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This document comprises an Admission Document and it has been drawn up in accordance with the AIM Rules. This document does not contain an offer of transferable securities to the public within the meaning of section 102B of FSMA and does not require a prospectus within the meaning of section 85 of FSMA and is not a prospectus as defined in the AIM Rules.

Application has been made for the admission of the Existing Ordinary Shares and the Placing Shares to be admitted to trading on the AIM Market of the London Stock Exchange plc ("AIM"). It is expected that admission to AIM will become effective and that dealings in the Existing Ordinary Shares and the Placing Shares will commence at 8.00 am on 8 May 2006.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with larger or more established companies tends to be attached. AIM securities are not admitted to the Official List. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The AIM Rules are less demanding than those of the Official List and it is emphasised that no application is being made for admission of the Existing Ordinary Shares or the Placing Shares to the Official List. Further, neither the UK Listing Authority nor the London Stock Exchange plc have examined or approved the contents of this document. The Ordinary Shares are not dealt on any other recognised investment exchange and no other such applications have been made.**

The Directors of the Company, whose names are set out on page 6 of this document, accept individual and collective responsibility for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the 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 does not omit anything likely to affect the import of such information.

**The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Prospective investors should carefully read the section entitled "Risk Factors" in Part II of this document. All statements regarding the Company's business should be viewed in the light of these risk factors.**

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# Interactive World plc

*(Incorporated and registered in England & Wales under the Companies Act 1985 with registered number 3769328)*

**Placing of 2,739,727 new Ordinary Shares and 6,849,316 Existing Ordinary Shares of  
0.25 pence each at 73p per share**

**and**

**Admission to AIM**

*Nominated Adviser and Broker*

**Daniel Stewart & Company plc**



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Daniel Stewart & Company plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as the Company's Nominated Adviser and Broker for the purposes of the AIM Rules and the responsibilities of Daniel Stewart & Company plc, as Nominated Adviser, are owed solely to London Stock Exchange plc and are not owed to any other person.

Persons receiving this document should note that, in connection with the matters described in this document, Daniel Stewart & Company plc is acting for the Company and David Sullivan in relation to the Placing and Admission and will not be responsible to any other person for providing the protections afforded to customers of Daniel Stewart & Company plc nor for providing advice in relation to the contents of this document or any other matter, transaction or arrangement referred to herein. Daniel Stewart & Company plc has not authorised the content of this document for any purpose and no representation or warranty, express or implied, is made by Daniel Stewart & Company plc as to any of the content or completeness of this document. The information contained in this document has been prepared solely for the purposes of Admission and is not intended to be relied upon by any subsequent purchaser of the Ordinary Shares and accordingly no duty of care is accepted in relation to them.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London EC2R 8DD from the date of this document and for a period of one month from Admission.

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## DEFINITIONS & GLOSSARY OF TERMS

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

“3G”	third generation cellular telephone systems that are expected to provide data communication speeds of up to two megabits per second
“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Existing Ordinary Shares and the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules applicable to companies whose shares are traded on AIM published by the London Stock Exchange
“Articles”	the articles of association of the Company
“Code”	The City Code on Takeovers and Mergers
“Combined Code”	the Combined Code on corporate governance and the code of best practice included in the appendix to the listing rules of the UK Listing Authority
“Content Providers”	providers of content or a brand owner
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3775)
“Daniel Stewart”	Daniel Stewart & Company plc, nominated adviser and broker to the Company
“Daniel Stewart Option”	the option agreement dated 2 May 2006 made between the Company (1) and Daniel Stewart (2) pursuant to which Daniel Stewart has been granted an option to subscribe for new Ordinary Shares, further details of which are set out in paragraph 6 of Part VI of this document
“Directors” or “Board”	the directors of the Company as at the date of this document, whose names appear on page 6 of Part I this document
“€”	Euros
“EIS”	the Enterprise Investment Scheme as prescribed in Part VII Chapter III of The Income and Corporation Taxes Act 1988, as amended
“EMI”	enterprise management incentives, in terms of ITEPA
“EMI Scheme”	the Company’s EMI share option scheme, details of which are set out in paragraph 8 of Part VI of this document
“Enlarged Issued Share Capital”	the ordinary share capital of the Company following Admission as enlarged by the issue of the Placing Shares

“Existing Ordinary Shares”	the 35,357,140 issued Ordinary Shares in the capital of the Company as at the date of this document
“FSMA”	Financial Services and Markets Act 2000, as amended
“Group”	the Company and the Subsidiary
“Interactive World” or “the Company”	Interactive World plc
“ITEPA”	the Income Tax (Earnings and Pensions) Act 2003
“London Stock Exchange”	London Stock Exchange plc
“MNOs”	mobile network operators
“Official List”	the official list of the UK Listing Authority
“Off-Portal”	services that are promoted by Content Providers to their users and which are accessible by a mechanism that is independent of the services otherwise listed or present in an operator portal
“On-Portal”	services that are determined in advance by the MNOs and are linked from the portal by “clicks”
“Operator Portal”	the default home page and associated screens that are presented by an MNO to their mobile phone users
“Ordinary Shares”	ordinary shares of 0.25p each in the capital of the Company
“Pathfinder”	Pathfinder Partnership LLP
“Pathfinder Option”	the conditional option agreement dated 20 February 2006 and entered into between the Company (1) and Pathfinder (2) pursuant to which Pathfinder has been granted an option to subscribe for new Ordinary Shares, further details of which are set out in paragraph 6 of Part VI of this document
“Panel”	the Panel on Takeovers and Mergers
“Placees”	subscribers or purchasers of Placing Shares or Vendor Placing Shares
“Placing”	the conditional placing by Daniel Stewart as agent for the Company of the Placing Shares and of the Vendor Placing Shares as agent for David Sullivan pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 2 May 2006 between the Company (1), the Directors (2), David Sullivan (3) and Daniel Stewart (4) relating to the Placing, further details of which are set out in paragraph 6 of Part VI of this document
“Placing Price”	73p per Ordinary Share
“Placing Shares”	2,739,727 new Ordinary Shares to be issued pursuant to the Placing Agreement
“QCA Guidelines”	the guidelines published by the Quoted Company Alliance regarding corporate governance for AIM companies
“Rysaffe”	Rysaffe Trustee Company (CI) Limited, a shareholder in the Company

“SARs”	the Rules Governing Substantial Acquisitions of Shares, issued on behalf of the Panel
“Shareholders”	holders of Existing Ordinary Shares
“Share Option Plan”	the Company’s unapproved share option scheme, details of which are set out in paragraph 8 of Part VI of this document
“SMS”	short message service
“Subsidiary”	Netcollex Limited
“UMTS”	Universal Mobile Telecommunications System, a 3G mobile technology that will deliver broadband information and also voice data and video to wireless devices
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	a division of the Financial Services Authority acting as a competent authority for purposes of Part IV of FSMA
“United States” or “US”	the United States of America
“Vendor Placing Shares”	the 6,849,316 Existing Ordinary Shares which have been conditionally placed by Daniel Stewart as agent for David Sullivan pursuant to the Placing Agreement
“VCTs”	venture capital trusts
“WAP”	Wireless Application Protocol

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Simon Patrick Hume-Kendall Robert Neil Johnson Andrew Peter Fletcher ACA Nigel Edwin Blythe-Tinker Clive Sullivan	<i>Non Executice Chairman</i> <i>Chief Executive Officer</i> <i>Chief Financial Officer</i> <i>Non Executive Director</i> <i>Non Executive Director</i>
<b>Company Secretary:</b>	Andrew Fletcher ACA	
<b>Registered Office:</b>	Ramillies House 2 Ramillies Street London W1F 7LN	
<b>Nominated Adviser and Broker:</b>	<b>Daniel Stewart &amp; Company plc</b> Becket House 36 Old Jewry London EC2R 8DD	
<b>Auditors and reporting accountants:</b>	<b>MRI Moores Rowland LLP</b> 3 Sheldon Square London W2 6PS	
<b>Solicitors to the Company:</b>	<b>Finers Stephens Innocent LLP</b> 179 Great Portland Street London W1W 5LS	
<b>Solicitors to Daniel Stewart:</b>	<b>Pinsent Masons</b> Dashwood House 69 Old Broad Street London EC2M 1NR	
<b>Registrars:</b>	<b>Capita Registrars</b> The Registry 34 Beckenham Road Beckenham BR3 4TU	
<b>Bankers:</b>	<b>National Westminster Bank Plc</b> Forest Gate Branch 300 Romford Road London E7 9SH	

## **PLACING STATISTICS**

Placing Price	73p
Number of Placing Shares to be issued pursuant to the Placing	2,739,727
Number of Vendor Placing Shares to be sold pursuant to the Placing	6,849,316
Percentage of Enlarged Issued Share Capital being issued by the Company under the Placing	7.13 per cent.
Gross proceeds of the Placing receivable by the Company	£2 million
Estimated net proceeds from the Placing to be received by the Company	£1.37 million
Number of Ordinary Shares in issue immediately following Admission	38,450,438
Market capitalisation of the Company on Admission at the Placing Price	£28.07 million

## **EXPECTED TIMETABLE**

Publication of this document	3 May 2006
Admission and dealings expected to commence on AIM in the Existing Ordinary Shares and the Placing Shares	8 May 2006
Expected date for CREST accounts to be credited in respect of the Placing Shares and Vendor Placing Shares in uncertificated form	8 May 2006
Expected date for despatch of definitive share certificates for the Placing Shares and Vendor Placing Shares to be held in certificated form	22 May 2006

## **PART I**

### **INFORMATION ON THE GROUP**

#### **INTRODUCTION**

Interactive World sells digital media content through mobile telephones via the internet to mobile customers of major UK MNOs and users of leading UK internet key search engines. The Group intends to continue to build relationships with major mobile telephone network operators.

Interactive World does not create its own content but has a number of relationships with Content Providers, including a five year exclusive relationship with Sport Newspapers Limited. The Group's model is attractive to Content Providers as it enables them to sell their content through mobile telephones. Through commercial arrangements, the Group has created portals to deliver content to over 4,000 different types of mobile phone devices in the UK. The Group shares revenue generated from the sale of content with the Content Providers.

The Group's proprietary software is able to match content with the profile of users, enabling it to analyse the revenue generated per user. The Group currently has over 4 million registered users on its database, of which approximately 861,000 have downloaded content distributed by the Group within the last 12 months.

Interactive World intends to expand its operations into overseas territories. The Group is currently in discussions to deliver content via other MNOs to overseas customers.

The Group has been profitable and declared dividends since its incorporation in 1999. Interactive World reported profit before tax to 31 July 2005 of approximately £3.0m on turnover of approximately £8.9m, 68 per cent. of which was generated by mobile content with the remainder coming from internet content (including shopping websites with e-commerce credit card processing).

The Group's unaudited results for the six months to 31 January 2006 showed profit before tax of approximately £1.8m for the first half of the year on turnover of approximately £4.0m, of which mobile content represented approximately 84 per cent.

#### **KEY STRENGTHS**

The Directors believe that the key strengths of the Group include the following:

- it has a strong position in the rapidly growing mobile content market;
- it has a number of strong relationships that enable it to offer its services to the customers of major MNOs and internet search engines in the UK;
- its business model is highly scalable both in the UK and overseas;
- its proprietary software provides the ability to profile users and offer customers targeted content; and
- its business is profitable and is cash generative.

#### **THE MARKET AND COMPETITION**

The market for content and services for mobile phone users has grown rapidly, driven by increasing numbers of internet connected mobile phones and the increasing proportion of these phones which have colour screens, game and music playing capability.

The mobile web, known as WAP, has become increasingly popular as mobile phone users learn to maximise the potential of their handsets, and are increasingly able to download video clips, games and ring tones. Statistics from the Mobile Data Association (MDA) show that in January 2006 alone, over 3 billion text messages were sent, indicating an increase of over 20 per cent. from the same period last year.

MNOs are able to drive additional revenues through increased data traffic and revenue share arrangements using Off Portal content sites.

The Directors expect that the file size and range of content accessible by mobile phones will increase, driven by lower cost and higher speed 3G/UMTS infrastructure and the ability of newer handsets to handle large media files.

At present, the Company competes in the UK market for the delivery of content and services for mobile phones and the internet. The Directors believe the provision of content to mobile phones Off-Portal is an emerging market. The Directors further believe that while providers of digital content to mobile phones have historically concentrated on the 'ringtones and logos' market, it is feasible that they could branch out into other areas and consequently become competitors of the Group.

However, having regard to the experience of the Group, the development of a platform for commercial delivery of content to users' mobile phones is both complex and time consuming requiring considerable initial capital expenditure together with ongoing investment. The Directors believe that these factors and the overall scale of the challenge are an effective barrier to entry.

## **BUSINESS ACTIVITIES AND SERVICES**

The Company was established in 1999 initially delivering content over the internet and subsequently through mobile networks.

