Admission Document") on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

As described in Section D of Part V, the directors and the prospective directors of Digital Classics plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with applicable UK accounting standards.

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

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document a true and fair view of the state of affairs of Done and Dusted Group Limited as at the date stated in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable UK accounting standards as described in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of 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. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

D – Financial information on Done and Dusted Group Limited

Responsibility

The directors and prospective directors of Digital Classics plc are responsible for preparing the financial information set out below on the basis of preparation set out in note 1 to the financial information and in accordance with applicable UK accounting standards.

Balance sheet as at 31 December 2005

	As at 31 December 2005
	£
Current assets	
Debtors – unpaid share capital	3
Net assets	3
Share capital and reserves	
Called up share capital (note 2)	3
Shareholders' funds – equity	3

Notes to the financial information

1. Accounting polices

Basis of preparation

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

Done and Dusted Group Limited was incorporated on 24 November 2005. Between the date of incorporation and 31 December 2005, Done and Dusted Group Limited did not trade, nor did it receive any income, incur any expenses or pay any dividends. Consequently no profit and loss account is presented.

2. Share capital

	As at 31 December 2005
	£
Authorised	
1,000,000 ordinary shares of £1 each	1,000,000
Allotted and called up	
3 ordinary shares of £1 each	3

Done and Dusted Group Limited was incorporated with authorised share capital of £1,000,000 divided into 1,000,000 ordinary shares of £1 each. On incorporation, 3 ordinary shares of £1 each were issued at £1 per share. The amount due to Done and Dusted Group Limited remained unpaid as at 31 December 2005.

3. Post balance sheet events

On 26 January 2006, Done and Dusted Limited underwent a reorganisation for the purposes of the Acquisition. The trade and assets of Done and Dusted Limited relating to the production of music concerts and other live events, including its investments in Done and Dusted Inc., and Done and Dusted Productions Inc., were distributed to Done and Dusted Group Limited. The shareholders of Done and Dusted Group Limited are the same as those in Done and Dusted Limited and hold their shares in the same proportions.

PART V

Pro Forma Net Asset Statement of the Enlarged Group

The following unaudited pro forma net assets statement of the Enlarged Group following the Acquisition and the Placing has been prepared for illustrative purposes only to provide information about the impact of the Acquisition and Placing on the Group and due to its nature may not give a true reflection of the financial position of the Enlarged Group. It has been prepared on the basis that the Acquisition and Placing were undertaken as at 30 June 2005 and on the basis set out in the notes:

		Adjustments					
	Group as at 30 June 2005 (note 1) £000	*Box TV as at 31 March 2005 (note 2) £000*	*NBD Group as at 31 August 2005 (note 3) £000*	*Acquisition of Box TV & NBD Group (note 4) £000*	*Done and Dusted as at 30 June 2005 (note 5) £000*	*Acquisition and Placing (note 6) £000*	*Pro forma net assets of the Enlarged Group £000*
Fixed assets							
Intangible assets	6,008	—	—	8,313[a]	—	11,441[x]	25,762
Tangible assets	136	1	102	—	—	—	239
Investments	—	—	—	—	3	—	3
	6,144	1	102	8,313	3	11,441	26,004
Current assets							
Stock and work in progress	169	6	—	—	59	—	234
Debtors	2,996	27	501	—	1,811	—	5,335
Cash at bank and in hand	24	76	269	(145)[b]	975	2,005[y]	3,204
	3,189	109	770	(145)	2,845	2,005	8,773
Creditors: amounts due within one year	(2,456)	(142)	(544)	(365)[c]	(2,275)	—	(5,782)
Net current assets/(liabilities)	733	(33)	226	(510)	570	2,005	2,991
Total assets less current liabilities	6,877	(32)	328	7,803	573	13,446	28,995
Creditors: amounts due after more than one year	—	(160)	(312)	(3,837)[d]	—	(2,466)[z]	(6,775)
Net assets/(liabilities)	6,877	(192)	16	3,966	573	10,980	22,220

Notes:

The unaudited pro forma net assets statement has been prepared on the following basis:

1. The net assets of the Group at 30 June 2005 have been extracted without material adjustment from the financial information set out in Part III of this document.

Adjustments:

2. The unaudited net liabilities of Box TV at 31 March 2005 have been extracted from the audited consolidated financial statements of Box TV for the 17 month period then ended after adjustment for the de-consolidation of Meredith Services Limited and Gordian Productions Limited which were disposed of by Box TV prior to its acquisition by the Group. The impact on the net liabilities of Box TV of this de-consolidation was £nil.
3. The unaudited net assets of NBD Group at 31 August 2005 have been calculated by consolidating the audited results of NBD Holdings Limited, NBD Television and CreaTVty Limited for the period then ended.
4. An adjustment has been made to reflect the effect of the acquisition by the Group of Box TV and NBD Group on 9 December 2005. This adjustment comprises the following:
   (a) an estimate of the goodwill arising as a result of the acquisitions of Box TV and NBD Group amounting to £8,313,000, as illustrated in the table below:

	£000	*£000*
Consideration		
Box TV	6,120	
NBD Group	1,460	
		7,580
Total transaction costs of the Group relating to the acquisitions		557
Total costs of acquisition of Box TV and NBD Group		8,137
Pro forma net liabilities acquired (as above)		176
Pro forma goodwill		8,313

The final calculation of goodwill will incorporate the net assets or liabilities of Box TV and NBD Group at the actual date of acquisition, including any fair value adjustments. The calculation above is based on the net liabilities of Box TV at 31 March 2005 and net assets of NBD Group at 31 August 2005. Any difference between actual net assets or liabilities as at the date of acquisition and the net liabilities and net assets shown above as at 31 March and 31 August 2005 respectively will alter the calculation of the pro forma goodwill and the difference may be material.

The total cost of acquisition of Box TV and NBD Group (including transaction costs) was financed by:

	£000
Consideration shares	3,790
Cash	3,982
NBD Group deferred consideration	365
	8,137

The cash consideration was partly paid by the issue of £4,000,000 of Loan Notes.

(b) an estimate of the cash requirement resulting from the acquisition of Box TV and NBD Group amounting to £145,000, calculated as cash costs of acquisition of £3,982,000 (as above) plus the repayment of a loan of £163,000 payable by NBD Television to NatWest Bank plc less cash funds raised of £4,000,000 (being total funds raised of £8,155,000 less consideration shares of £3,790,000 and NBD Group deferred consideration of £365,000);

(c) the deferred cash consideration payable to the vendors of NBD TV of £365,000. The deferred consideration will become payable by the Group on the fulfilment of certain performance criteria by NBD Television. The amount shown is the maximum which would become payable under the terms of the acquisition assessment; and

(d) an adjustment to creditors: amounts due in more than one year of £3,837,000 to reflect the Loan Notes issued of £4,000,000 less the NatWest loan repayment of £163,000 (as above).

5. The net assets of Done and Dusted as at 30 June 2005 have been extracted without material adjustment from the Accountant's Report on Done and Dusted Limited set out in Part IV of this document.

6. An adjustment has been made to reflect the effects of the Acquisition and the Placing, as follows:

(x) an estimate of the goodwill arising as a result of the Acquisition amounting to £11,441,000, as illustrated in the table below:

	£000
Consideration	11,550
Total transaction costs excluding costs relating to the Placing	464
Total costs of Acquisition	12,014
Pro forma net assets acquired (as above)	(573)
Pro forma goodwill	11,441

The final calculation of goodwill will incorporate the net assets of Done and Dusted at the actual date of acquisition, including any fair value adjustments. The calculation above is based on the net assets of Done and Dusted at 30 June 2005. Any difference between actual net assets as at the date of acquisition and the net assets shown above as at 30 June 2005 will alter the calculation of the pro forma goodwill and the difference may be material.

The total costs of acquisition will be financed by:

	£000
Consideration shares	5,775
Cash	6,239
	12,014

The cash consideration will be paid from the proceeds of the Placing and from the issue of £2,466,000 of Loan Notes.

(y) an estimate of the cash arising from the Acquisition and Placing amounting to £2,005,000, calculated as proceeds of the placing of £6,034,000 plus the issue of Loan Notes of £2,466,000 less cash costs of acquisition of £6,239,000 (as above) less costs relating to the Placing of £256,000;

(z) an adjustment to creditors: amounts due after more than one year of £2,466,000 to reflect the Loan Notes issued.

7. Estimated proceeds of the Placing of £6,034,000 less estimated costs of the Placing of £720,000 are included.

8. Other than the acquisitions of Box TV and NBD Group as shown above, no account has been taken of any changes in the financial position of the Group or Done and Dusted, including their trading performance, since 30 June 2005. No account has been taken of any changes in the financial position of Box TV or NBD Group, including their trading performance, since 31 March 2005 and 31 August 2005 respectively.