A substantial proportion of the searches handled by MNOs are of an adult nature and at present most content which is provided by the Group is of an adult nature. Although MNOs drive additional revenue through content download, they do not directly promote all content because of its particular nature including adult content, chat, dating and gambling. However, MNOs customers are able to download such content (such as that distributed by the Group) Off-Portal.

The Group is not involved in the production of the content it distributes and only provides the means of marketing and distributing such content to mobile phone and internet users and billing them.

The Group has an exclusive five year distribution agreement with Sport Newspapers Limited, of which David Sullivan is a major shareholder. The Group's other relationships are principally with major internet providers, internet search companies and TV broadcasters. The Directors believe the Group has the ability to continue to deliver content to new mobile phone technologies as and when they are developed and released onto the market.

## **THE GROUP'S TECHNOLOGY**

### *IAW Search*

The Group's technology accepts search requests from mobile phone users accessing the mobile internet, and, where appropriate, provides access to a WAP link that guides the user to sites offering content distributed by the Group.

### *Content*

The Group's proprietary technology formats and delivers content to users' mobile phone handsets. The Group works with a number of content owners to monetise their digital assets over the mobile internet.

### *Analytics*

The Group's technology enables it to determine the type and frequency of promotional messages delivered to users, and having regard to this information, to offer the user content relevant to them.

### *WAP Portal*

The Group offers Content Providers a web based tool enabling them to distribute their content over the mobile internet using their own WAP portals.

## REGULATORY ENVIRONMENT

The activities of the Group in the mobile market are regulated by a number of organisations and codes of practice including:

- *The Independent Committee for the Supervision of Standards of the Telephone Information Services (“ICSTIS”)*

ICSTIS is an industry-funded regulatory body for all premium rate charged telecommunications services. ICSTIS regulates the content and promotion of services through its code of practice, which includes a guideline relating to premium rate SMS.

- *UK Code of Practice for the Self-Regulation of New Forms of Content on Mobiles (“the Self-Regulation Code”)*

The Self-Regulation Code was developed by various MNOs to cover new types of content, including visual content, online gambling, mobile gaming, chat rooms and internet access available to users of mobile phones.

The Self-Regulation Code deals with the restriction (via age verification) of certain content to mobile phone users who are over the age of 18.

- *Independent Mobile Classification Body (“IMCB”)*

This is the independent classification body envisaged by the Self Regulation Code for the self-regulation of new forms of content on mobiles. The IMCB aims to provide a framework for classifying commercial content that is unsuitable for customers under the age of 18.

The Group reviews its practices to comply with the above codes and guidelines.

## FINANCIAL HISTORY

The table below summarises the trading record of the Group for the three years ended 31 July 2005 and for the unaudited six month period ended 31 January 2006.

	<i>12 months to 31 July 2003 £'000</i>	<i>12 months to 31 July 2004 £'000</i>	<i>12 months to 31 July 2005 £'000</i>	<i>6 months to 31 January 2006 £'000</i>
<b>Turnover</b>				
Mobile	1,924	1,161	5,996	3,353
Internet	8,493	8,410	2,837	627
Other	84	23	18	2
	<u>10,501</u>	<u>9,594</u>	<u>8,851</u>	<u>3,982</u>
<b>Gross profit</b>				
Mobile	863	728	4,562	2,112
Internet	4,522	4,533	512	303
Shared costs	(1,650)	(1,781)	(1,194)	(277)
	<u>3,735</u>	<u>3,480</u>	<u>3,880</u>	<u>2,138</u>
Administrative expenses	(726)	(664)	(839)	(405)
<b>Operating profit</b>	<u>3,009</u>	<u>2,816</u>	<u>3,041</u>	<u>1,733</u>

## CURRENT TRADING AND PROSPECTS

Although profit has remained broadly level for the last three financial years mobile revenues have trebled from £1.9m to £6.0m between 2002/3 and 2004/5. This increase in revenue is in line with the Directors’

expectations and has contributed to the Group's positive start to the current year. The Directors are confident about the Group's prospects for the current financial year and beyond.

## **STRATEGY OF THE GROUP**

The Group's strategy for growth of its business is as follows:

- to build on its position in the UK as an established provider of Off-Portal services to customers of MNOs;
- to develop its business overseas, which can be achieved at relatively low cost;
- to develop new revenue streams through the provision of high quality content to 3G users; and
- to broaden its content offering to include gaming and dating, which it can market to its existing user base.

In addition a key part of the Group's strategy is to expand the Group's services outside the UK and it is focused on deploying its already profitable business model in other key territories including the USA and Australia.

## **DIRECTORS**

### **Simon Hume-Kendall** Non Executive Chairman (aged 52)

Simon has extensive public company board experience having served as a director for a number of FTSE companies and is currently a chairman of the Southern Region of the Clydesdale Bank and is also Chairman of RISC Holdings plc and Kent Attractions LLP. He spent 25 years in the shipping industry and was co-founder of Burren Energy plc. Simon has international experience and his expertise should help the Group in its plans to expand overseas. Simon has also been a director and shareholder of Crystal Palace FC.

### **Robert Johnson** Chief Executive (aged 50)

After University Robert gained experience in the retail and direct marketing sector which led to his appointment as an executive of City Trading Limited (a direct response marketing company) with responsibilities for advertising and marketing. As the internet emerged as a market, Robert was instrumental in the profitable expansion of the Group into the new digital media of internet and mobile. Robert speaks at forums including the forums for World Telemedia, Total Telecom World and Profitable Mobile Content. Robert is an executive committee member of the industry group, Network for Online Commerce, and has represented the industry at meetings with the Department of Trade & Industry, OFCOM, ICSTIS and Otelio.

### **Andrew Fletcher** ACA Finance Director (aged 40)

Andrew qualified as a Chartered Accountant in 1989 with Price Waterhouse and then worked at a number of companies including EMI Music, The Rank Organisation and Viacom. He was involved in the flotation of Sportsworld Media Group plc, before leaving to become CEO of Digital Rum Ltd, a venture capital backed mobile technology company. He has board level experience in FTSE250, AIM and venture capital backed companies and has been involved in various fund raisings. Andrew also holds an MBA from the London Business School.

### **Nigel Blythe-Tinker** LLB FCIS Non Executive Director (aged 55)

Nigel has extensive experience over thirty years in publicly listed companies in different business sectors within the UK and overseas. He has held senior executive management and legal positions in FTSE 100 companies including Rank plc and William Hill plc. His experience covers mergers and acquisitions work, corporate finance, restructuring, flotations and corporate governance in public companies. He is currently non-executive Chairman of Gaming VC Holdings S.A, which is AIM listed and is also legal adviser and company secretary to Carter & Carter Group plc which is on the Official List.

### **Clive Sullivan** Non Executive Director (aged 59)

Clive has worked as a self-employed management consultant with emphasis on structural organisation and human resources; providing general commercial advice and client representation in licensing matters with Local Authorities since 1973. Since 1982, Clive has acted as the Managing Director of Conegate Ltd, principally a property company and acts as a non-executive director on various boards including Sport Newspapers Limited. Clive is David Sullivan's brother.

### **REASONS FOR THE PLACING AND USE OF FUNDS**

The Directors believe that the Group has reached an appropriate point in its development for it to seek a listing on AIM. Admission will benefit the Group as follows:

- it will facilitate capital fund raising to finance future growth both in the UK and overseas;
- it will allow the Group to attract and motivate key staff through the grant of share options;
- it will enable it to issue publicly traded shares as consideration for the acquisition of target companies and/or assets; and
- it is expected to raise the profile of the Group amongst its trade partners.

The Company is placing 2,739,727 new Ordinary Shares in the Placing which will raise approximately £1.37m net of expenses for the Company. The net funds to be raised by the Company in the Placing will be used as follows:

	<i>£m</i>
Recruitment of personnel	0.6
Marketing	0.37
Working capital	0.4
TOTAL	<u>1.37</u>

### **DETAILS OF THE PLACING AND ADMISSION**

Daniel Stewart has, pursuant to the Placing Agreement and as agent for the Company, conditionally placed a total of 2,739,727 new Ordinary Shares at the Placing Price to raise £2m before expenses for the Company. In addition Daniel Stewart has, pursuant to the Placing Agreement and as agent for David Sullivan, conditionally placed 6,849,316 Existing Ordinary Shares currently owned by David Sullivan at the Placing Price to raise £5m before expenses for David Sullivan. David Sullivan's business address is Birch Hall, Theydon Bois, Essex, CM16 7DR. Further details on David Sullivan and his relationship with the Group are included in Part VI of this document. The Directors anticipate that the net cash proceeds of the Placing which will be received by the Company will be approximately £1.37m.

The Placing Shares will represent approximately 7.13 per cent. of the Enlarged Issued Share Capital. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid.

Application has been made for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on 8 May 2006.

The Placing is conditional *inter alia* upon Admission becoming effective on 8 May 2006, or such later date as Daniel Stewart and the Company may agree, being not later than 22 May 2006. Further details of the Placing Agreement are set out in paragraph 6 of Part VI of this document.

### **LOCK-IN ARRANGEMENTS**

Following the Placing and Admission, the Directors and David Sullivan will in aggregate be interested in 25,345,805 Ordinary Shares representing 66.37 per cent. of the Enlarged Issued Share Capital. The Directors

and David Sullivan have undertaken in the Placing Agreement that they will not, and they will use reasonable endeavours to procure that their connected persons (as such term is defined in the Act) will not, dispose of any interest in Ordinary Shares at any time on or before the first anniversary of Admission, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal). They have also undertaken that for a further twelve months from the date of the first anniversary of Admission not to dispose of any Ordinary Shares except through Daniel Stewart or (if Daniel Stewart is replaced) the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal), so as to ensure an orderly market in the Ordinary Shares.

The Shareholders (other than Rysaffe Trustee Company (C.I.) Limited) have undertaken in a lock-in agreement dated 2 May 2006 that they will not, and will use reasonable endeavours to procure that their connected persons (as such term is defined in the Act) will not, dispose of any interest in Ordinary Shares at any time on or before the first anniversary of Admission, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal). They have also undertaken that for a further twelve months from the date of the first anniversary of Admission they will not dispose of any Ordinary Shares except through Daniel Stewart or (if Daniel Stewart is replaced) the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal), so as to ensure an orderly market in the Ordinary Shares.

Rysaffe, which owns 2,108,014 Ordinary Shares representing 5.48 per cent. of the Enlarged Issued Share Capital has undertaken in a lock-in agreement dated 2 May 2006 that it will not at any time prior to the date 6 months following Admission (save in certain limited circumstances including where Daniel Stewart has consented to such disposal) dispose of any interest in Ordinary Shares. Rysaffe has also undertaken that for a further six months after the 6 month anniversary of Admission any disposal will be conducted in order to maintain an orderly market via Daniel Stewart or the Company's then broker (save in certain limited circumstances including where Daniel Stewart has consented to such disposal).

On Admission, Pathfinder (following the exercise and completion of the Pathfinder Option) will be interested in 353,571 Ordinary Shares representing 0.92 per cent. of the Enlarged Issued Share Capital. Pathfinder has undertaken in a lock-in agreement dated 2 May 2006 that it will not dispose of any interest in the Ordinary Shares at any time on or before the first anniversary of Admission, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal). It has also undertaken that for a further twelve months from the date of the first anniversary of Admission it will not dispose of any Ordinary Shares except through Daniel Stewart or (if Daniel Stewart is replaced) the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal), so as to maintain an orderly market in the Ordinary Shares.

Further details regarding the lock-in agreements and the Placing Agreement are set out in paragraph 6 of Part VI of this document.

## **SHARE INCENTIVE SCHEMES**

The Company has established two share option schemes, the Share Option Plan and the EMI Scheme. A summary of the terms of each of these schemes is set out in paragraph 8 of Part VI of this document.

On Admission, and in accordance with the EMI Scheme and the Share Option Plan, options in respect of 707,142 Ordinary Shares will have been granted to Robert Johnson at an exercise price equal to the Placing Price per share representing 1.84 per cent. of the Enlarged Issued Share Capital and options in respect of 353,571 Ordinary Shares will have been granted to Andrew Fletcher at an exercise price equal to the Placing Price per share representing 0.92 per cent. of the Enlarged Issued Share Capital. On Admission and in accordance with the Share Option Plan, an aggregate of 410,958 options will have been granted to Clive Sullivan, Nigel Blythe-Tinker and Simon Hume-Kendall and in addition options will have been granted in respect of 270,000 Ordinary Shares to staff of the Group at an exercise price equal to the Placing Price per share. Further details regarding the options to be granted on Admission to the Directors are set out in paragraph 8 of Part VI of this document.

The Directors currently intend that the number of Ordinary Shares under option at any one time under the Share Option Plan and the EMI Scheme will not exceed 10 per cent. of the Company's issued ordinary share capital from time to time.