PART VI

Additional Information

1. Responsibility statement

The Directors and the Proposed Directors whose names, business addresses and functions appear on page 6 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge of the Directors and the Proposed Directors (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 there is no omission therefrom likely to affect the import of such information.

2. Incorporation and status of the Company

(a) The Company was incorporated in England and Wales on 27 June 1997 under the Act as a private company limited by shares with the name Ludgate 144 Limited and with registered number 3393610. On 16 September 1997 the Company changed its name to Gabriel Trust Limited and was re-registered as a public limited company with the name Gabriel Trust PLC. On 24 November 1999 the name of the Company was changed to Online Classics PLC. On 8 May 2001 the name of the Company was changed to Digital Classics plc.

(b) The principal legislation under which the Company operates is the Act and regulations made thereunder.

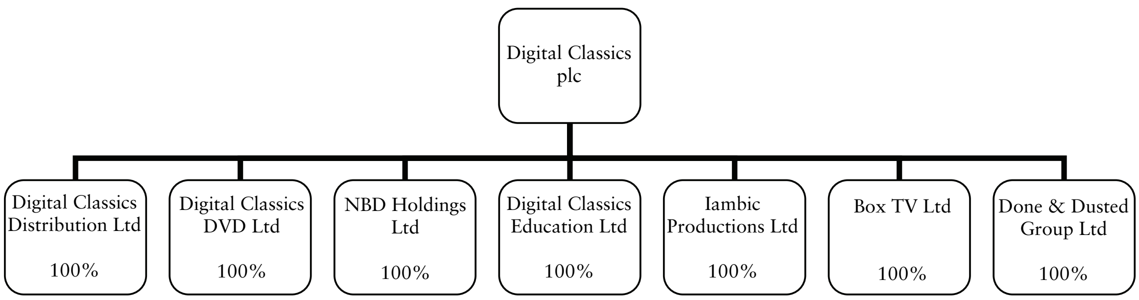
(c) The Company's registered office is at 30 Farringdon Street, London, EC4A 4HJ. The Company's principal place of business is at 31 Eastcastle Street, London W1W 8DL, telephone number 020 7636 1400.

(d) The accounting reference date of the Company is 30 June.

(e) Details of the Group are set out in paragraph 3 below.

3. The Group

(a) Upon Admission, the structure of the Enlarged Group (but only as regards the principal entities within the Enlarged Group) will be as follows:



(b) The Company is a member of a group of which it is the holding company.

(c) Upon Admission, the Company will be the direct or indirect holding company of the following material subsidiary undertakings, all of which are 100 per cent. owned (unless otherwise stated):

   (i) Iambic Productions Limited, which was incorporated in England & Wales on 27 September 1985 with registered number 1950834;

   (ii) Digital Classics DVD Limited, which was incorporated in England & Wales on 29 May 1998 with registered number 3572526;

   (iii) Digital Classics Distribution (Two) Limited, which was incorporated in England & Wales on 24 September 1999 with registered number 3847732;

(iv) Digital Classics Distribution Limited, which was incorporated in England & Wales on 14 May 2003 with registered number 4764368;

(v) Digital Classics Distribution Rights Limited, which was incorporated in England & Wales on 25 June 2003 with registered number 4810444;

(vi) Digital Classics Education Limited, which was incorporated in England & Wales on 18 December 2001 with registered number 4341960;

(vii) Digital Classics Channels Limited, which was incorporated in England & Wales on 18 December 2001 with registered number 4341868;

(viii) Box TV Limited, which was incorporated in England & Wales on 26 July 2000 with registered number 4041463;

(ix) Box Film Limited, which was incorporated in England & Wales on 9 January 2001 with registered number 4137375;

(x) Box Film Productions Limited, which was incorporated in England & Wales on 25 February 2002 with registered number 04380456;

(xi) Box TV (Docs) Limited, which was incorporated in England & Wales on 8 August 2002 with registered number 04507248;

(xii) Box TV (Finance) Limited, which was incorporated in England & Wales on 8 January 2004 with registered number 05009668;

(xiii) Pie Shop Productions Limited, which was incorporated in England & Wales on 10 May 2001 with registered number 04213764;

(xiv) Box TV (Production) Limited, which was incorporated in England & Wales on 17 January 2002 with registered number 04355465;

(xv) Box Film (Boudicca) Limited, which was incorporated in England & Wales on 25 February 2002 with registered number 04380448;

(xvi) Box Film Distribution Limited, which was incorporated in England & Wales on 12 June 2002 with registered number 04459861;

(xvii) Box TV (S&L) Limited, which was incorporated in England & Wales on 31 August 2001 with registered number 04279801;

(xviii) Box TV (Dice) Limited, which was incorporated in England & Wales on 16 February 2001 with registered number 04161843;

(xix) Box TV (Trust Production) Limited, which was incorporated in England & Wales on 18 January 2002 with registered number 04355552;

(xx) N.B.D. Holdings Limited, which was incorporated in England & Wales on 6 March 1990 with registered number 2477508;

(xxi) N.B.D. Television Limited, which was incorporated in England & Wales on 11 March 1992 with registered number 2696049;

(xxii) N.B.D. Entertainment Limited, which was incorporated in England & Wales on 28 February 1990 with registered number 2475324;

(xxiii) N.B.D. Pictures Limited, which was incorporated in England & Wales on 7 March 1984 with registered number 1797749;

(xxiv) CreaTVty Limited, which was incorporated in England & Wales on 29 February 2000 with registered number 3935946;

(xxv) Done and Dusted Group Limited, which was incorporated in England & Wales on 24 November 2005 with registered number 5635539;

(xxvi) Done and Dusted, Inc., which was incorporated in the state of New York on 29 October 2001 with EIN Number 13-4197134;

(xxvii) Done and Dusted Productions, Inc., which was incorporated in the State of California on 1 November 2004 with Entity Number C2681258.

4. Principal investments

Save as disclosed in this document the Enlarged Group has no significant investments.

5. Share capital of the Company

(a) The authorised and issued share capital of the Company as at the date of this document and as it will be following Admission is as follows:

	Existing				*Following Admission*			
	Number of Ordinary Shares	*Nominal Value £*	*Number of Deferred Shares*	*Nominal Value £*	*Number of Ordinary Shares*	*Nominal Value £*	*Number of Deferred Shares*	*Nominal Value £*
Authorised	2,000,000,000	0.1p	50,933,729	0.9p	6,000,000,000	0.1p	50,933,729	0.9p
Issued and fully paid	1,313,096,484	0.1p	50,933,729	0.9p	2,963,315,714	0.1p	50,933,729	0.9p

(b) In the financial years ended 30 June 2003, 30 June 2004 and 30 June 2005 respectively, the changes in the share capital of the Company were as follows:

Date	*Number of Ordinary Shares*	*Event as per RNS annoucement*
13 December 2005	473,750,000	Acquisitions (Box TV and NBD Holdings Limited)
12 July 2005	1,250,000	Placing to Directors – launch of DVD label
28 June 2005	95,000,000	Placing – Launch of DVD label
25 March 2004	430,222,222	Acquisition of R M Associates Distribution Limited
16 March 2004	4,750,000	Placing for Working Capital
4 February 2004	35,000,000	Placing to GEM Global Yield Fund Limited
9 January 2004	15,239,200	Placing to Directors
20 November 2003	16,998,000	Placing for Working Capital
25 June 2003	1,400,000	Placing for Working Capital
19 May 2003	15,033,328	Placing for Working Capital
31 January 2003	9,520,006	Placing for Working Capital
24 January 2003	64,000,000	Placing for Working Capital

The number of Ordinary Shares in issue at the beginning of each such year and at the end of each such year was as follows:

Table of Shares in Issue

	30 June 2003	*30 June 2004*	*30 June 2005*
Ordinary Shares in issue at commencement of period	49,493,253	240,887,062	743,096,484
Ordinary Shares in issue at end of period	240,887,062	743,096,484	839,346,484
Difference	191,393,809	502,209,422	96,250,000

The number of Deferred Shares in issue at the beginning of each such year and at the end of each such year was as follows:

	30 June 2003	*30 June 2004*	*30 June 2005*
Deferred Shares in issue at commencement of period	50,933,729	50,933,729	50,933,729
Deferred Shares in issue at end of period	50,933,729	50,933,729	50,933,729
Difference	0	0	0

(c) The provisions of section 89 of the Act (which refer on Shareholders right of pre-exemption in respect of the allotment of equity securities which are paid up in cash) will apply to the authorised but unissued share capital of the Company except to the extent disapplied by the Resolutions.