Under the terms of the Daniel Stewart Option, Daniel Stewart has been granted the right to subscribe for 1,345,765 new Ordinary Shares, being 3.5 per cent. of the issued ordinary share capital of the Company at Admission, at the Placing Price per share. The Daniel Stewart Option is exercisable in whole or in part at any time on or before the fifth anniversary of Admission. Further details regarding the Daniel Stewart Option are set out in paragraph 6 of Part VI of this document.

## THE CODE

The Company will be subject to the Code. Under Rule 9 of the Code, where any entity acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by entities acting in concert with them) carry 30 per cent. or more of the voting rights of a company, that entity is normally required by the Panel to make a general offer to the shareholders of that company to acquire the balance of the equity share capital of the company at the highest price paid by that entity or any entity acting in concert with it in the previous 12 months.

Rule 9 of the Code further provides that, *inter alia*, where any person, who, together with persons acting in concert with him, holds 50 per cent. or more of the voting rights of a company, acquires additional shares which carry voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of the shares not held by that person.

**Prospective investors should note that David Sullivan will, following the Placing and Admission, control in excess of 50 per cent. of the Enlarged Issued Share Capital and will therefore then be entitled to increase his interest in the voting rights of the Company without incurring a further obligation under Rule 9 of the Code to make a general offer.**

## CORPORATE GOVERNANCE

The Directors support high standards of corporate governance and confirm that, following Admission, they will comply, so far as is practicable taking into account the Group's size and nature, with the QCA Guidelines issued in July 2005.

An audit committee has been established to operate with effect from Admission. The audit committee's primary responsibility is to monitor the financial affairs of the Group to ensure that the financial performance of the Group and any subsidiary of the Group is properly measured and reported on and to review reports from the Group's auditor relating to the accounting and internal controls. The audit committee will comprise Simon Hume-Kendall, who will act as Chairman and will have the casting vote, and Nigel Blythe-Tinker.

A remuneration committee has also been established to operate with effect from Admission. The remuneration committee reviews the performance of the executive directors and determines the terms and conditions of service of senior management and any executive director appointed to the Board, including the remuneration of and grant of options to such person under the share option scheme to be adopted in the future by the Group. The remuneration committee will comprise Simon Hume-Kendall, who will act as Chairman and will have the casting vote, and Nigel Blythe-Tinker.

## DIVIDEND POLICY

The Group intends, subject to the Group's trading performance and its requirements, to pay a dividend for the year ending 31 July 2006 and thereafter to pursue a progressive divided policy, subject to the profitability and cash requirements of the Group.

## CREST

The Articles permit the Company to issue shares in uncertificated form in accordance with the CREST Regulations. The Company has applied for the Existing Ordinary Shares and the Placing Shares to be

admitted to CREST and it is expected that the Existing Ordinary Shares and the Placing Shares will be so admitted and accordingly enabled for settlement in CREST on Admission. Accordingly, settlement of transactions in the Existing Ordinary Shares and Placing Shares following Admission may take place in the CREST system if the individual holder of Ordinary Shares so wishes.

CREST is a paperless settlement procedure which allows securities to be evidenced without a certificate and transferred other than by written instrument. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Notwithstanding the election by Placees as to the form of delivery of the Placing Shares or Vendor Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to a Placee, or as it may direct, will be sent through the post at the Placee's risk.

## **TAXATION**

Information regarding United Kingdom taxation is set out in paragraph 10 of Part VI of this document. Any person who is in doubt as to his personal tax position should contact a professional tax adviser before making any decision to subscribe or purchase any Placing Shares or Vendor Placing Shares.

The Directors have been advised that the Placing Shares should be eligible (subject to the circumstances of investors) for tax reliefs under the Enterprise Investment Scheme and for investment by Venture Capital Trusts. A formal application to HM Revenue & Customs has been made and provisional assurance to that effect has been received.

**Potential shareholders of the Company who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.**

## **ENTERPRISE INVESTMENT SCHEME AND VENTURE CAPITAL TRUSTS**

The Directors have received provisional assurance from HM Revenue & Customs that the Company will rank as a qualifying investment for the purposes of the Enterprise Investment Scheme ("EIS") and will be a "qualifying holding" for the purposes of investment by Venture Capital Trusts ("VCTs").

The continuing availability of EIS relief and the status of the Placing Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the issue of the Placing Shares to the investor (under EIS), and, for VCT purposes, throughout the period the Placing Shares are held as a "qualifying holding".

EIS allows the following tax relief for individual investors provided investments are held for three years:

- initial income tax relief of 20 per cent.; and
- exemption from capital gains tax on disposal ("CGT").

An individual may claim EIS income tax relief on investments of up to £200,000 in any tax year; that limit applies to all EIS investments in all companies.

EIS also allows CGT payable on chargeable gains realised by individuals and certain trustees to be deferred. To qualify for EIS deferral relief, a sum up to the amount of the chargeable gain must be subscribed (usually not more than one year before nor more than three years after the date on which the chargeable gain arises) in new ordinary shares of a qualifying trading company or an unquoted company which is the parent of a qualifying trading group.

For the purposes of EIS, shares quoted on AIM are regarded as unquoted.

A claim for CGT deferral relief is made by the individual investors and/or trustees claiming the relief.

The £200,000 limit does not apply to EIS deferral relief investments.

Investors considering taking advantage of any of the reliefs under EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.

#### **FURTHER INFORMATION**

Prospective investors should carefully consider the information contained in Part II of this document, which sets out certain risk factors relating to any investment in the Ordinary Shares, and Parts III to VI which provide additional information on the Group.

## PART II

### RISK FACTORS

**In addition to the other relevant information set out in this document, the following specific risk factors should be considered carefully when evaluating whether to make an investment in the Group. The investment offered in this document may not be suitable for all of its recipients and it should be noted that there is no certainty that investors will get back the full amount which they invest. Before making an investment decision, prospective investors should consult a person authorised under the Financial Services and Markets Act 2000, as amended, who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Group is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.**

**There are various risk and other factors associated with an investment of the type described in this document. The Directors consider the risk factors described below to be most relevant in considering an investment in the Group. Any one or more of these risks may have a material effect on the value of any investment in the Company. You should note that the risks described below are not the only risks faced by the Group and there may be additional risks and uncertainty that the Directors currently consider not to be material or of which they are not presently aware and which may also have an adverse effect on the Group.**

The Directors wish to draw investors', and potential investors', attention to the following specific risks facing the Group

(a) *Volatility of the AIM Market*

The value of publicly traded media companies can be highly volatile and potential investors should be aware that the value of shares can rise or fall. There may not always be adequate information available to determine the market value of an investment in smaller companies at all times. An investment in a share which is traded on the AIM Market, such as the Ordinary Shares, might be less realizable and might carry a higher risk than a share quoted on the Official List. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Group and he/she may lose all his/her investment. In addition, there can be no guarantee that the market price of an investment in the Group will fully reflect its underlying value.

(b) *Key Management*

The success of the Group is dependent on, amongst other things, its continuing ability to attract and retain key management and operating personnel. Specifically the departure of key management, sales or technical personnel could have a material adverse effect on the existing and future business of the Group.

(c) *Intellectual Property Rights*

Although the Directors are not aware that the content used by the Group infringes or may infringe the intellectual property rights of others, third parties may assert claims that the Group has violated a patent or infringed a particular copyright, trade mark or other proprietary right or confidential information belonging to them.

Any intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention.

(d) *Sport Newspapers Limited*

The majority of the Group's content is supplied by Sport Newspapers Limited under an exclusive agreement. If something of an adverse nature should happen to the relationship between the Group and Sport Newspapers Limited this could have a material effect on the Group's business.

(e) *Regulatory Risks*

The majority of content distributed and promoted by the Group is subject to various regulation in particular ICSTIS's Code of Practice. Under the Code, for example, the Group is required to restrict the provision of content in certain circumstances to end users over the age of 18 and to put in place certain billing practices. For the Group to offer its current content it has to have approval from ICSTIS in respect of adult online services, reverse billed SMS services and an internet dialer service. Whilst the Group currently has approval from ICSTIS, if any material breaches occur this approval may be withdrawn which would prevent the Group from operating.

(f) *Data Protection Compliance*

The Group must comply with data protection and privacy laws which govern its ability to collect and use personal information relating to its customers or potential customers including the marketing use of that information. The Group relies on various personnel to maintain its databases, but attempts to minimize access to its customer database to those that need it for performing their responsibilities.

Notwithstanding such efforts to manage this, confidential information may be wrongfully appropriated or disclosed by the Group employees.

The EU Data Protection Directive and equivalent laws that have been enacted in the European Union regulate how the Group collects and uses personal information in the EU. These laws also regulate how data is exported to countries outside the EU for any purpose.

It is possible that these laws may be inconsistent with the Group's data practices. If so, in addition to the possibility of fines, this could result in the Group being required to change its data practices, which could have a material effect on its business, revenue and financial position.

(g) *Foreign Jurisdictions*

The Group's business and the contracts into which it enters may be subject to different laws and jurisdictions worldwide. The Group's content can be accessed by users, who may bring different legal actions against the Group depending on their jurisdiction and local laws.

(h) *Potential Competition*

While the Group's market has significant growth potential the Directors believe the Group currently faces limited direct competition. They however expect that over time competition may grow.

These potential competitors may have the following advantages:

- greater financial resources;
- stronger brand name;
- pre-existing relationships with Content Providers;
- more resources to deploy on accelerating projects;
- lower labour and development costs; and/or
- greater geographical coverage.

(i) *International Competition*

The Group may not enjoy the same economies of scale and efficiencies internationally that it does domestically. There may be local specialists who have the following advantages over the Group:

- closer relationships with local MNO's;
- a better understanding and greater ability to comply with local regulation and laws;
- better understanding of local markets; and/or
- lower operating costs.

(j) *Market for mobile phones*

The Group's recent success has depended to a significant extent on the growth in the market for mobile phone data services, in particular those of an adult nature. There can be no assurance that such market growth will continue and this may have a material adverse effect on the Group.

(k) *Content Risk*

The Group may be affected by the regulatory and legal environment relating to the control and access of content. Regulation both current and future could cause additional expense and have a material impact on the Group's business, the extent of which cannot be predicted.

Certain jurisdictions may attempt to make the Group responsible for the content which it facilitates.

The Group's business could also be affected by changes in the law that prohibit the provision of services by some of its Content Providers.

(l) *Privacy, Breach of Confidence and Passing Off*

Some of the content distributed by the Group features persons who may not have consented to the use of their image. Where a person has not provided their consent to Content in which they feature they may make a claim against the group for infringement of privacy/ breach of confidence. This could cause additional expense and have a material impact on the Group's business, the extent of which cannot be predicted.

Further, when using content featuring celebrities without their consent, the Group risks a claim under the law of passing off, especially if the celebrity featured has a reputation for endorsing products or services. This could cause additional expense and have a material impact on the Group's business, the extent of which cannot be predicted.

(m) *EIS and VCT relief*

Provisional assurance has been received from HM Revenue & Customs that the Company's business qualifies for EIS relief and that the Company's trade is such that its shares will constitute a 'qualifying holding' for VCTs has been obtained. Final confirmation that the Company's business qualifies for EIS relief and VCT relief under EIS cannot be obtained from HM Revenue & Customs until the Placing Shares have been issued. Although qualifying subscribers should obtain tax relief on their investments under EIS relief or VCT relief neither the Company nor the Directors can provide any warranty or guarantee in this regard. Subscribers must take their own advice and rely on it.

Neither the Company nor the Directors give any warranties or undertakings that EIS relief or VCT relief if granted will not be withdrawn. Applicants must take their own advice and rely on it. If the Company carries on activities beyond those disclosed to HM Revenue & Customs then shareholders may cease to qualify for the tax benefits outlined in this document.

## PART III

### FINANCIAL INFORMATION ON THE GROUP

The Directors  
Interactive World plc  
Ramillies House  
2 Ramillies Street  
London  
W1F 7LN



The Directors  
Daniel Stewart & Company plc  
Becket House  
36 Old Jewry  
London  
EC2R 8DD

3 May 2006

Dear Sirs

We report on the financial information set out below which has been prepared for inclusion in the AIM Admission Document (the 'Document') dated 3 May 2006 of Interactive World plc (the 'Company') on the basis of the Company's accounting policies. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the Group as described in the 'Basis of Preparation' set out below and in accordance with applicable United Kingdom 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 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 Document dated 3 May 2006 a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable United Kingdom accounting standards and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**MRI Moores Rowland LLP**

Chartered Accountants

Registered Auditors

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The consolidated profit and loss accounts for the three years ended 31 July 2005 are set out below:

	<i>Notes</i>	<i>2003</i> £	<i>2004</i> £	<i>2005</i> £
Turnover	2	10,501,328	9,593,683	8,850,596
Cost of sales		(6,766,028)	(6,113,872)	(4,970,710)
<b>Gross profit</b>		<u>3,735,300</u>	<u>3,479,811</u>	<u>3,879,886</u>
Administrative expenses		(725,826)	(664,028)	(839,102)
<b>Profit on ordinary activities before interest</b>	4	<u>3,009,474</u>	<u>2,815,783</u>	<u>3,040,784</u>
Interest receivable and similar income	5	81,291	72,362	115,209
Interest payable and similar charges	6	(3,957)	–	(3)
<b>Profit on ordinary activities before taxation</b>		<u>3,086,808</u>	<u>2,888,145</u>	<u>3,155,990</u>
<b>Taxation</b>	7	(941,164)	(874,639)	(950,979)
Profit on ordinary activities after taxation		<u>2,145,644</u>	<u>2,013,506</u>	<u>2,205,011</u>

### Continuing Operations

All activities relate to continuing operations.

## CONSOLIDATED BALANCE SHEETS

The consolidated balance sheets as at 31 July 2003, and 2004 and 2005 are set out below:

	<i>Notes</i>	<i>2003</i> £	<i>2004</i> £	<i>2005</i> £
<b>Fixed assets</b>				
Tangible assets	8	48,076	27,677	70,565
Investments	9	–	–	20,000
		<u>48,076</u>	<u>27,677</u>	<u>90,565</u>
<b>Current assets</b>				
Debtors	10	1,864,318	1,450,211	1,189,992
Cash at bank and in hand		2,358,863	2,857,302	2,873,814
		<u>4,223,181</u>	<u>4,307,513</u>	<u>4,063,806</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(1,303,622)</u>	<u>(1,457,499)</u>	<u>(1,053,454)</u>
<b>Net current assets/(liabilities)</b>		<u>2,919,559</u>	<u>2,850,014</u>	<u>3,010,352</u>
<b>Total net assets</b>		<u>2,967,635</u>	<u>2,877,691</u>	<u>3,100,917</u>
<b>Capital and reserves</b>				
Called up share capital	12	379	379	371
Share premium reserve	13	99,989	99,989	99,989
Profit and loss account	13	2,867,335	2,777,391	3,000,617
Capital redemption reserve	13	43	43	51
Merger reserve	13	(111)	(111)	(111)
<b>Equity shareholders' funds</b>		<u>2,967,635</u>	<u>2,877,691</u>	<u>3,100,917</u>

## CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statement for the three years ended 31 July 2005 are set out below:

### Reconciliation of operating profit to net cash outflow from operating activities

	<i>Notes</i>	<i>2003</i> £	<i>2004</i> £	<i>2005</i> £
Profit on ordinary activities before interest		3,009,474	2,815,783	3,040,784
Depreciation		49,483	26,830	42,835
Increase/(decrease) in debtors		264,291	414,104	260,219
(Decrease)/increase in creditors		(531,291)	57,876	(301,423)
Net cash flow from operating activities		<u>2,791,957</u>	<u>3,314,593</u>	<u>3,042,415</u>
<b>Cashflow statement</b>				
<b>Net cash flow from operating activities</b>		2,791,957	3,314,593	3,042,415
<b>Taxation paid</b>		(1,129,901)	(812,561)	(1,195,701)
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(20,299)	(6,431)	(85,723)
Purchase of trade investment		–	–	(20,000)
		<u>(20,299)</u>	<u>(6,431)</u>	<u>(105,723)</u>
<b>Net cash flow before financing</b>		1,641,757	2,495,601	1,740,991
<b>Servicing of finance</b>				
Interest paid		(3,957)	–	(3)
Interest received		81,291	72,362	115,209
		<u>77,334</u>	<u>72,362</u>	<u>115,206</u>
Buy back of shares		–	–	(89,685)
Payment of equity dividends		(2,270,210)	(2,103,450)	(1,892,100)
Increase/(decrease) in cash in the period		<u>(551,119)</u>	<u>464,513</u>	<u>(125,588)</u>
<b>Reconciliation of net cash flow to movement in debt</b>				
		<i>2003</i> £	<i>2004</i> £	<i>2005</i> £
(Decrease)/increase in cash in the year		(551,119)	464,513	(125,588)
Net funds/(debt) brought forward		<u>2,855,665</u>	<u>2,304,546</u>	<u>2,769,059</u>
Net funds/(debt) carried forward	16	<u>2,304,546</u>	<u>2,769,059</u>	<u>2,643,471</u>

**CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES AND  
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<i>2003</i>	<i>2004</i>	<i>2005</i>
	£	£	£
Profit for the financial year after taxation	2,145,644	2,013,506	2,205,011
Dividends paid	(2,270,210)	(2,103,450)	(1,892,100)
Purchase of own shares	—	—	(89,685)
Increase/(reduction) in shareholders' funds	(124,566)	(89,944)	223,226
Opening shareholders' funds	3,092,201	2,967,635	2,877,691
Closing shareholders' funds	<u>2,967,635</u>	<u>2,877,691</u>	<u>3,100,917</u>

## 1. ACCOUNTING POLICIES

This financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies which the directors have adopted are set out below.

### *Basis of Consolidation*

The financial information consolidates the financial statements of the Company and Netcollex Limited (“Netcollex”) for the financial years ended 31 July 2003, 2004 and 2005. All inter-company transactions and balances have been eliminated. The acquisition of Necollex by the Company on 19 January 2000 by way of share exchange has been accounted for using merger accounting in accordance with FRS 6 ‘Acquisitions and Mergers’.

### *Research and Development*

Research and Development expenditure is written off to the profit and loss account in the year in which it is incurred.

### *Leasing*

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

### *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:

Web based file servers	33.3 per cent. on a straight line basis
Fixtures, fittings & equipment	20 per cent. on a straight line basis

The carrying value of the tangible assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### *Turnover*

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

### *Deferred Tax*

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that they are regarded as being recoverable. Deferred tax assets and liabilities are not discounted.

### *Website Costs*

Website costs have been written off to the profit and loss account as incurred.

### *Dividends*

Only dividends declared and payable at the balance sheet date are included as liabilities at that date. Dividends declared after the balance sheet date but before the date of the approval of the financial information are disclosed in the notes as post balance sheet events in accordance with FRS 21 as if that standard had been in effect throughout the reporting period.

### *Liquid resources*

The Group includes short term deposits and bank deposit accounts as part of liquid resources.

## 2. TURNOVER

All turnover throughout the period arose from sales in the UK.

## 3. DIRECTORS AND EMPLOYEES

### *Employees*

	2003	2004	2005
	£	£	£
The average number of group employees was:			
Office and administration	8	9	10

### *Staff costs*

	2003	2004	2005
	£	£	£
Wages and salaries	359,006	393,351	415,885
Social security costs	38,774	44,550	47,224
	<u>397,780</u>	<u>437,901</u>	<u>463,109</u>

## 4. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST

	2003	2004	2005
	£	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Depreciation of tangible assets	49,483	26,830	42,835
Auditors' remuneration	19,000	21,000	38,000

## 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2004	2005
	£	£	£
Bank interest	81,291	72,362	115,209

## 6. INTEREST PAYABLE

	2003	2004	2005
	£	£	£
Interest on loans repayable within 5 years	–	–	–
Other interest	3,957	–	3
	<u>3,957</u>	<u>–</u>	<u>3</u>

## 7. TAXATION

	2003 £	2004 £	2005 £
Current year corporation tax charge	938,628	873,760	950,979
Over provision in prior year	2,536	879	–
	<u>941,164</u>	<u>874,639</u>	<u>950,979</u>
<b>Factors affecting the tax credit for the year</b>			
Profit on ordinary activities before taxation	<u>3,086,808</u>	<u>2,888,145</u>	<u>3,155,990</u>
Loss on ordinary activities before taxation multiplied by the standard rate of UK Corporation tax of 30%	<u>926,042</u>	<u>866,444</u>	<u>946,797</u>
Effects of:			
Non deductible expenses	3,777	3,082	4,188
Depreciation add back	14,845	8,049	12,850
Capital allowances	(5,274)	(3,814)	(12,858)
Adjustments to previous periods	2,536	879	–
Other tax adjustments	(762)	(1)	2
Tax charge	<u>941,164</u>	<u>874,639</u>	<u>950,979</u>

## 8. TANGIBLE FIXED ASSETS

	<i>Web based Servers</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Total</i> £
<b>Cost</b>			
At 1 August 2002	79,817	86,923	166,740
Additions	10,772	9,527	20,299
At 31 July 2003	90,589	96,450	187,039
Additions	–	6,431	6,431
At 31 July 2004	90,589	102,881	193,470
Additions	75,019	10,704	85,723
At 31 July 2005	<u>165,608</u>	<u>113,585</u>	<u>279,193</u>
<b>Depreciation</b>			
At 1 August 2002	50,510	38,970	89,480
Charge for year	30,193	19,290	49,483
At 31 July 2003	80,703	58,260	138,963
Charge for year	6,289	20,541	26,830
At 31 July 2004	86,992	78,801	165,793
Charge for year	28,594	14,241	42,835
At 31 July 2005	<u>115,586</u>	<u>93,042</u>	<u>208,628</u>
<b>Net book value</b>			
At 31 July 2005	<u>50,022</u>	<u>20,543</u>	<u>70,565</u>
At 31 July 2004	<u>3,597</u>	<u>24,080</u>	<u>27,677</u>
At 31 July 2003	<u>9,886</u>	<u>38,190</u>	<u>48,076</u>

## 9. INVESTMENTS

The investment of £20,000 at 31 July 2005 represents 20 shares in Strictly Broadband Limited, a company incorporated in England and Wales. The investment, which is stated at cost, represents 10 per cent. of the issued share capital of that company.

## 10. DEBTORS

	2003	2004	2005
	£	£	£
Trade debtors	1,833,578	1,426,172	1,151,102
Other debtors	17,174	11,076	27,888
Prepayments and accrued income	13,566	12,963	11,002
	<u>1,864,318</u>	<u>1,450,211</u>	<u>1,189,992</u>

## 11. CREDITORS

	2003	2004	2005
	£	£	£
Bank overdrafts	54,317	88,243	230,343
Trade creditors	634,703	611,363	304,914
Corporation taxes	320,616	382,694	137,972
Other tax and social security	242,904	305,412	332,279
Accruals and deferred income	51,082	69,787	47,946
	<u>1,303,622</u>	<u>1,457,499</u>	<u>1,053,454</u>

## 12. SHARE CAPITAL

	2003	2004	2005
	£'000	£'000	£'000
<b>Authorised</b>			
1,000 Ordinary share capital of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	2003	2004	2005
	£	£	£
<b>Allotted, called up and fully paid</b>			
Ordinary shares of £1 each	<u>379</u>	<u>379</u>	<u>371</u>

During the year ended 31 July 2005 the Company bought back 8 of its issued shares from shareholders for aggregate consideration and costs of purchase of £89,685. The shares were subsequently cancelled.

	2003	2004	2005
	£'000	£'000	£'000
<b>Dividends</b>			
Dividends paid (2005: £5,100 per share; 2004: £5,550 per share; 2003: £5,990 per share)	<u>2,270,210</u>	<u>2,103,450</u>	<u>1,892,100</u>

### 13. RESERVES

	<i>Share Premium account £</i>	<i>Profit and loss account £</i>	<i>Capital redemption reserve £</i>	<i>Merger reserve £</i>
Balance at 1 August 2002	99,989	2,991,901	43	(111)
Profit for the year	–	2,145,644	–	–
Dividend paid	–	(2,270,210)	–	–
Balance at 31 July 2003	99,989	2,867,335	43	(111)
Profit for the year	–	2,013,506	–	–
Dividend paid	–	(2,103,450)	–	–
Balance at 31 July 2004	99,989	2,777,391	43	(111)
Profit for the year	–	2,205,011	–	–
Dividend paid	–	(1,892,100)	–	–
Shares bought back and cancelled	–	(89,685)	8	–
Balance at 31 July 2005	99,989	3,000,617	51	(111)

### 14. RELATED PARTY TRANSACTIONS

During the year ended 31 July 2005 the Group paid advertising charges of £32,505 (2004: £283,432; 2003: £758,939) to Roldvale Limited. In the year ended 31 July 2003 the Group paid office and secretarial expenses of £24,750 to Roldvale Limited. Roldvale Limited is under the control of Mr D Sullivan who is the Company's controlling party.

At 31 July 2005 balances due from the Group to Roldvale Limited were £Nil (2004: £19,638; 2003: £70,353).

During the year ended 31 July 2005 the Group made payments in respect of advertising expenses of £41,780 (2004: £201,585; 2003: £207,871) to Sport Newspapers Limited. Mr D Sullivan is a director of Sport Newspapers Limited.