(d) The New Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.

(e) The Company's Articles permit the Company to issue shares in uncertificated form. The Ordinary Shares are in registered form and may be held in either certificated form or in uncertificated form through CREST.

(f) Save as disclosed in this document:

  (a) no share or loan capital in the Company or the Group is under option or is the subject to an agreement, conditional or unconditional, to be put under option and there is no current intention to issue any of the authorised and unissued Ordinary Shares; and

  (b) no share or loan capital of the Company or of the Group has been issued for cash or other consideration within the period covered by the historical financial information in this document and no such issue is proposed.

(g) The Existing Ordinary Shares and the New Ordinary Shares will be eligible for settlement in CREST on Admission.

(h) The Ordinary Shares have been created under the Act.

(i) The International Security Identification Number of the Ordinary Shares is GB0009369892.

6. Memorandum and Articles

A summary of the terms of the memorandum ("Memorandum") and articles of association ("Articles") of the Company is set out below. The summary below is not a complete copy of the terms of the Memorandum and Articles.

(i) *Memorandum*

The Memorandum provides that the Company's principal objects are to carry on business as a general commercial company. The objects of the Company are set out in full in clause 4 of the Memorandum.

(ii) *Articles of Association*

The Articles contain provisions, among others, to the following effect:

(1) *Meetings of Members*

Subject to the requirement to convene and hold annual general meetings in accordance with the requirements of the Act, the Board may call general meetings whenever and at such times and places as it shall determine and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene an extraordinary general meeting in accordance with the requirements of the Act.

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a director shall be called by at least 21 clear days' notice. All other extraordinary general meetings shall be called by at least 14 clear days' notice. Subject to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to each of the directors and the auditors for the time being of the Company. The notice shall specify the time and place of the meeting and, in the case of special business, the general nature of such business. The accidental omission to give notice of a meeting, or to send a form of proxy with a notice where required by the Articles, to any person entitled to receive the same, or the non-receipt of a notice of meeting or form of proxy by any person, shall not invalidate the proceedings of that meeting.

The directors may from time to time make such arrangements for the purpose of controlling the level of attendance as they shall in their absolute discretion consider appropriate.

The appointment of a proxy shall be executed by or on behalf of the appointer. Delivery of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. A member may appoint more than one proxy to attend on the same occasion.

A corporation or corporation sole which is a member of the Company may authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares.

(2) *Voting Rights*

At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him. On a poll votes may be given either personally or by proxy.

(3) *Alteration of Capital*

(i) The Company may from time to time by ordinary resolution:

(a) increase its capital as the resolution shall prescribe;

(b) consolidate and divide all or any of its shares into shares of larger amount;

(c) sub-divide all or any of its shares into shares of smaller amount; and

(d) 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.

(ii) The Company may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account subject to the provisions of the Act.

(4) *Variation of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being issued may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of such holders. At every such separate general meeting the necessary quorum shall be not less than two persons holding or representing by proxy not less than one third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, one holder who is present in person or by proxy, whatever the amount of his holding, shall be deemed to constitute a meeting.

(5) *Transfer of Shares*

The instrument of transfer of a share shall be in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid.

(6) *Dividends and other distributions*

The Company may in general meeting declare dividends, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears that they are justified by the profits of the Company.

All dividends shall be apportioned and paid pro rata to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

In a winding up, the liquidator may, with the sanction of an extraordinary resolution and subject to the provisions of the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

(7) *Directors*

(i) At every annual general meeting of the Company one third of the Directors (other than the Managing Director and any Director holding an executive office with the Company) or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.

(ii) Save as provided in paragraph (iii) below, a Director shall not vote at a meeting of the Board or any committee of the Board on any resolution of the Directors concerning a matter in which he has a material interest.

(iii) The prohibition in paragraph (ii) above shall not apply to a Director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries; (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company or any of its subsidiaries by him; (iv) any proposal concerning any other company in which he does not hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company); (v) any resolution relating to an arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not provide in respect of any Director as such any privilege or benefit not accorded to the employees to whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.

(iv) The remuneration of the Directors shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree or, failing agreement, equally. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

(v) The number of Directors shall not be less than two. There is no maximum number of Directors.

(8) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company to secure that, save with the previous sanction of an ordinary resolution, no money shall be borrowed if the principal amount outstanding of all moneys borrowed by the Company and its subsidiaries then exceeds, or would as a result of such borrowing exceed, an amount equal to 3 times the adjusted capital and reserves.

(9) *Deferred Shares*

The Deferred Shares do not entitle the holders thereof to receive any dividend or other distribution nor to receive notice of or to attend or vote at any general meeting of the Company. On a return of capital on a winding up the holders of Deferred Shares are only entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of £100,000 for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company. The Deferred Shares are liable to be cancelled without payment of any consideration to the holders thereof. The Deferred Shares are not transferable without the consent of the Board; the Company is authorised at any time: (a) to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same (without making any payment to the holders thereof and persons so entitled) to such persons as the Company may determine as holders thereof beneficially entitled thereto; (b) pending any such transfer not to issue certificates for the Deferred Shares.

Neither (a) the passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the Court of an order confirming any such reduction of capital or share premium account or the making effective of such order, nor (b) the purchase by the Company in accordance with the provisions of the Act of any of its own shares or other securities or the passing of a resolution to permit any such purchase, shall constitute a variation of rights. The rights conferred by the Deferred Shares cannot be varied or abrogated by the creation or issue of further shares ranking pari passu with or in priority to the Deferred Shares.

7. Directors' and other Interests

(a) *Holdings in Ordinary Shares*

(i) As at 26 January 2006, being the latest practicable date prior to the publication of this document, the interests of the Directors, the Proposed Directors and members of their immediate families or persons connected with them (within the meaning of section 346 of the Act) in the issued share capital of the Company which would be required to be notified to the Company pursuant to sections 324 and 328 of the Act or would be required to be disclosed in the register of directors' interests pursuant to section 325 of the Act and the existence of which is known to, or could with reasonable due diligence be ascertained by the Directors and the Proposed Directors, were and immediately following Admission are expected to be as follows:

	Existing			*Following Admission*		
Director	*Ordinary Shares*	*Deferred Shares*	*Percentage of Existing Ordinary Shares*	*Ordinary Shares*	*Deferred Shares*	*Percentage of Enlarged Issued Ordinary Share Capital*
D K Elstein	1,250,000	—	0.10%	16,630,000	—	0.56%
C J Hunt	114,449,809	10,017,671	9.00%	114,449,809	10,017,671	3.86%
M W Barton	2,393,728	293,728	0.80%	3,158,728	2,393,728	0.11%
J Thomson-Glover	142,290,000	—	11.00%	142,290,000	—	4.80%
N Davies Williams	77,562,500	—	5.90%	77,562,500	—	2.62%
S Pizey	—	—	0.00%	282,932,692	—	9.55%
R S Price MBE	6,637,095	978,762	0.51%	7,637,095	978,762	0.26%
T Wildman	2,428,571	645,157	0.18%	2,428,571	645,157	0.08%

(ii) The Company has granted share options pursuant to the Share Option Plan to the following Directors and Proposed Directors as set out below.

Name	*No. of Ordinary Shares subject to option*	*Exercise price*
Christopher Hunt	3,750,000	0.8p
Justin Thomson-Glover	2,500,000	0.8p
Nicola Davies Williams	3,750,000	0.8p
Simon Pizey	3,750,000[1]	0.8p
David Elstein	3,750,000	0.8p
Michael Barton	3,750,000	0.8p
Richard Price	2,500,000	0.8p
Tarik Wildman	2,500,000	0.8p

1 Options to be granted on Admission

(iii) As at 19 January 2006, being the latest practicable date prior to the publication of this document, other than in respect of the persons listed below and the holdings of certain of the Directors and persons connected with them (within the meaning of Section 346 of the Act), details of which are set out in paragraph 7(a)i above, the Directors are not aware of any person who (directly or indirectly) is interested (or is expected to be interested, following Admission) in three per cent. or more of the issued ordinary share capital of the Company:

Name of Shareholder	*Ordinary Shares*	*Percentage of Existing Ordinary Shares*
HSBC Global Custody Nominee (UK) Limited	131,522,600	10.00%
Matthew Neal	130,815,000	10.00%
Patrick Irwin	109,395,000	8.00%
Edwin Neil Mundy	53,720,000	5.10%
Vidacos Nominees Limited	38,119,200	4.54%
TD Waterhouse Nominees Limited	33,241,624	3.96%
Barclayshare Nominees Limited	29,919,709	3.56%

(b) None of the Directors, Proposed Directors nor any of the persons named in paragraph 7(a)(iv) above, nor any of the Vendors, is entitled to exercise different voting rights to the other Shareholders.

(c) Save as disclosed in this paragraph 7, the Directors and Proposed Directors are not aware of any person or persons who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

(d) Save as disclosed in this document no Director, Proposed Director nor any member of their immediate families nor so far as the Directors or Proposed Directors are aware (having made due and careful enquiry) any person connected with them (within the meaning of Section 346 of the Act), directly or indirectly, has any interest, beneficial or non-beneficial, in the share or loan capital of the Company or in any related financial product (as defined in the AIM Rules) and no Director or Proposed Director will acquire any such interest pursuant to the Acquisition.

(e) No Director or Proposed Director has or has had any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Enlarged Group and which was effected by the Enlarged Group during the current year and remains, in any respect, outstanding or unperformed.

(f) No loans are outstanding by the Enlarged Group to or for the benefit of any of the Directors or Proposed Director or their connected persons, nor has any guarantee been provided by the Enlarged Group for the benefit of any Director or Proposed Director or his connected persons.

(g) For the financial year ended 30 June 2005, the aggregate remuneration and benefits in kind paid to the Directors by the Company was £202,422.

(h) In addition to their directorships of Group companies, the Directors and the Proposed Directors currently hold, and in the previous five years have held, the following directorships and are, or were, partners of the following partnerships:

Director	*Current directorships and partnerships*	*Previous directorships and partnerships*
D K Elstein	Sparrowhawk Investments Limited The Commercial Radio Companies Association Limited Screen Digest Limited Sports Network Group Plc Stoll Moss Group Holdings Limited Really Useful Theatres Limited British Screen Advisory Council Brook Productions Limited Hardt Group Capital Partners Limited Henry Television Holdings Limited Opentrust Sparrowhawk Media Limited Rightgarden Limited Sparrowhawk Distribution Limited Sparrowhawk International Channels Limited Ridgegarden Limited Sparrowhawk Holdings Limited Ridgefolder Limited Crown Entertainment Limited NTL, Inc.	NFTS Foundation Xios Transcast Corporation Limited The Film Consortium Limited Skillset Sector Skills Council Icons Worlwide Limited National Film and Television School (The)
C J Hunt	Digital Classics plc Digital Classics Distribution Limited Digital Classics DVD Limited Digital Classics Distribution Rights Limited Iambic Production Limited Digital Classics Education Limited Digital Classics Distribution (Two) Limited Digital Classics Channels Limited World Poker Masters Limited Richard Price and Chris Hunt Limited Box TV Limited and subsidiaries NBD Holdings Limited and subsidiaries	Digital Classics (CI) Limited
M W Barton	Digital Classics plc Edwill Investments Limited John B Lavin & Co Limited	Copper Lloyd Davies Limited Berkely Drummond Limited JBL Secretarial Services Limited

Director	*Current directorships and partnerships*	*Previous directorships and partnerships*
M W Barton *(continued)*	Edwill Properties Limited The Quiet Survivor Limited JBL London Limited Rotherham Taylor Limited Wiled Properties Limited Iambic Productions Limited Media Classics Limited Norwest Recruit Limited Digital Classics Channels Limited Just Signatures Limited Michael W Barton Limited Michael Barton Limited Wrigley Claydon Limited Churton Place Limited Digital Classics Distribution Limited Digital Classics Distribution Rights Limited Birchington Investment Limited Golden Hua Zong Technology Limited (BVI) New Hibernia Investments Limited MW Barton Limited Box TV Limited and subsidiaries NBD Holdings Limited and subsidiaries	The Company Store Group Service Limited Mediwatch plc Rev-gen plc Aberdeen park Investment Limited STS Corporate Limited Lyons Wilson Limited Terry McGraw Limited Churton Place Management Company Limited Clifford Pool and Co Limited
J Thomson-Glover	Box TV Limited Box Film Limited Box TV (S&L) Limited Box TV (Dice) Limited Pie Shop Productions Limited Box TV (Trust Production) Limited Box TV (Production) Limited Box Film (Boudicca) Limited Box Film Productions Limited Box Film Distribution Limited Box TV (Docs) Limited Box TV (Finance) Limited Box TV (Riverworld) Limited – Tessa Thomson-Glover Limited Box Work Limited	Meredith Services Limited Intermedia Film Equities Limited Gordian Productions Limited Box RED Limited BoxRED Film Limited Village Intermedia Pictures Limited If Only Production Services Limited Alexander Productions Limited Intermedia Film Distribution Limited Box Film (Baker Street) Limited
N Davies Williams	NBD Holdings Limited NBD Entertainment Limited NBD Pictures Limited NBD Television Limited CreaTVty Limited	
S Pizey	Done and Dusted Limited Done and Dusted Brands Limited Kazoo Communications Limited	Done and Dusted (Events) Limited Done and Dusted Music Management Limited

Director	*Current directorships and partnerships*	*Previous directorships and partnerships*
S Pizey *(cointinued)*	Done and Dusted Inc Done and Dusted Productions Inc HIS Newco Limited Done and Dusted Group Limited	Done and Dusted Films Limited Over and Done with (Events) Limited Done and Dusted Productions Limited Fired Up. TV Limited Edison Interactive Music Limited
R S Price MBE	Richard Price Television Associates Limited R.P.T.A. Limited The Performance Company Digital Classics plc Watermill Theatre Limited Watermill Catering Limited Training and Performance Showcase Limited HFT Property Limited Oklahoma! Screen Productions Limited Richard Price and Chris Hunt Limited Great Expectations the Musical Limited Savile Club Limited The Alistair Cooke Trust	Primetime plc and subsidiaries V F G plc DannyRose.com Limited Local Broadcasting Group Limited Television Monitoring Services Limited Zenith Entertainment Limited BAFTA Management Limited EuroArts Primetime Limited Five TV Limited Nicholls & Price Television & Marketing Limited Primetime Andromeda Limited 2 Richards Limited Team Programmes Limited Out of Town (Lymington) Limited Television Enterprise and Asset Management (Holdings) Limited Restormel Mentally Handicapped Limited Producers' Alliance for Cinema and Television Limited
Tarik Wildman	Digital Classics plc Forest Asset Management London Listings & Corporate Finance Limited Wildman & Co Limited	MV Capital Limited

(i) Save as disclosed below:

(i) none of the Directors or Proposed Directors has any previous names;

(ii) none of the Directors or Proposed Directors has any unspent convictions in relation to indictable offences;

(iii) none of the Directors or Proposed Directors has ever had a bankruptcy order made against him or entered into an individual voluntary arrangement or had a receiver appointed to any of his assets;

(iv) none of the Directors or Proposed Directors has been a director of a company at the time of, or within the preceding 12 months of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or where it has made any composition or arrangement with its creditors or generally or any class of its creditors;

(v) none of the Directors or Proposed Directors has been a partner of a partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement or had a receiver appointed to any asset of his or a partnership asset whilst he was a partner of that partnership at the time or within 12 months after he ceased to be a partner of that partnership;

(vi) none of the Directors or Proposed Directors has been publicly criticised by any statutory or regulatory authority (including recognised professional bodies), or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(j) (i) Richard Price was Chairman of Local Broadcasting Group Limited when an administrative receiver was appointed on 27 November 2000. A creditors' voluntary arrangement was implemented on 18 February 2003, pursuant to which preferential creditors were paid in full, and proven unsecured creditors received a dividend of 16.1 pence in the pound. The company was dissolved on 11 January 2005.

(ii) Richard Price resigned as Chairman of VFG plc on 17 October 2001. An administrative receiver was appointed on 20 December 2001. At the time of the appointment of the administrative receiver, the estimated surplus as regards preferential creditors was £1,302,000, the estimated deficit as regards the floating charge creditor was £14,098,000 and the estimated deficit as regards ordinary creditors was £29,398,000. The administration is ongoing.

(iii) David Elstein was a director of Smedial Limited when it went into members' voluntary liquidation on 20 June 2005. At the time the company went into liquidation, the estimated surplus after paying debts in full was £198,506.

8. Directors' service agreements and letters of appointment

(a) *Executive Directors' service agreements*

(i) Christopher Hunt was appointed to act as Chief Executive of the Company pursuant to a service agreement with the Company dated 8 November 2000. He receives an annual salary of £120,000 plus an annual pension contribution by the Company of £20,000 pursuant to his service agreement. The agreement may be terminated by either party giving 6 months' written notice and provides for no benefits upon the termination of his employment.