During the year ended 31 July 2005 the Group made payments in respect of payroll and treasury management services of £12,000 (2004: £12,000; 2003: £12,000) to Limetime Services Limited. Mr C Sullivan is a shareholder in Limetime Services Limited.

### 15. ULTIMATE CONTROLLING PARTY

During the period under review the Company's controlling party was Mr D Sullivan by nature of his direct personal controlling interest in the issued share capital of the Company.

## 16. ANALYSIS OF CHANGES IN NET DEBT

	<i>Cash at bank</i>	<i>Overdrafts</i>	<i>Net Funds</i>
	£	£	£
At 1 August 2002	2,872,977	(17,312)	2,855,646
Cashflows	(514,114)	(37,005)	(551,100)
At 31 July 2003	2,358,863	(54,317)	2,304,546
Cashflows	498,439	(33,926)	464,513
At 31 July 2004	2,857,302	(88,243)	2,769,059
Cashflows	16,512	(142,100)	(125,588)
At 31 July 2005	2,873,814	(230,343)	2,643,471

## 17. POST BALANCE SHEET EVENTS

After the balance sheet date the Company's shareholders approved the payment of a dividend of £5,950 per share in respect of the year ended 31 July 2005, representing an aggregate dividend of £2,195,500.

## 18. NATURE OF FINANCIAL INFORMATION

The financial information presented above does not constitute statutory accounts for the Group for the three years ended 31 July 2005.

## PART IV

### INTERACTIVE WORLD PLC – UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2006

#### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>6 months ended 31 January 2006</i>	<i>6 months ended 31 January 2005</i>	<i>Year ended 31 July 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Turnover</b>	2	3,981,650	4,782,779	8,850,596
Cost of sales		(1,843,064)	(2,549,337)	(4,970,710)
<b>Gross profit</b>		<u>2,138,586</u>	<u>2,233,442</u>	<u>3,879,886</u>
Administrative expenses		(405,339)	(423,833)	(839,102)
<b>Operating profit</b>		<u>1,733,247</u>	<u>1,808,609</u>	<u>3,040,784</u>
Other interest receivable and similar income		41,511	69,303	115,209
Interest payable		(3)	(3)	(3)
<b>Profit on ordinary activities before taxation</b>		<u>1,774,755</u>	<u>1,877,909</u>	<u>3,155,990</u>
Tax on profit on ordinary activities		(518,551)	(561,687)	(950,979)
<b>Profit on ordinary activities after taxation</b>		<u><u>1,256,204</u></u>	<u><u>1,316,222</u></u>	<u><u>2,205,011</u></u>

All activities relate to continuing operations.

## CONSOLIDATED BALANCE SHEETS

		<i>6 months ended 31 January 2006 £</i>	<i>6 months ended 31 January 2005 £</i>	<i>Year ended 31 July 2005 £</i>
	<i>Notes</i>			
<b>Fixed assets</b>				
Tangible assets	3	94,527	65,951	70,565
Investments	4	20,000	–	20,000
		<u>114,527</u>	<u>65,951</u>	<u>90,565</u>
<b>Current assets</b>				
Debtors	5	1,688,112	1,967,434	1,189,992
Cash at bank and in hand		1,458,498	1,534,132	2,873,814
		<u>3,146,610</u>	<u>3,501,566</u>	<u>4,063,806</u>
<b>Creditors:</b> amounts falling due within one year	6	<u>(1,115,606)</u>	<u>(1,354,502)</u>	<u>(1,053,454)</u>
<b>Net current assets</b>		<u>2,031,004</u>	<u>2,147,064</u>	<u>3,010,352</u>
<b>Net assets</b>		<u>2,145,531</u>	<u>2,213,015</u>	<u>3,100,197</u>
<b>Capital and reserves</b>				
Called up share capital	7	369	371	371
Capital redemption reserve	8	53	51	51
Merger reserve	8	(111)	(111)	(111)
Share premium account	8	99,989	99,989	99,989
Profit and loss account	8	2,045,231	2,212,715	3,000,617
<b>Shareholders' funds – equity interest</b>		<u>2,145,531</u>	<u>2,213,015</u>	<u>3,100,917</u>

## CONSOLIDATED CASH FLOW STATEMENTS

	<i>6 months ended 31 January 2006</i>	<i>6 months ended 31 January 2005</i>	<i>Year ended 31 July 2005</i>
<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
Profit on ordinary activities before interest	1,733,247	1,808,609	3,040,784
Depreciation	24,681	16,269	42,835
Increase/(decrease) in debtors	(498,120)	(517,223)	260,219
(Decrease)/increase in creditors	(128,369)	(196,082)	(301,423)
Net cash flow from operating activities	<u>1,131,439</u>	<u>1,111,573</u>	<u>3,042,415</u>
<b>Cashflow statement</b>			
<b>Net cash flow from operating activities</b>	1,131,439	1,111,573	3,042,415
<b>Taxation paid</b>	(138,581)	(406,050)	(1,195,701)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	(48,643)	(53,656)	(85,723)
Purchase of trade investment	–	–	(20,000)
	<u>(48,643)</u>	<u>(53,656)</u>	<u>(105,723)</u>
<b>Net cash flow before financing</b>	944,215	651,867	1,740,991
<b>Servicing of finance</b>			
Interest paid	(3)	(3)	(3)
Interest received	41,511	69,303	115,209
	<u>41,508</u>	<u>69,300</u>	<u>115,206</u>
<b>Buy back of shares</b>	(16,040)	(89,685)	(89,685)
<b>Payment of equity dividends</b>	(2,195,550)	(1,892,100)	(1,892,100)
<b>Increase/(decrease) in cash in the period</b>	<u>(1,225,867)</u>	<u>(1,260,618)</u>	<u>(125,588)</u>
<b>Reconciliation of net cash flow to movement in debt</b>			
(Decrease)/increase in cash in the year	(1,225,867)	(1,260,618)	(125,588)
Net funds/(debt) brought forward	<u>2,643,471</u>	<u>2,769,059</u>	<u>2,769,059</u>
Net funds/(debt) carried forward	<u>1,417,604</u>	<u>1,508,441</u>	<u>2,643,471</u>

**CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES AND  
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

		<i>6 months ended 31 January 2006 £</i>	<i>6 months ended 31 January 2005 £</i>	<i>Year ended 31 July 2005 £</i>
Profit for the financial period/year after taxation		1,256,204	1,316,222	2,205,011
Dividends paid	7	(2,195,550)	(1,892,100)	(1,892,100)
Purchase of own shares		(16,040)	(89,685)	(89,685)
(Reduction)/Increase in shareholders' funds		<u>(955,386)</u>	<u>(665,563)</u>	<u>223,226</u>
Opening shareholders' funds		3,100,917	2,877,691	2,877,691
Closing shareholders' funds		<u>2,145,531</u>	<u>2,212,128</u>	<u>3,100,917</u>

## **NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2006**

This interim financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies are set out below.

### **Basis of Consolidation**

The interim financial information consolidates the financial statements of the Company and Netcollex Limited (“Netcollex”) for the six months ended 31 January 2006. All inter-company transactions and balances have been eliminated. The acquisition of Netcollex by the Company on 19 January 2000 by way of share exchange has been accounted for using merger accounting in accordance with FRS 6 ‘Acquisitions and Mergers’.

### **Research and Development**

Research and Development expenditure is written off to the profit and loss account in the year in which it is incurred.

### **Leasing**

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

### **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:

Web based file servers	33.3% on a straight line basis
Fixtures, fittings & equipment	20% on a straight line basis

The carrying value of the tangible assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### **Turnover**

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

### **Deferred Tax**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that they are regarded as being recoverable. Deferred tax assets and liabilities are not discounted.

### **Website Costs**

Website costs have been written off to the profit and loss account as incurred.

### **Dividends**

In accordance with FRS 21, dividends declared and payable at the balance sheet date are included as liabilities at that date. Dividends declared after the balance sheet date but before the date of the approval of the financial information are disclosed in the notes as post balance sheet events.

### **Liquid resources**

The Group includes short term deposits and bank deposit accounts as part of liquid resources.

## 2. TURNOVER

All turnover throughout the period arose from sales in the UK.

## 3. TANGIBLE FIXED ASSETS

	<i>Web based Servers</i>	<i>Fixtures, fittings &amp; equipment</i>	<i>Total</i>
	£	£	£
<b>Cost</b>			
At 1 August 2005	165,608	113,585	279,193
Additions	37,967	10,676	48,643
At 31 January 2006	<u>203,575</u>	<u>124,261</u>	<u>327,836</u>
<b>Depreciation</b>			
At 1 August 2005	115,586	93,042	208,628
Charge for period	18,831	5,850	24,681
At 31 January 2006	<u>134,417</u>	<u>98,892</u>	<u>233,309</u>
<b>Net book value</b>			
At 31 January 2006	<u>69,158</u>	<u>25,369</u>	<u>94,527</u>
At 31 January 2005	<u>69,951</u>	<u>–</u>	<u>65,951</u>
At 31 July 2005	<u>50,022</u>	<u>20,543</u>	<u>70,565</u>

## 4. INVESTMENTS

The investment of £20,000 at 31 July 2005 represents 20 shares in Strictly Broadband Limited, a company incorporated in England and Wales. The investment, which is stated at cost, represents 10 per cent. of the issued share capital of that company.

## 5. DEBTORS

	<i>6 months ended 31 January 2006</i>	<i>6 months ended 31 January 2005</i>	<i>Year ended 31 July 2005</i>
	£	£	£
Trade debtors	1,618,928	1,938,377	1,151,102
Other debtors	16,487	11,916	27,888
Prepayments and accrued income	52,697	17,141	11,002
	<u>1,688,112</u>	<u>1,967,434</u>	<u>1,189,992</u>

## 6. CREDITORS

	<i>6 months ended 31 January 2006 £</i>	<i>6 months ended 31 January 2005 £</i>	<i>Year ended 31 July 2005 £</i>
Bank overdrafts	40,894	25,691	230,343
Trade creditors	260,654	569,840	304,914
Corporation taxes	517,942	538,331	137,972
Other tax and social security	235,266	175,820	332,279
Accruals and deferred income	60,850	44,820	47,946
	<u>1,115,606</u>	<u>1,354,502</u>	<u>1,053,454</u>

## 7. SHARE CAPITAL

	<i>6 months ended 31 January 2006 £</i>	<i>6 months ended 31 January 2005 £</i>	<i>Year ended 31 July 2005 £</i>
1,000 Ordinary share capital of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>			
Ordinary shares of £1 each	<u>369</u>	<u>371</u>	<u>371</u>

During the six months ended 31 January 2006 the Company bought back 2 (Year ended 31 July 2005: 8) of its issued shares from shareholders for aggregate consideration and costs of purchase of £16,040 (Year ended 31 July 2005: £89,685). The shares were subsequently cancelled.

## Dividends

	<i>6 months ended 31 January 2006 £</i>	<i>6 months ended 31 January 2005 £</i>	<i>Year ended 31 July 2005 £</i>
Dividends paid 6 months ended 31 January 2006: £5,950 per share (31 January 2005: £5,100 per share; 31 July 2005: £5,100: per share)	<u>2,195,550</u>	<u>1,892,100</u>	<u>1,892,100</u>

## 8. RESERVES

	<i>Share Premium account £</i>	<i>Profit and loss account £</i>	<i>Capital redemption reserve £</i>	<i>Merger reserve £</i>
Balance at 1 August 2005	99,989	3,000,617	51	(111)
Profit for the period	–	1,256,204	–	–
Dividend paid	–	(2,195,550)	–	–
Shares bought back and cancelled	–	(16,040)	2	–
Balance at 31 January 2006	<u>99,989</u>	<u>2,045,231</u>	<u>53</u>	<u>(111)</u>

## **9. POST BALANCE SHEET EVENTS**

On 10 February 2006 the Company declared a dividend of £3,500 per ordinary share of £1 each in relation to the six months ended 31 January 2006, representing an aggregate dividend payable after the balance sheet date of £1,291,500.

On 4 April 2006 the Company capitalised an aggregate of £88,024 of distributable reserves by way of a bonus issue of new ordinary shares to existing shareholders pro-rata to their existing holdings.

## **INDEPENDENT REVIEW REPORT TO INTERACTIVE WORLD PLC**

### **Introduction**

We have been instructed by the Company to review the financial information for the Group for the six months ended 31 January 2006 set out above.

### **Directors' responsibilities**

The interim financial information contained therein is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where changes, and the reason for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test or controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 January 2006.

### **MRI Moores Rowland LLP**

Chartered Accountants  
London  
3 May 2006

## PART V

### UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

Set out below is a pro forma statement of consolidated net assets of the Group, which has been prepared on the basis of the unaudited interim financial information on the Group for the period ended 31 January 2006, as adjusted for the interim dividend payment and the Placing, as set out in the notes below. The pro forma has been prepared for illustrative purposes only and, because of its nature, will not represent the actual financial position or results of the Group.