(ii) Michael Barton was appointed to act as part-time Finance Director of the Company pursuant to a consultancy agreement between the Company and Rotherham Taylor Limited dated November 2000. Mr Barton's consultancy agreement includes an agreement to pay Rotherham Taylor Limited at a rate of £64 per hour or £512 per day for Michael Barton carrying out services as Finance Director. The agreement may be terminated by either party giving 3 months' written notice. The agreement provides for no benefits upon the termination of his engagement.

(b) *Non-Executive Directors' letters of appointment*

(i) David Elstein was appointed to act as Non-executive Chairman for an annual fee of £25,000 pursuant to a letter of appointment dated 4 February 2005. The appointment may be terminated by either party giving three months' written notice. Mr Elstein's agreement provides for no benefits upon the termination of his appointment.

(ii) Richard Price was appointed to act as a non-executive director for an annual fee of £25,000 pursuant to a letter of appointment dated 4 September 2000. The appointment may be terminated by either party giving three months' written notice. Mr Price's service agreement provides for no benefits upon the termination of his appointment.

(iii) Tarik Wildman was appointed to act as a non-executive director for an annual fee of £20,000 pursuant to a letter of appointment dated 10 November 2000. The agreement may be terminated by either party giving three months' written notice. Mr Wildman's service agreement provides for no benefits upon the termination of his appointment.

(c) *Proposed Directors' service agreements*

(i) Justin Thomson-Glover was appointed to act as Managing Director of Box TV Limited for an initial fixed term of three years pursuant to a service agreement dated 16 December 2005. He receives an annual salary of £100,000 under his service agreement. Mr Thomson-Glover's service agreement includes a bonus arrangement under which he is paid a bonus equal to 8 per cent. of his annual salary for every 10 per cent. by which the adjusted EBITDA of Box TV and its subsidiaries exceeds the adjusted EBITDA forecast in each financial year (excluding any benefit derived from a new co-production fund for Canadian co-production companies). The agreement may be terminated by either party giving six months' notice in writing, and provides for no benefits on the termination of Mr Thomson-Glover's employment.

Mr Thomson-Glover has also agreed to act as a director of the Company from Admission pursuant to a letter of appointment dated 26 January 2006, under which he receives no remuneration.

(ii) Nicola Davies Williams was appointed to act as Chief Executive Officer of NBD Holdings Limited for an initial fixed term of three years pursuant to a service agreement dated 16 December 2005. She receives an annual salary of £118,000 under her service agreement. Ms Davies William's service agreement includes a bonus arrangement under which she is paid a bonus equal to 5 per cent. of her annual salary for every 10 per cent. by which the NBD Holdings Limited and its subsidiaries exceed their agreed EBITDA forecast in each financial year. The agreement may be terminated by either party giving three months' notice in writing, and provides for no benefits on the termination of Ms Davies William's employment.

Ms Davies Williams has also agreed to act as a director of the Company from Admission pursuant to a letter of appointment dated 26 January 2006, under which she receives no remuneration.

(iii) Simon Pizey will, on Admission, be appointed to act as Managing Director of Done and Dusted for an initial fixed term of three years pursuant to a service agreement to be dated on or around 23 February 2006. He receives an annual salary of £120,000 under his service agreement. Mr Pizey's service agreement includes a bonus arrangement under which he is paid a bonus equal to 10 per cent. of his annual salary for every 10 per cent. by which Done and Dusted and its subsidiaries exceed their agreed EBITDA forecast in each financial year. The agreement may be terminated by either party giving three months' notice in writing, and provides no benefits on the termination of Mr Pizey's employment.

Mr Pizey has also agreed to act as a director of the Company from Admission pursuant to a letter of appointment dated 26 January 2006, under which he receives no remuneration.

(d) Save as disclosed in this paragraph 7, there are no existing or proposed service agreements or letters of appointment between any Director or Proposed Director and any member of the Enlarged Group.

9. Share Option Plans

The Share Option Plans comprise the EMI Plan and the Unapproved Plan. The EMI Plan provides for the grant of qualifying options under Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 ("Schedule 5").

The Share Option Plans are each governed by written rules and administered by the Board which may delegate its powers to an authorised committee.

All employees who work for the Company and any subsidiaries of the Company as are designated as participating companies by the Board are eligible to participate in the Share Option Plans. Only employees with committed time for the purposes of Schedule 5 of at least 25 hours a week (or, if less, 75 per cent. of their working time) are eligible under the EMI Plan ("the Working Time Requirement").

Directors may participate in the Share Option Plans except that only Directors who satisfy the Working Time Requirement are eligible to participate in the EMI Plan.

Non-executive Directors and any employees and consultants who are ineligible under the EMI Plan will be eligible for the grant of options under the Unapproved Plan.

Whilst the Company's shares are traded on AIM then options may not be granted to directors or applicable employees during a close period unless permitted under the AIM Rules or there are exceptional circumstances. Otherwise, the Board may grant options at any time.

Options may be made exercisable only upon the achievement of performance conditions established by the Board at the time of grant.

Options will entitle the recipient to acquire Ordinary Shares at a price determined by the Board, which cannot be less than the nominal value of a share if shares are subscribed. The price will not usually be less than market value.

There are statutory limits on the value of shares that may be subject to options granted under the EMI Plan.

The number of shares which may be subscribed under the Share Option Plans is limited in any ten year period to not more than 10 per cent. of the issued share capital of the Company as may be issued or remain issuable pursuant to awards (including grants of options) after 17 August 2005 (the date the Board approved the Unapproved Plan) under the Share Option Plans and any other employees' share schemes established by the Company.

Options may only be exercised by the persons to whom they were granted, or their personal representative(s), and are not transferable. Options will be exercisable from a date or event determined at the date of grant. Options will usually be exercisable from the day after they are granted until three years from the date of grant. Options will normally lapse on the third anniversary of the date of grant.

The personal representative(s) of a deceased option holder may, at the Board's discretion, exercise an option for a period of 12 months following his death. Options under the EMI Plan are exercisable within a limited period in the event of the takeover, reconstruction or winding-up of the Company, but following a takeover may, alternatively, with the agreement of the acquiring company, be rolled over to become options over the acquiring company's shares. In the absence of exercise or roll-over, the options will lapse at the end of the limited exercise period.

The Board may exercise its discretion to apply different conditions to any or all of the options granted under the EMI Plan.

Similar exercise and lapse provisions will apply to options granted under the Unapproved Plan unless the Board exercises its discretion to apply different conditions to any or all options granted under this plan.

The Board's current intention is to limit future participation to selected individuals who are either directors of the Company and/or subsidiaries of the Company or key employees of a company in the Group. It is intended that (until the Board decides otherwise) annually each of the selected individuals will receive a grant of options over shares with an agreed market value at the date of grant. The number of shares and the exercise price per share is to be determined as a general rule by reference to the closing price on the dealing day immediately before the date of grant of the options to satisfy these annual awards. Subject to any close period or other applicable restrictions, the intention is to grant further options on or around the anniversary of previous grants.

General provisions

References to market value in respect of Share Option Plans are to:

(a) the market value of a share determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and (where necessary) agreed in advance with HM Revenue and Customs Shares Valuation (for shares that are traded on AIM the closing price for the preceding dealing day will normally be used); or

(b) if the shares are admitted to the Official List of the London Stock Exchange, the middle market quotation of a share, as derived from the Official List, for the three dealing days immediately preceding the date on which the option is granted.

Within 30 days of receipt of a notice of exercise, the shares in respect of which an option has been exercised under a Share Option Plan must be allotted and issued by the Board, or the Board must procure their transfer to the option holder. Such shares allotted on the exercise of an option will rank in full for all distributions declared, made or paid to shareholders on the register on a record date occurring after the date on which the notice of exercise is given to the Company and otherwise will rank pari passu in all respects with the other full paid issued shares by reference to a record date prior to allotment or transfer. Following the exercise of an option, the Company will apply to the London Stock Exchange for the relevant shares to be admitted to trading on AIM or other recognised investment exchange (if existing shares are already admitted).

The option price and the number of shares over which options have been granted will, following any rights issue or capitalisation or other variation of capital, be adjusted in such manner as the Board determines, subject to written confirmation from the Company's auditors, that the adjustments are, in their opinion, fair and reasonable.