	<i>The Group</i> <i>(i)</i> £	<i>Adjustments</i> <i>(ii)</i> £	<i>Placing</i> <i>(iii)</i> £	<i>Pro forma</i> £
<b>ASSETS</b>				
<b>Fixed assets</b>				
Tangible assets	94,527	–	–	94,527
Investments	20,000	–	–	20,000
	114,527	–	–	114,527
<b>Current assets</b>				
Debtors	1,688,112	–	–	1,688,112
Cash at bank and in hand	1,458,498	(1,291,500)	1,370,000	1,536,998
	3,146,610	(1,291,500)	1,370,000	3,225,110
<b>Current liabilities</b>	(1,115,606)	–	–	(1,115,606)
<b>Net current assets</b>	2,031,004	(1,291,500)	1,370,000	2,109,504
<b>Net assets</b>	2,145,531	(1,291,500)	1,370,000	2,224,031

**NOTES:**

- (i) The balance sheet of the Group at 31 January 2006 has been extracted without adjustment from the unaudited interim financial information on the Group set out in Part IV of this Document. With the exception of the transactions referred to below, no account has been taken of the activities of the Group subsequent to 31 January 2006.
- (ii) The adjustment represents the payment of the dividend in respect of the period ended 31 January 2006 declared as payable by the Company on 10 February 2006 which was interest not accrued at the balance sheet date in accordance with FRS21.
- (iii) The Placing by the Company of 2,739,727 new Ordinary Shares at 73p per share, raising £2 million before estimated costs of the transaction of £630,000.

The Directors  
Interactive World Plc  
Ramillies House  
2 Ramillies Street  
London  
W1F 7LN

The Directors  
Daniel Stewart & Company plc  
Becket House  
36 Old Jewry  
London  
EC2R 8DD

3 May 2006

Dear Sirs

We report on the pro forma financial information set out in Part V of the AIM Admission Document (the 'Document') dated 3 May 2006 of Interactive World plc ('the Company') which has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the payment of the interim dividend and the Placing might have affected the financial information on the Group, presented on the basis of the accounting policies of the Company.

### **Responsibilities**

It is the responsibility of the Directors of the Company to prepare the pro forma financial information. It is our responsibility to form an opinion on the financial information as to the proper compilation of the pro forma financial information and to report our opinion to you.

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

### **Basis of opinion**

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

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

### **Opinion**

In our opinion:

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

**Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**MRI Moores Rowland LLP**  
Chartered Accountants

## PART VI

### ADDITIONAL INFORMATION

#### 1. INCORPORATION

- 1.1 The Company was incorporated in England and Wales on 12 May 1999 as a limited liability company under the Act with the name Free4internet.net Limited and with company number 3769328. The Company changed its name to Interactive World Limited on 29 July 2005. The Company was re-registered as a public limited company on 6 April 2006.
- 1.2 The Company's registered office is at Ramillies House, 2 Ramillies Street, London W1F 7LN. The Company's principal place of business is 26 Thames Road, Barking, Essex IG11 0JA.
- 1.3 The Company is subject to and operates pursuant to the provisions of the Act. The liability of the members of the Company is limited.
- 1.4 The Company's telephone number is +44 20 8507 6920.

#### 2. SUBSIDIARIES

- 2.1 The Company is the ultimate holding company for the Subsidiary. The Subsidiary was incorporated on 24 June 1999 under company number 3795005 with a current authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which 111 have been issued and are fully paid. The Company holds 100 per cent. of the issued share capital of the Subsidiary.
- 2.2 Other than the Subsidiary, the Company has no subsidiaries.

#### 3. SHARE CAPITAL OF THE COMPANY

- 3.1 The authorised and issued share capital of the Company at the date of this document, and as it will be immediately following the Placing and Admission, is/will be as follows:

	Authorised		Issued and credited fully paid	
	<i>Number of Ordinary Shares of 0.25 pence each</i>		<i>Number of Ordinary Shares of 0.25 pence each</i>	
		£		£
Current	200,000,000	500,000	35,357,140	88,392.86
On Admission	200,000,000	500,000	38,450,438	96,126.10

- 3.2 On incorporation the Company had two ordinary shares of £1 each in issue. As at the date of this document the Company has 35,357,140 Ordinary Shares in issue. Save for the issue of ordinary shares of £1 each pursuant to the Share Exchange Agreement as defined and detailed in paragraph 3.6 below, the Company has not used more than 10 per cent. of the issued share capital for the purchase of assets other than cash since incorporation.
- 3.3 The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which two were issued as subscriber shares to the subscribers to the Company's Memorandum of Association and were subsequently transferred to Keith Maddock and Nicholas Cracknell respectively for £1 per ordinary share.
- 3.4 On 12 May 1999, 140 ordinary shares of £1 each were issued to David Sullivan, 10 ordinary shares of £1 each were issued to Microplace Limited, 24 ordinary shares of £1 each were issued to Keith Maddock and 24 ordinary shares of £1 each were issued to Nicholas Cracknell in each instance for £1 per ordinary share.

- 3.5 On 30 July 1999, David Sullivan transferred 30 ordinary shares of £1 each to himself and AWD Trustees Limited jointly as trustees of The Sullivan Trust.
- 3.6 On 19 January 2000, pursuant to the share exchange agreement (further details of which are set out at paragraph 6 of this Part VI below) between the Company (1) and David Sullivan and AWD Trustees Limited as trustees of The Sullivan Trust, Rysaffe Trustee Company (C.I.) Limited, Robert Johnson, Christine King, Clive Sullivan and David Sullivan (together the “Vendors”) (2) (the “Share Exchange Agreement”) the Vendors transferred the entire share capital of the Subsidiary to the Company in consideration for the issue and allotment to the Vendors of 222 ordinary shares of £1 each in aggregate.
- 3.7 On 16 February 2001, Mr Nicholas Cracknell transferred 5 ordinary shares of £1 each to Eastern Thunder Limited.
- 3.8 The Company has purchased and cancelled 53 ordinary shares of £1 each as follows:
- 3.8.1 On 29 January 2001, the Company purchased 20 ordinary shares of £1 each for an amount of £140,000.
- 3.8.2 On 18 September 2001, the Company purchased 10 ordinary shares of £1 each for an amount of £110,000.
- 3.8.3 On 29 October 2001, the Company purchased 13 ordinary shares of £1 each for an amount of £143,000.
- 3.8.4 On 2 December 2004, the Company purchased 8 ordinary shares of £1 each for an amount of £88,000.
- 3.8.5 On 29 September 2005, the Company purchased 1 ordinary share of £1 for an amount of £8,000.
- 3.8.6 On 4 October 2005, the Company purchased 1 ordinary share of £1 for an amount of £8,000.
- 3.9 On 4 April 2006 the issued and unissued share capital of the Company was subdivided into Ordinary Shares of 0.25 pence each and the authorised share capital was increased from £1,000 to £500,000 by the creation of 199,600,000 additional Ordinary Shares.
- 3.10 In addition on 4 April 2006, the Directors were generally and unconditionally, for the purposes of Section 80 of the Act, authorised to allot relevant securities up to an aggregate nominal amount of £130,750.00 such authority to expire on the earlier of fifteen months of the passing of the resolution or the conclusion of the next annual general meeting of the Company save that the Company may, at any time before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
- 3.11 In addition on 4 April 2006, the Directors were empowered pursuant to Section 95 of the Act to allot equity securities as if Section 89(1) of the Act did not apply to any allotment made in accordance with paragraph 3.10 above, such authority being limited to the allotment of equity securities up to an aggregate amount of £107,750.00. This authority expires at the earlier of fifteen months of the passing of the resolution or conclusion of the next annual general meeting of the Company, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.
- 3.12 On 4 April 2006 the sum of £88,023.86 was capitalised from distributable reserves by way of a bonus issue of 35,209,540 Ordinary Shares, such shares being allotted and distributed pro-rata amongst the Shareholders.
- 3.13 All the Ordinary Shares rank *pari passu* and no shareholder of the Company has different voting rights to other shareholders of the Company.

- 3.14 The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped and deposited in accordance with the Articles and is in favour of not more than four joint transferees and is in respect of one class only.
- 3.15 No Ordinary Shares are held by or on behalf of the Company or its subsidiary.
- 3.16 The par value of each Ordinary Share is 0.25 pence and the Company has not issued Ordinary Shares that are not fully paid up.
- 3.17 Other than set out in paragraphs 6 and 8 of this Part VI, no person has any rights to purchase the authorised but unissued share capital of the Company and no person has been given an undertaking by the Company to increase its authorised share capital.
- 3.18 On 3 May 2006, Pathfinder exercised the Pathfinder Option which will result in the issue and allotment to Pathfinder of 353,571 new Ordinary Shares on Admission. Further details regarding the Pathfinder Option are set out in paragraph 6.8 of this Part VI below.
- 3.19 As at the date of this document and immediately following Admission, so far as the Directors are aware, the only persons who are directly or indirectly interested in more than 3 per cent. of the issued Ordinary Shares or who exercise or could exercise control over the Company directly or indirectly are, and will be, as follows:

<i>Name</i>	<i>At the date of this document</i>		<i>On Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>% of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>% of Ordinary Shares</i>
David Sullivan	31,428,571*	88.9	24,579,255	63.92
Rysaffe	2,108,014	5.96	2,108,014	5.48

\* Of these Ordinary Shares, David Sullivan and AWD Trustees Limited jointly hold 7,665,505 Ordinary Shares as trustees of The Sullivan Trust (being 21.70 per cent. of the Ordinary Shares in issue at the date of this document), the sole beneficiary of which is David Sullivan.

- 3.20 Save in connection with the Placing or on the exercise of options granted pursuant to the EMI Scheme, the Share Option Plan, the Daniel Stewart Option or the Pathfinder Option, or as otherwise disclosed in this document, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- 3.21 The International Security Identification Number for the Ordinary Shares is GB00B11FCP94.
- 3.22 On completion of the Placing, the issued share capital of the Company shall be increased by approximately 7.67 per cent. resulting in an immediate dilution of 7.12 per cent.
- 3.23 The Company does not have in issue any shares not representing share capital and there are no outstanding convertible or redeemable securities issued by the Company.
- 3.24 The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends or other distributions if hereafter declared, paid or made on the ordinary share capital of the Company.
- 3.25 Under sections 198-210 of the Act, a shareholder of the Company is required to notify the Company when he acquires or disposes of a material interest in the Ordinary Shares equal to or in excess of 10 per cent. of the nominal value of the issued share capital or where he acquires or disposes of an interest (not being a material interest as defined under the section 199 of the Act) in the Ordinary Shares equal to or is in excess of 10 per cent. of the nominal value of the issued share capital.
- 3.26 In addition, a shareholder of the Company is required pursuant to Rule 3 of the Rules Governing Substantial Acquisitions of Shares issued by the Panel, to notify the Company, the Panel and a Regulatory Information Service on either: (i) an acquisition by him of 10 per cent. or more of the voting rights in the Company which when aggregated with any Ordinary Shares already held by him results in such Shareholder holding in aggregate 15 per cent. or more of the voting rights in the Company; or

(ii) such Shareholder's holding of shares already represents 15 per cent. or more of the voting rights in the Company and as a result of the acquisition is increased to or beyond any whole percentage figure.

#### 4. DIRECTORS' AND OTHER INTERESTS

4.1 The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the Act, in the issued share capital of the Company as at the date of this document and as it will be immediately following the Placing and at Admission, which have been notified to the Company pursuant to section 324 of the Act or are required to be entered into the register of directors' interests maintained under the provisions of section 325 of the Act, or could, with reasonable diligence, be ascertained by the Directors, together with the percentages which such interests represent of the Ordinary Shares in issue are or will be as follows:

<i>Name</i>	<i>At the date of this document</i>			<i>On Admission</i>		
	<i>No of Ordinary Shares</i>	<i>% of issued Ordinary Shares</i>	<i>No of Options</i>	<i>No of Ordinary Shares</i>	<i>% of issued Ordinary Shares</i>	<i>No of Options</i>
Simon Hume-Kendall	Nil	Nil	Nil	171,232	0.45	273,972
Robert Johnson	383,275	1.08	Nil	383,275	1.00	707,142
Andrew Fletcher	Nil	Nil	Nil	Nil	Zero	353,571
Nigel Blythe-Tinker	Nil	Nil	Nil	Nil	Zero	68,493
Clive Sullivan*	383,275	1.08	Nil	383,275	1.00	68,493

\*Clive Sullivan is the brother of David Sullivan.