The Share Option Plans may be amended by the Board in any way provided that no amendment may be made which would detrimentally affect the interests of option holders in relation to options already granted to them except with the written consent of such option holders who hold 75 per cent. or more of the shares which will be issued or transferred if all affected options were exercised. Any amendment which is to the advantage of option holders at any time when the Shares are traded on AIM and which relates to certain specified Rules (such as the overall limit on the number of Shares over which options may be granted) will not be effective unless it has been approved by shareholders of the Company in general meeting. There are exceptions to this requirement if an amendment is minor and benefits the administration of the Plan or it is to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or the Company or members of its group

Benefits under the Share Option Plans are not pensionable.

The Company has granted, or agreed to grant, options under the Share Option Plans over a total of 46,250,000 Ordinary Shares – this total includes the options granted to the Directors and Proposed Directors listed in paragraph 7(a)(ii) above. All the options granted under the Share Option Plans are exercisable at the price of 0.8p per Ordinary Share until the third anniversary of Admission.

In addition, options over 444,444 Ordinary Shares have been granted to Christopher Frampton under a previous share option scheme under which no further options will be granted. These options are exercisable at a price of 45 pence per Ordinary Share and expire on 9 January 2008.

10. Employees

As at 30 June 2004, 30 June 2005 and 31 December 2005 the Group employed the following numbers of staff.

As at 30 June 2004			*As at 30 June 2005*			*As at 31 December 2005*		
Company	*No of Staff*	*Location*	*Company*	*No of Staff*	*Location*	*Company*	*No of Staff*	*Location*
Digital Classics plc	5	London	Digital Classics plc	7	London	Digital Classics plc	6	London
Iambic Productions Ltd	5	Bristol	Iambic Productions Ltd	5	Bristol	Iambic Productions Ltd	6	Bristol
Digital Classics Distribution Ltd	6	London	Digital Classics Distribution Ltd	9	London	Digital Classics Distribution Ltd	6	London
Digital Classics Education Ltd	0	London	Digital Classics Education Ltd	0	London	Digital Classics Education Ltd	0	London
Digital Classics DVD Ltd	0	London	Digital Classics DVD Ltd	0	London	Digital Classics DVD Ltd	1	London
Group Total	16			21			18	

As at 30 June 2004			*As at 30 June 2005*			*As at 31 December 2005*		
Company	*No of Staff*	*Location*	*Company*	*No of Staff*	*Location*	*Company*	*No of Staff*	*Location*
NBD Holdings Ltd	0	London	NBD Holdings Ltd	0	London	NBD Holdings Ltd	0	London
NBD Television Ltd	10	London	NBD Television Ltd	11	London	NBD Television Ltd	9	London
CreaTVty Ltd	0	London	CreaTVty Ltd	0	London	CreaTVty Ltd	0	London
NBD Pictures Ltd	0	London	NBD Pictures Ltd	0	London	NBD Pictures Ltd	0	London
NBD Entertainment Ltd	0	London	NBD Entertainment Ltd	0	London	NBD Entertainment Ltd	0	London
Group Total	10			11			9	
Box TV	10	London	Box TV	6	London	Box TV	6	London
Group Total	10			6			6	

11. Lock-in and orderly market agreements

(i) Pursuant to the share purchase agreement for the acquisition of the entire issued share capital of NBD Holdings Limited of which further details are given in paragraph 12(a) below, the following individuals received the following numbers of shares in the Company subject to the following lock-in and orderly market arrangements:

(a) Nicola Davies Williams received, on 16 December 2005, 77,562,500 Ordinary Shares and undertook not to dispose of the shares or of any rights attaching to them for the period of two years. She further undertook not to dispose of the shares or of any rights attaching to them for a further period of 12 months other than through the Company's broker and so as to maintain an orderly market in the shares of the Company.

(b) Steven Ayton received, on 16 December 2005, 13,687,500 Ordinary Shares and undertook not to dispose of the shares or of any rights attaching to them for the period of two years. He further undertook not to dispose of the shares or of any rights attaching to them for a further period of 12 months other than through the Company's broker and so as to maintain an orderly market in the shares of the Company.

(ii) Pursuant to the share purchase agreement for the acquisition of the entire issued share capital of Box TV of which further details are given in paragraph 12(b) below, the following individuals received the following numbers of shares in the Company subject to the following lock-in and orderly market arrangements:

(a) Matthew Neal received, on 16 December 2005, 130,815,000 Ordinary Shares and undertook not to dispose of the shares or of any rights attaching to them for the period of two years. Such undertaking did not apply to a transfer of shares pursuant to (i) the acceptance of a take-over offer for the Company, (ii) an offer by the Company to purchase its own shares, or (iii) the death of Mr Neal. He further undertook not to dispose of the shares or of any rights attaching to them for a further period of 12 months other than through the Company's broker and so as to maintain an orderly market in the shares of the Company.

(b) Patrick Irwin received, on 16 December 2005, 109,395,000 Ordinary Shares and undertook not to dispose of the shares or of any rights attaching to them for the period of two years. Such undertaking did not apply to a transfer of shares pursuant to (i) the acceptance of a take-over offer for the Company, (ii) an offer by the Company to purchase its own shares, or (iii) the death of Mr Irwin. He further undertook not to dispose of the shares or of any rights attaching to them for a further period of 12 months other than through the Company's broker and so as to maintain an orderly market in the shares of the Company.

(c) Justin Thomson-Glover received, on 16 December 2005, 142,290,000 Ordinary Shares and undertook not to dispose of the shares or of any rights attaching to them for the period of two years. Such undertaking did not apply to a transfer of shares pursuant to (i) the acceptance of a take-over offer for the Company, (ii) an offer by the Company to purchase its own shares, or (iii) the death of Mr Thomson-Glover. He further undertook not to dispose of the shares or of any rights attaching to them for a further period of 12 months other than through the Company's broker and so as to maintain an orderly market in the shares of the Company.

(iii) Pursuant to the share purchase agreement for the acquisition of the entire issued share capital of Done and Dusted of which further details are given in paragraph 12(c) below, the following individuals will receive on Completion the following numbers of Ordinary Shares subject to the following lock-in and orderly market arrangements:

(a) Simon Pizey will receive 240,625,000 Ordinary Shares and has undertaken not to dispose of the shares or of any rights attaching to them for the period of two years. Such undertaking did not apply to a transfer of shares pursuant to (i) the acceptance of a take-over offer for the Company; (ii) the death of Mr Pizey; (iii) a court order requiring the shares to be sold or transferred; (iv) a disposal by Mr Pizey to a nominee or trustee holding only on his behalf; or (v) the transfer to a new such trustee. He further undertook not to dispose of the shares or of any rights attaching to them for a further period of 12 months other than through the Company's broker and so as to maintain an orderly market in the shares of the Company.

(b) Hamish Hamilton will receive 240,625,000 Ordinary Shares and has undertaken not to dispose of the shares or of any rights attaching to them for the period of two years. Such undertaking did not apply to a transfer of shares pursuant to (i) the acceptance of a take-over offer for the Company; (ii) the death of Mr Hamilton; (iii) a court order requiring the shares to be sold or transferred; (iv) a disposal by Mr Hamilton to a nominee or trustee holding only on his behalf; or (v) the transfer to a new such trustee. He further undertook not to dispose of the shares or of any rights attaching to them for a further period of 12 months other than through the Company's broker and so as to maintain an orderly market in the shares of the Company.

(c) Ian Stewart will receive 240,625,000 Ordinary Shares and has undertaken not to dispose of the shares or of any rights attaching to them for the period of two years. Such undertaking did not apply to a transfer of shares pursuant to (i) the acceptance of a take-over offer for the Company; (ii) the death of Mr Stewart; (iii) a court order requiring the shares to be sold or transferred; (iv) a disposal by Mr Stewart to a nominee or trustee holding only on his behalf; or (v) the transfer to a new such trustee. He further undertook not to dispose of the shares or of any rights attaching to them for a further period of 12 months other than through the Company's broker and so as to maintain an orderly market in the shares of the Company.

(iv) Pursuant to the placing agreement, further details of which are given in paragraph 12(f) below, each Director and Proposed Director agrees not to transfer their shares other than through the Company's broker and so as to maintain an orderly market in the shares of the Company for the period up to the announcement of interim results for the six months ending 31 December 2006.

(v) Pursuant to orderly market agreements dated 26 January 2006, each of Hamish Hamilton and Ian Stewart undertook not to transfer their shares other than through the Company's broker and so as to maintain an orderly market in the shares of the Company for the period upto the announcement of interim results for the six months ending 31 December 2006.

12. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been either entered into by members of the Enlarged Group during the two years immediately preceding the date of this document and are, or may be, material or are contracts entered into at any time which contain provisions under which a relevant member of the Enlarged Group has an obligation or entitlement which is material to the Enlarged Group as at the date of this document.