- 4.2 Under the terms of the EMI Scheme and the Share Option Plan, summaries of which are set out in paragraph 8 of this Part VI, certain of the Directors have been issued with options to subscribe for Ordinary Shares at the Placing Price as detailed in paragraph 8 of this Part VI.
- 4.3 Save as disclosed in this document, no Director (or member of their family) has any interest, beneficial or non-beneficial, in the share capital of the Company.
- 4.4 The aggregate of the remuneration paid to the Directors by the Group in respect of the period from 1 August 2004 to 31 July 2005 was approximately £128,000 and for the period from 1 August to 31 July 2006 is estimated, under the arrangements in force at the date of this document, to be approximately £190,000, and in a full year would amount to approximately £305,000.
- 4.5 Save as disclosed in paragraph 4.8 of this Part VI below, there will be no variation in the total emoluments receivable by the Directors as a result of the Placing or Admission.
- 4.6 Save as disclosed in this document, there are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors.
- 4.7 Clive Sullivan was appointed to the Board on 5 January 2000 and Robert Johnson was appointed to the Board on 3 January 2006. The remaining Directors were appointed to the Board on 17 March 2006 and shall remain in office until such time as their appointment with the Company may be terminated as described in paragraph 4.8 below. In addition, at each annual general meeting of the Company, one third of the Directors are required to retire by rotation and may stand for re-election. Failure of any director to be re-appointed upon retirement by rotation will not automatically result in termination of the employment of such Director.
- 4.8 The services of the Directors are provided to the Company under the following agreements:
- 4.8.1 On 2 May 2006, Simon Hume-Kendall entered into a letter of appointment with the Company conditional on Admission setting out his terms of appointment as a non-executive director of the Company. An annual fee of £30,000 is payable to Simon Hume-Kendall. The appointment is for an initial term of one year and may be terminated by either party giving not less than 6

months' notice provided that such notice may not be given prior to the end of the one year fixed term. The terms of appointment also allow for early termination, *inter alia*, in the event of a breach by Simon Hume-Kendall. Upon termination of appointment, no contractual benefits (other than those accruing in respect of notice period) are due to Simon Hume-Kendall.

- 4.8.2 On 20 April 2006, Robert Johnson entered into an employment agreement with the Company conditional on Admission. The employment agreement may be terminated upon either party giving not less than 12 months' notice which can be served at any time. The agreement contains provisions for early termination, *inter alia*, in the event of a breach by Robert Johnson. The basic annual salary payable is £128,761 and, subject to achieving the financial targets set by the Company in respect of its financial year, the remuneration committee may in its absolute discretion award a bonus of such amount as it sees fit, subject to such conditions as it may determine. The agreement restricts Robert Johnson from competing with the Company for a period of 6 months after termination of employment and/or soliciting customers for a period of 12 months after termination of employment. Upon termination of the service agreement, no benefits (other than those accruing in respect of the notice period) are due to Robert Johnson.
- 4.8.3 On 19 April 2006, Andrew Fletcher entered into an employment agreement with the Company conditional on Admission. The employment agreement may be terminated upon either party giving not less than 12 months' notice which can be served at any time. The agreement contains provisions for early termination, *inter alia*, in the event of a breach by Andrew Fletcher. The basic annual salary payable is £100,000 and, subject to achieving the financial targets set by the Company in respect of its financial year August 2006 to July 2007, the remuneration committee may in its absolute discretion award a bonus of such amount (up to a maximum of 50 per cent. of Andrew Fletcher's annual salary) at such intervals and subject to such conditions as it may determine. The agreement restricts Andrew Fletcher from competing with the Company for a period of 6 months after termination of employment and/or soliciting customers for a period of 12 months after termination of employment. Upon termination of the service agreement, no benefits (other than those accruing in respect of the notice period) are due to Andrew Fletcher.
- 4.8.4 On 2 May 2006, Nigel Blythe-Tinker entered into a letter of appointment with the Company conditional on Admission setting out his terms of appointment as a non-executive director of the Company. An annual fee of £25,000 is payable to Nigel Blythe-Tinker. The appointment is for an initial term of 1 year and may be terminated by either party giving not less than 6 months' notice provided that such notice may not be given prior to the end of the 1 year fixed term. The terms of appointment also allow for early termination, *inter alia*, in the event of a breach by Nigel Blythe-Tinker. Upon termination of appointment, no contractual benefits (other than those accruing in respect of notice period) are due to Nigel Blythe-Tinker.
- 4.8.5 On 20 April 2006, Clive Sullivan entered into a letter of appointment with the Company conditional on Admission setting out his terms of appointment as a non-executive director of the Company. An annual fee of £25,000 is payable to Clive Sullivan. The appointment is for an initial term of 1 year and may be terminated by either party giving not less than 6 months' notice provided that such notice may not be given prior to the end of the 1 year fixed term. The terms of appointment also allow for early termination, *inter alia*, in the event of a breach by Clive Sullivan. Upon termination of appointment, no contractual benefits (other than those accruing in respect of notice period) are due to Clive Sullivan.
- 4.9 Save for the Company, the Directors currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Simon Hume-Kendall	LV Management Limited RISC Holdings Limited London & Athens Limited Lamberhurst Holdings Limited The Vines Bungalow Limited Lamberhurst Inns Limited Lamberhurst Estate Limited Lamberhurst Vineyard Management Limited Stenoak Associated Services Plc (in compulsory liquidation) Progressive Shipmanagement Limited (in compulsory liquidation) Grapevine Oast Limited Lamberhurst Hotels Limited Hubstore Limited RISC Services Limited	Bandpaper Limited BRN Realisations Limited English Wines Plc English Wines Group Plc Crystal Palace F.C. 1986 Limited (in compulsory liquidation) Hop Fram Real Estate Limited Hop Farm Trading Limited Hoptastic Limited
Robert Johnson	Netcollex Limited	Strictly Broadband Limited
Andrew Fletcher	None	Ellen Limited Option Line Limited (compulsory liquidation) Sports & Outdoor Media International Limited Sprigg & Wilson Limited Swiss Tony Limited World Media Group Limited Sportsworld Media (Subsidiary) Limited Sportsworld Network (Europe) Limited Sportsworld Surf Management Limited Chilli Industries Limited (administrative receivership) Sportsworld Triathlon Management Limited Maverick Whites Limited Ocnats Limited Jessies' Giants Limited Excrest Limited Broadrail Limited Morgan Edgington Limited SMG (Agencies) Limited Digital Rum Limited ESP Promotions Limited Sportsworld Television Limited (administrative receivership) Sportsworld Media Group plc (administrative receivership) Netsports Limited (administrative receivership) ESP Enterprises (UK) Limited GI Barnett Limited (administrative receivership)

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Nigel Blythe-Tinker	Emtec Colleges Limited Emtec (Specialised Services) Limited Gaming VC S.A. (a Luxembourg registered company) Motor Systems Limited Emtec (Leicestershire) Limited	None
Clive Sullivan	Conegate Limited Shape Up Shops Limited Centrewall Limited Netcollex Limited Sport Newspapers Limited Conegate (2002) Limited Conegate (2003) Limited Conegate (2004) Limited Conegate (2005) Limited Conegate (2006) Limited Netcollex (2002) Limited Conegate Brighton No.2 Limited Conegate Brighton No.3 Limited Conegate Holdings Limited Alexander Saunders & Partner	None

4.10 Save as set out in paragraphs 4.11 to 4.14 below no Director has:

- 4.10.1 any unspent convictions in relation to indictable offences;
- 4.10.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- 4.10.3 been a director of a company or a partner in any firm at that time or within 12 months preceding the dates of its receivership, compulsory liquidation, creditors voluntary liquidation or administration, or entered into any composition or arrangement with its creditors generally or any class of its creditors;
- 4.10.4 been a partner in any partnership at the time of or within 12 months preceding the date of its liquidation, administration or voluntary arrangement;
- 4.10.5 been the owner of any asset which was placed into receivership or a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be partner in that partnership;
- 4.10.6 had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies); or
- 4.10.7 been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

4.11 Simon Hume-Kendall was and remains a director of the following companies that have been subject to a compulsory liquidation order:

- 4.11.1 Stenoak Associated Services Plc (“Stenoak”) which went into administrative receivership on 8 July 2002, and in respect of which an order for winding up was granted on 13 November 2002 under The Insolvency Act 1986. Stenoak was a holding company which held investments in various group companies. Having regard to the statement of affairs filed at Companies House, the estimated deficiency as regards creditors was approximately £15,404,000; and
- 4.11.2 Progressive Shipmanagement Limited in relation to which an administration order was made on 29 January 1996. The administration order was discharged on 14 July 1997 when Progressive Shipmanagement Limited went into compulsory liquidation and a court order was

made for its winding up under the Insolvency Act 1986 and for the appointment of an administrator liquidator. There was no statement of affairs in respect of this liquidation.

In addition, although Simon Hume-Kendall resigned as a director of Crystal Palace F.C. (1986) Limited on 18 August 1999, he was a director of such company when it went into administration on 31 March 1999. The administration order was discharged on 14 May 2003 when the company was put into creditors voluntary liquidation. There was an estimated deficiency to creditors of approximately £9,889,000.

- 4.12 Robert Johnson was the sole director of Tobyward Limited (“Tobyward”). Between 11 January 1996 and 29 March 1996 Tobyward was convicted of a number of criminal offences pursuant to the Trade Descriptions Act 1968, the Consumer Protection Act 1987, Article 3(2) Mail Order Transactions (Information) Order 1976, Section 23 of the Fair Trading Act 1973 and the Food Labelling Regulations 1984. These indictments related to advertisements placed in various publications on behalf of Tobyward during 1993 and 1994 regarding false trade descriptions applied to products sold by Tobyward. Prosecutions were brought in the Shrewsbury Crown Court, Shrewsbury Magistrates Court and the Wolverhampton Crown Court, and Tobyward incurred aggregate fines and Court costs of approximately £158,000.

A liquidator was appointed to Tobyward on 26 April 1996. The liquidator was appointed following a creditors voluntary liquidation on 26 April 1996 resulting in an estimated deficiency to creditors of approximately £386,000. Tobyward was subsequently dissolved on 2 March 1998.

Following the liquidation of Tobyward, the liquidator investigated the conduct of Robert Johnson (as he is required to do by law). On 17 November 1997, Robert Johnson was disqualified by the Companies Court, Chancery Division, by a process known as a Carecraft Settlement from being a director of a company or from being a receiver of a company’s property or from being in any way (whether directly or indirectly) concerned or taking part in the promotion, formation or management of any company for a period of four years in accordance with section 6 of the Company Directors Disqualification Act 1986. This disqualification related to: (i) breach of duty whilst a director of Tobyward by permitting Tobyward to place advertisements that were misleading with respect to products sold; (ii) causing or permitting Tobyward to continue to trade without reasonable prospect of paying creditors’ claims; and (iii) causing or permitting himself to be paid excessive remuneration by Tobyward.

The Directors and Daniel Stewart have considered the circumstances surrounding Robert Johnson’s disqualification and commissioned their own independent investigation by an expert in director disqualification, Paul Sayers. Paul Sayers graduated in Business Studies in 1968 and became an Associate of the Institute of Credit Management in 1973. Since 1991, Paul Sayers has acted as a consultant investigating the conduct of directors of insolvent companies, liaising with The Secretary of State in regard to the disqualification of directors and making recoveries from directors whose conduct had contributed to the losses suffered by creditors. Paul currently provides his services to Moores Stephens LLP. The Directors considered the report by Paul Sayers, which indicates that, had Robert Johnson contested the Disqualification Order it is unlikely that he would have been disqualified under the Company Directors Disqualification Act 1986 and moreover during the period of his disqualification, had he applied for leave to act as a director he might have been successful.

Robert Johnson’s disqualification was made pursuant to the “Carecraft” procedure. This procedure is no longer used following the introduction of the Insolvency Act 2000 which now allows for individuals to voluntarily agree not to act as a director without necessitating a disqualification order or any Court involvement. The “Carecraft” procedure allowed the Court to deal with uncontested cases expediently and under this procedure, the respondent would be provided with details of alleged wrong doing and would sign an agreement not to oppose the proceedings for making a disqualification order. The alternative would be for the respondent to contest the matter and face the risk of incurring significant costs.

Robert Johnson decided not to refute the allegations made against him because the costs of so defending would be significant and beyond his means, and his employment at that time did not require

that he act as a director. Therefore by signing a “Carecraft” agreement Robert Johnson’s disqualification was made possible without trial or argument.

This, together with the circumstances of the disqualification, the fact that he has never since been associated with a failed company and that, in the other Directors’ view, Robert Johnson behaved properly leads the other Directors and Daniel Stewart to the view that Robert Johnson is entirely appropriate to be an Executive Director of the Company.