Digital Classics

(a) A share purchase agreement dated 9 December 2005 between Nicola Mary Beverly Davies Williams, Steven Paul Ayton and the Company pursuant to which the Company agreed to purchase the entire share capital of NBD Holdings Limited in consideration for the payment of £365,000 in cash, the issue of 91,250,000 new Ordinary Shares and deferred cash consideration of up to £365,000, payable on the fulfilment of certain performance criteria by NBD Television. The agreement contains certain warranties and undertakings given by Nicola Mary Beverly Davies Williams and Steven Paul Ayton in favour of the Company.

(b) A share purchase agreement dated 9 December 2005 between Matthew Neal, Patrick Irwin, Justin Thomson-Glover, Intermedia Film Equities Limited and the Company pursuant to which the Company agreed to purchase the entire share capital of Box TV Limited in consideration for £6,120,000 to be settled by the payment of £3,060,000 in cash and as to the balance by the issue of 382,500,000 new Ordinary Shares. The agreement contains certain warranties and undertakings given by Matthew Neal, Patrick Irwin and Justin Thomson-Glover, in favour of the Company.

(c) The Acquisition Agreement dated 26 January 2006 between the Vendors and the Company pursuant to which the Company agreed to purchase the entire share capital of Done and Dusted in consideration for the payment of £5,775,000 in cash and the issue of 721,875,000 Ordinary Shares. The agreement contains certain warranties and undertakings given by the Vendors in favour of the Company.

(d) A nominated adviser and broker agreement dated 3 August 2004 between the Company and Evolution Securities pursuant to which Evolution Securities has been appointed to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Evolution Securities a fee of £35,000 per annum for its services as nominated adviser and broker under the agreement, together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company in respect of, inter alia, compliance with all applicable laws and regulation. The agreement is subject to termination on the giving of one month's written notice.

(e) The Placing Agreement dated 27 January 2006 between the Company, the Directors, the Proposed Directors and Evolution Securities pursuant to which, conditional upon, inter alia, Admission taking place on or before 8.00 a.m. on 23 February 2006 (or such later time or date as the Company and Evolution Securities may agree being not later than 31 March 2006) Evolution Securities agreed to use reasonable endeavours to procure subscribers, or itself subscribe, for the Placing Shares. The agreement contains representations and warranties from the Company, the Directors and the Proposed Directors and an indemnity from the Company in favour of Evolution Securities together with provisions which enable Evolution Securities to terminate the agreement in certain circumstances prior to Admission including in the event of a material breach of any of the warranties and force majeure. Under the Agreement the Company has agreed to pay Evolution Securities a corporate finance fee of £150,000 and a commission of up to 5 per cent. of the aggregate value of the Placing Shares at the Placing Price.

(f) A subscription agreement dated 8 December 2005 between the Company, Highbridge Capital LLC, Omicron Master Trust, Cranshire Capital L.P. and Iroquois Capital L.P (the "Investors") whereby the Investors agreed to subscribe for up to £8,000,000 of convertible loan notes on the terms of the loan note instrument summarised at paragraph (g) below.

(g) A loan note instrument dated 16 December 2005 whereby the Company constituted £8,000,000 convertible loan notes. The loan notes are convertible into Ordinary Shares at a rate of 0.9p for each Ordinary Share, subject to adjustment.

Done and Dusted

(a) A reconstruction agreement dated 26 January 2006 between Done and Dusted Limited and Done and Dusted whereby Done and Dusted Limited agreed to sell certain of its assets relating to the production of music concerts and other live events to Done and Dusted conditional upon Done and Dusted Limited passing the requisite resolutions to wind itself up voluntarily and to appoint a liquidator with authority under Section 110(2) of the Insolvency Act 1986 to receive in compensation for the sale of such assets shares in Done and Dusted for distribution amongst the members of Done and Dusted Limited.

13. Litigation

Save as set out below, so far as the Directors and the Proposed Directors are aware, there are, and have been during the 12 months preceding the date of this document, no governmental, legal or arbitration proceedings active, pending or threatened against, or being brought by, any member of the Enlarged Group, which may have, or have had in the recent past, a significant effect on the financial position of the Enlarged Group.

Digital Classics Distribution Ltd ('DCD') is currently engaged in legal proceedings in France. Ute Lemper has brought an action for breach of her rights in performance and rights of privacy against (inter alia) Reiner Moritz Associates Ltd (In Administration), and is seeking to join DCD as a party to this action in its capacity as purchaser of the RM Associates business. The Directors are confident that she has no good ground on which to do so and that her attempt to join DCD to the action will therefore fail. She is claiming damages in the region of Euros 250,000.

14. Working capital

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, that, taking into account the Placing and the available bank facilities, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

15. Significant change

Save as disclosed in the "Current Trading and Prospects" section of Part I of this document and in Note 26 in the Accountant's Report on Done and Dusted Limited in section B of Part IV of this document, there has been no significant change in the financial or trading position of the Group or of Done and Dusted since 30 June 2005, the date to which the latest audited accounts of the Group and Done and Dusted Limited were prepared.

16. Related Party Transactions

(a) *Digital Classics*

Please refer to note 20 to the consolidated financial information on the Company which appears in Part III of this document for details of related party transactions entered into during the three year period ended 31 December 2005.

(b) *Done and Dusted Limited*

Please refer to notes 21 and 25 to the financial information on Done and Dusted which appears in Section B of Part IV of this document for details of related party transactions entered into during the three year and six month period ended 30 June 2005.

17. UK Taxation

The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in the UK for tax purposes, holding Existing Ordinary Shares as investments and not as securities to be realised in the course of a trade. They do not purport to be comprehensive nor to describe all potential relevant considerations. They are based on current UK legislation and UK HM Revenue and Customs practice (which may change). Any Shareholder who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

EIS Tax Reliefs

HM Revenue & Customs has given provisional confirmation that the Company is a qualifying company under the Enterprise Investment Scheme legislation. To obtain the tax reliefs described below it is necessary to subscribe for ordinary shares in a qualifying company and claim the relief.

The summary below gives only a brief outline of how the tax reliefs are given assuming the investor is a 40 per cent. tax payer. It does not set out all the rules which must be met for periods of between three and five years by the Company and the investor. The tax reliefs will only be relevant to investors who pay income tax and/or wish to defer a capital gain. The summary is not a substitute for the investor obtaining professional advice before applying for shares.

The EIS relief has four elements.

(i) *Income Tax Relief*

This allows an investor to reduce the amount of his, or her, liability to income tax in the year of investment. Relief is obtained at the lower rate of income tax, currently 20 per cent., on the amount invested in the shares of qualifying companies. Investors should be able to deduct an amount equal to 20 per cent. of their investment from their liability to income tax in the current tax year. Relief cannot be claimed on more than £200,000 invested by an individual (in any number of qualifying companies) in any tax year.

To retain this relief the shares must be held by the investor for a period that ends three years after the share issue date or three years after the trade starts, whichever is later. This will be referred to below as the three year period.

(ii) *Capital Gains Tax Exemption*

This exempts investors from the liability to capital gains tax when they realise a gain on a disposal of their shares in qualifying companies after the three year period, provided the EIS income tax relief was given on the shares and has not been withdrawn.

(iii) *Loss Relief*

In the event of an investor suffering a loss arising from the disposal of the EIS shares at any time, this relief allows the offset of losses against either capital gains or taxable income in the year of the loss.

(iv) *Capital Gains Tax Deferral*

Individuals and certain trustees can defer all or part of their capital gains tax liabilities by subscribing for eligible shares in an EIS company. There is no monetary limit on the amount of the EIS subscription and thus the gain that can be deferred in this way. The gains that can be deferred are those that have arisen in the three years before the EIS shares are issued or those that arise up to one year after that date. Such gains may be the result of the disposal of an asset or, a gain previously deferred by the individual, may have become chargeable to tax.

Investors should note that this relief is a deferral only and that the original capital gain will crystallise on the disposal of the EIS shares at any time, resulting in CGT being payable in the normal way. The investor would however, be able to claim further deferral to the extent that a qualifying reinvestment is made within the time allowed. A transfer of shares on the owner's death does not cause the deferred gain to crystallise.

Inheritance Tax Relief

Provided a shareholder has owned shares in a qualifying company for at least two years and certain conditions are met at the time of the transfer, 100 per cent. business property relief is available, which reduces the inheritance tax liability on the transfer to nil.

Venture Capital Trust

The Company has received provisional clearance from HM Revenue and Customs of the Company's status as a qualifying VCT investment.

Taxation of dividends

No tax will be withheld from dividend payments made by the Company.

Individual shareholders who are resident for tax purposes in the United Kingdom will be entitled to a tax credit in respect of any dividend received from the Company and will be taxable on the aggregate of the dividend received and the tax credit (the "gross dividend"). The tax credit is equal to one-ninth of the net dividend which equates to 10 per cent. of the gross dividend.

Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will in most circumstances be treated as the top slice of an individual's income. In the case of such individual shareholders who are not liable to income tax at the higher rate, the tax credit will discharge their tax liability in respect of the dividend and there will be no further tax to pay. United Kingdom resident individual shareholders who are liable to income tax at the higher rate will be subject to income tax at a rate of 32.5 per cent. of the gross dividend. The 10 per cent. tax credit will be set against this liability. After setting off the tax credit, a higher rate taxpayer will be liable to additional income tax equal to 25 per cent. of the net dividend.

United Kingdom resident shareholders will not be able to claim any repayment from HM Revenue and Customs in respect of the tax credit.

United Kingdom corporate shareholders resident for tax purposes in the United Kingdom will not generally be subject to United Kingdom corporation tax in respect of dividends paid by the Company.

Taxation of chargeable gains

Individual holders of Ordinary Shares who are resident or ordinarily resident for tax purposes in the United Kingdom may be liable to United Kingdom capital gains tax on any chargeable gain realised on the disposal of their Ordinary Shares, subject to any allowances, reliefs or exemptions that may be available to them. United Kingdom resident corporate holders of Ordinary Shares may be liable to corporation tax on chargeable gains in respect of gains realized on the disposal of their holdings of shares, subject to certain reliefs and exemptions. A shareholder not resident in the United Kingdom but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency, and has used, held or acquired the ordinary shares for the purposes of such trade, profession or vocation or such agency, may be subject to United Kingdom taxation on chargeable gains arising from the sale of those ordinary shares.

For individual shareholders taper relief (calculated by reference to the period of ownership) may be available to reduce the capital gains tax on disposal together with indexation allowance in respect of periods up to 6 April 1998. Shareholders within the charge to UK corporation tax are not entitled to taper relief but are entitled to indexation allowance for periods of ownership. For the purposes of calculating the indexation allowance on a subsequent disposal of Ordinary Shares, purchase or subscription monies will be taken into account only from the time at which such corporate shareholder became liable to make, or made, payment.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the issue of the New Ordinary Shares unless to a person to whom the depository receipts or clearances services charge applies.

A transfer of Ordinary Shares will generally be subject to ad valorem stamp duty on any instrument of transfer at the (current) rate of 0.5 per cent. of the consideration for the relevant transfer rounded up to the nearer £5. Where there is no written instrument of transfer, but there is an unconditional agreement to transfer any ordinary shares, a stamp duty reserve tax liability will generally arise. Stamp duty reserve tax is also chargeable at 0.5 per cent. If before the expiry of six years beginning with the date of that agreement, an instrument of transfer is duly stamped, any liability to stamp duty reserve tax will be cancelled or repaid.

Stamp duty and stamp duty reserve tax are generally the liability of the transferee.

This is only a condensed summary of the tax reliefs available to investors and should not be construed as constituting advice, which a potential investor should obtain from his, or her, own investment or taxation adviser before applying for shares.

Whilst the Company cannot guarantee to conduct its activities in a way to allow it to maintain its status as a qualifying EIS/VCT investment, the Directors intend, as far as possible, to do so.

18. Consents

(a) BDO Stoy Hayward LLP have given and have not withdrawn their written consent to the inclusion in this document of their accountant's reports in Part IV, in the form and context in which they appear.

(b) Evolution Securities has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

19. General

(a) It is estimated that the total expenses payable by the Company in connection with the Acquisition and Admission will amount to approximately £720,000 (excluding value added tax).

(b) Save as disclosed in this document:

  (i) there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Enlarged Group's business;

  (ii) the Directors and Proposed Directors are not aware of any exceptional factors which have influenced the Enlarged Group's activities;

  (iii) the Enlarged Group has no significant investments in progress; and

  (iv) the Enlarged Group has no significant future investments on which its management parties have already made firm commitments.

(c) Any statements made within this document regarding the competitive position of the Enlarged Group are based on the reasonable belief of the Directors and Proposed Directors based on their research.

(d) Except as detailed in this document, no person (other than professional advisers as referred to in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after completion of the Acquisition and Admission:

  (i) fees totalling £10,000 or more;

  (ii) securities in the Company with a value of £10,000 or more; or

  (iii) any other benefit with a value of £10,000 or more at the date of completion of the Acquisition and Admission.

(e) The Directors and the Proposed Directors confirm that the information in this document which has been identified as being sourced from named third parties has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

(f) It is expected that definitive share certificates in respect of the Placing Shares will be despatched by hand or first class post by 9 March 2006. In respect of Placing Shares to be issued in uncertificated form, it is expected that CREST stock accounts will be credited on 23 February 2006.

(g) The arrangements for payment of the Placing Shares are set out in the placing letters referred to in the Placing Agreement.

(h) There are no arrangements under which future dividends are waived or agreed to be waived.

(i) The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

(j) The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.

To the extent known by the Company, at Admission the Company will not be owned or controlled by any specific party or group of parties.

(k) The New Ordinary Shares represent 125.7 per cent. of the Existing Ordinary Shares and their issue will result in a corresponding level of dilution.

(l) Save as disclosed in this document, there are no provisions in the Company's articles of association which would have the effect of delaying, deferring or preventing a change of control of the Company.

(m) Save as disclosed in this document, so far as the Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for at least the current financial year.

(n) There are no mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

(o) No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.

20. Document available

This document will be available free of charge to the public during normal business hours on any week day (excluding Saturdays, Sundays and public holidays) at the offices of the Company and the offices of Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA and will remain available for at least one month after Admission.

Dated 27 January 2006

Digital Classics plc

(Registered in England and Wales with Company number 3393610)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Digital Classics plc (the "Company") will be held at the offices of Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA at 11.00 a.m. on 21 February 2006 to consider and, if thought fit, pass the following resolutions of which resolutions 1, 2 and 3 will be proposed as ordinary resolutions and resolutions 4 and 5 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. THAT the acquisition by the Company of the entire issued share capital of Done and Dusted Group Limited on the terms and subject to the conditions set out in the acquisition agreement dated 26 January 2006 between Hamish Hamilton, Simon Pizey, Ian Stewart and the Company as summarised in paragraph 12(c) of Part VI of the Circular of the Company dated 27 January 2006 (the "Circular") a copy of which acquisition agreement is produced to the meeting and initialled by the Chairman for the purposes of identification be and is hereby approved and the Directors or any duly authorised Committee of the Directors be and they are hereby authorised to take all steps necessary or desirable to complete the said acquisition.

2. THAT the authorised share capital of the Company be and is hereby increased from £2,000,000 to £5,000,000 by the creation of 3,000,000,000 new Ordinary Shares of 0.1p each ranking *pari passu* in all respects with the existing Ordinary Shares of 0.1p each in the capital of the Company.

3. THAT in substitution for all authorities in existence immediately prior to this resolution being passed, the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985, as amended (the "Act") to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £3,796,233 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in General Meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2006 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement notwithstanding such expiry.

SPECIAL RESOLUTIONS

4. THAT in substitution for all existing powers pursuant to that section, the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by Resolution 2 above as if section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited to:

   (a) the allotment of equity securities up to an aggregate nominal amount of £928,344 pursuant to the Placing (as such term is defined in the Circular);

   (b) the allotment and issue of equity securities up to an aggregate nominal amount of £1,230,769 in connection with the grant of conversion rights to the Loan Notes (as such term is defined in the Circular);

   (c) the allotment of equity securities in connection with an issue in favour of the holders of ordinary shares of the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to exclusions or other arrangements which the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange in any territory; and

(d) the allotment (otherwise than pursuant to sub-paragraphs (a) to (c) above) of equity securities up to an aggregate nominal amount of £296,331

and the power hereby granted shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2006 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry but otherwise in accordance with the foregoing provisions of this power in which case the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

5. THAT the name of the Company be changed to DCD Media plc.

BY ORDER OF THE BOARD

John Bottomley
Secretary

Dated: 27 January 2006

Registered Office:
30 Farringdon Street
London EC4A 4HJ

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the enclosed form of proxy for the meeting convened by the above notice and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the Company's registrars' office not less than 48 hours before the time for holding the meeting. Completion and return of the white form of proxy will not preclude ordinary shareholders from attending and voting in person at the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Extraordinary General Meeting is 11.00 a.m. on 19 February 2006 (being not more than 48 hours prior to the time fixed for the meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

Millnet Financial (7277-01)