4.13 Andrew Fletcher was a director of Sportsworld Media Group plc (“SMG”) which went into administrative receivership on 10 April 2002 and in relation to which he resigned as a director on 29 September 2001. SMG acted as a holding company for a number of subsidiaries (“SMG Group”). These subsidiaries had provided guarantees totalling £8.2 million to SMG Group’s bankers in respect of SMG Group’s borrowings. SMG Group as a whole had been experiencing cash-flow difficulties and following delays to planned disposals of subsidiary businesses, had become unable to trade within its agreed overdraft facility with its bankers. This led to the appointment of administrative receivers to SMG. Following the appointment of administrative receivers to SMG, the subsidiaries no longer had access to the funding provided by SMG Group’s bankers. Consequently, administrative receivers were appointed in respect of various of them, including the following:

4.13.1 Chilli Industries Limited (“Chilli”) which went into administrative receivership on 15 April 2002, and in relation to which Andrew Fletcher was a director until 11 April 2002;

4.13.2 GI Barnett Limited which went into administrative receivership on 1 May 2002, and in relation to which Andrew Fletcher was a director until 29 November 2001;

4.13.3 Netsports Limited which went into administrative receivership on 18 June 2002, and in relation to which Andrew Fletcher was a director until 29 November 2001; and

4.13.4 Sportsworld Television Limited (“SWTV”) which went into administrative receivership on 11 September 2002, and in relation to which Andrew Fletcher was a director until 29 November 2001.

Having regard to the statement of affairs filed in relation to SMG, the estimated total deficiency as regards creditors was approximately £4,021,504. Having regard to the statement of affairs filed in relation to Chilli, the estimated total deficiency as regards creditors was approximately £2,661,000. Having regard to the statement of affairs filed in relation to GI Barnett limited, the estimated total deficiency as regards creditors was approximately £1,419,000. Having regard to the statement of affairs filed in relation to Netsports Limited, the estimated total deficiency as regards creditors was approximately £8,543,000. Having regard to the statement of affairs filed in relation to SWTV, the estimated total deficiency as regards creditors was approximately £8,092,000. In relation to Netsports Limited and SWTV, the estimated total deficiency to creditors as referred to in the statement of affairs filed for each company was inclusive of the £8.2 million which had been guaranteed by these subsidiaries to the SMG Group’s bankers.

4.14 Andrew Fletcher was also a director of Option Line Limited, another wholly owned subsidiary of SMG. Option Line Limited was subject to compulsory liquidation and was dissolved on 16 July 2002 following a court order dated 23 January 2002 that the company be wound up under the provisions of The Insolvency Act 1986. The court order was made on the petition of Carlton Communications plc, a creditor of the Company. There was also a deficiency to creditors the quantum of which has not been notified to Companies House.

4.15 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was affected during the current or immediately preceding financial period or which was affected during an earlier financial period and remains outstanding or unperformed.

## 5. KEY EMPLOYEES

5.1 The following comprise the key employees of the Group

<i>Name</i>	<i>Commencement employment</i>	<i>Term of Office</i>
Robert Johnson	Chief Executive Officer	12 months notice
Andrew Fletcher	Chief Financial Officer	12 months notice

5.2 None of the employment contracts relating to the key management referred to above, contain a right to benefits (other than those due during the notice period due under the contract) upon termination.

5.3 As at the date of this document, the Group had 12 employees as follows, all of whom are located in the United Kingdom:

	<i>Number Employees</i>
Senior Management	2
IT/website	5
Finance, Administration and marketing	5

## 6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or the Subsidiary within the last two years and are or may be material to the Company:

- 6.1 a placing agreement dated 2 May 2006 between the Company (1) the Directors (2) and David Sullivan (3) and Daniel Stewart (4) pursuant to which Daniel Stewart has agreed conditionally upon, *inter alia*, Admission taking place by no later than 8 May 2006 (or such later date as the Company, Daniel Stewart, and the Directors may agree not being later than 22 May 2006) to use its reasonable endeavours to procure Placées for the Placing Shares and the Vendor Placing Shares. Under the terms of the Placing Agreement the Company has agreed to pay Daniel Stewart a corporate finance fee and a commission of 5 per cent. of the aggregate value at the Placing Price of the Placing Shares per share (together with specified expenses including fees of legal advisors) and David Sullivan has agreed to pay Daniel Stewart a commission of 5 per cent. of the aggregate value at the Placing Price of the number of Vendor Placing Shares held by David Sullivan and sold on his behalf by Daniel Stewart pursuant to the Placing Agreement. The Placing Agreement contains certain representations and warranties given by the Directors, David Sullivan and the Company and in respect only of the Company an indemnity in favour of Daniel Stewart, together with provisions which enable Daniel Stewart to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The Directors and David Sullivan have also undertaken to the Company and Daniel Stewart not to dispose of any of their interests in the Ordinary Shares held by them at any time on or before the first anniversary of the date of Admission except in certain limited circumstances (including where Daniel Stewart has consented to such disposal). They have also undertaken that for a further twelve months from the date of the first anniversary of Admission they will not dispose of any Ordinary Shares except through Daniel Stewart or (if Daniel Stewart is replaced) the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal);
- 6.2 an option agreement dated 2 May 2006 between the Company (1) and Daniel Stewart (2) pursuant to which the Company granted Daniel Stewart an option to subscribe for 1,345,765 Ordinary Shares (being 3.5 per cent. of the issued ordinary share capital of the Company at Admission) at the Placing Price. The right to exercise the option is conditional on Admission exercisable in whole or in part and Daniel Stewart has five years from the date of Admission to exercise the option;
- 6.3 a lock-in deed dated 2 May 2006 in favour of each of the Company and Daniel Stewart whereby each of the Shareholders as at the date thereof (other than Rysaffe) have agreed not to dispose of any of their interest in any Ordinary Shares held by them at any time on or before the first anniversary of the date of Admission except in certain limited circumstances (including where Daniel Stewart has consented

to such disposal). They have also undertaken that for a further twelve months from the date of the first anniversary of Admission they will not dispose of any Ordinary Shares except through Daniel Stewart or (if Daniel Stewart is replaced) the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal);

- 6.4 a lock-in deed dated 2 May 2006 in favour of each of the Company and Daniel Stewart whereby Rysaffe has agreed that it will not at any time prior to the date 6 months following Admission (save in certain limited circumstances including where Daniel Stewart has consented to such disposal) dispose of any interest in Ordinary Shares. Rysaffe has also undertaken that for a further six months after the date of the sixth month anniversary of Admission any disposal will be conducted in order to maintain an orderly market via Daniel Stewart or the Company's then broker (save in certain limited circumstances including where Daniel Stewart has consented to such disposal);
- 6.5 a lock-in deed dated 2 May 2006 in favour of each of the Company and Daniel Stewart whereby Pathfinder has agreed not to dispose of any of its interest in any Ordinary Shares held by it at any time on or before the first anniversary of the date of Admission except in certain limited circumstances (including where Daniel Stewart has consented to such disposal). Pathfinder has also undertaken that for a further twelve months from the date of the first anniversary of Admission it will not dispose of any Ordinary Shares except through Daniel Stewart or (if Daniel Stewart is replaced) the Company's broker from time to time, save in certain limited circumstances (including where Daniel Stewart has consented to such disposal);
- 6.6 a nominated adviser and broker agreement dated 2 May 2006 between the Company and Daniel Stewart pursuant to which the Company appointed Daniel Stewart to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Daniel Stewart a fee of £40,000 per annum for such services. The agreement continues for a fixed period of 18 months from the date of the agreement and thereafter is subject to termination by either party on the giving of 6 months' notice.
- 6.7 a content service agreement dated 6 March 2006 between the Company (1) and Sport Newspapers Limited ("Sport") (2) pursuant to which the Company pays Sport 50 per cent. of gross revenue share (being revenue received from Sport's customers for the distribution of content via mobile telephones or the internet) in consideration for Sport agreeing to grant the Company, the exclusive right to (i) fulfil all editorial offers for the delivery of content in any newspapers or magazines published by Sport; (ii) promote, sell, distribute and sub-licence all content for which Sport owns exclusive rights; and (iii) produce internet, web or WAP sites containing suitable content for which Sport owns exclusive rights;
- 6.8 an option agreement dated 20 February 2006 between the Company (1) and Pathfinder (2) pursuant to which the Company granted Pathfinder an option to subscribe at par value for up to 5 per cent. of the total number of Ordinary Shares issued and allotted by the Company immediately prior to Admission ("Pre Admission Shares"). The number of Ordinary Shares is calculated having regard to the valuation of the entire issued ordinary share capital of the Company as agreed by the Company and Daniel Stewart (excluding for the avoidance of doubt any of the Placing Shares) (the "Valuation") on the basis of a sliding scale (such that Pathfinder could receive a minimum of 1 per cent. of the total number of Pre Admission Shares if the Valuation is less than £29,999,999 and a maximum of 5 per cent. of the Pre Admission Shares if the Valuation is £55 million or more). The option is conditional on, *inter alia*, the Company entering into the Placing Agreement and the publication of the Admission Document. Pathfinder has exercised the option, such exercise being conditional upon Admission, which will result in the issue and allotment to Pathfinder of 353,571 new Ordinary Shares at par on Admission; and
- 6.9 an engagement agreement dated 22 November 2005 between the Company (1) and Pathfinder (2) pursuant to which Pathfinder agreed to provide consultancy services to the Company in relation to the Admission. In addition, Pathfinder agreed to advise on any strategic sale, joint venture and all merger and acquisition activity prior to Admission and also to advise on the structure of the Company so as to maximise value on a listing. In consideration for these services the Company agreed to pay Pathfinder a monthly retainer of £7,500 exclusive of VAT and any reasonably incurred expenses in the performance of Pathfinder's duties (not to exceed £5,000) under the agreement. Further upon successful

completion of either a listing of the Company (which would include the Admission) and/or a trade sale the Company agreed to pay Pathfinder a success fee of £220,000 plus VAT. The success fee will be payable on Admission.

## **7. MEMORANDUM AND ARTICLES OF ASSOCIATION**

7.1 The Company's primary object is that of a trading commercial company and this is set out in page 1 of the Company's memorandum of association.

7.2 The Articles contain provisions *inter alia*, to the following effect:

### *7.2.1 Share capital*

The Company may by ordinary resolution:

7.2.1.1 increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;

7.2.1.2 consolidate its share capital into shares of larger amounts than its existing shares;

7.2.1.3 cancel any shares which have not been taken at the date of the passing of the resolution, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and

7.2.1.4 sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the Company's memorandum of association.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

### *7.2.2 Voting*

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or by proxy not being himself a member or (being a corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

### *7.2.3 AGM & EGM Procedures*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. Subject to the provisions of the Act, the annual general meeting shall be held at such time and place as the Directors may determine.

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by Section 368 of the Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except as stated by the requisition or proposed by the Board.

Subject to the provisions of the Act, an annual general meeting and a general meeting for the passing of a special resolution shall be called by at least twenty one clear day's notice, and all other general meetings shall be called by at least fourteen clear days' notice.

Shorter notice than that specified above may be deemed to have been given in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

#### 7.2.4 *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

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

#### 7.2.5 *Variation of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated either:

7.2.5.1 in such manner (if any) as may be provided by such rights; or

7.2.5.2 in the absence of any such provision, 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 an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. To every such meeting all the provisions of the Articles of Association of the Company relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than 1m adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

### 7.2.6 *Transferability*

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Directors may decline, without giving any reason, to recognise any instrument of transfer unless:

7.2.6.1 the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;

7.2.6.2 the instrument of transfer is in respect of only one class of share;

7.2.6.3 the instrument of transfer is in favour of not more than four transferees; and

7.2.6.4 the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

### 7.2.7 *Directors of the Company*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall be not less than two and not more than eight. Subject to certain exceptions, a Director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed at any other number shall be two.

Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes the chairman of the meeting shall have a second or casting vote. A Director who is unable to attend any meeting of the Directors and has not appointed an alternate Director may authorise any other Director to vote for him at the meeting, and in that event the Director so authorised shall have a vote for each Director by whom he is so authorised in addition to his own vote.

It shall not be necessary to give notice of a Board meeting to a Director who is absent from the United Kingdom unless he has requested the Board in writing that notices of Board meetings shall during his absence be given to him at any address in the United Kingdom.

Any Director or his alternate may validly participate in a meeting of the Board or a committee of the Board through the medium of conference telephone or any other form of communications equipment.

The Directors may delegate any of their powers to committees consisting of at least one member of their body as they think fit, provided that at least one half of the members of any such committee shall be directors of the Company and no resolution of a committee shall be effective unless at least half of those present when it is passed are Directors or alternate Directors. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors. The meetings and proceedings of any such committee consisting of two or more Directors shall be governed by the provisions

of the Articles regulating the meetings and proceedings of the Directors, so far as the same are applicable and are not superseded by any regulations imposed by the Directors under the relevant Article.

Any remuneration paid for the services of the Directors, as fixed by the Company in general meeting, may be divided between the Directors as they shall agree or, failing agreement, equally and shall be deemed to accrue from day to day. The Company may remunerate a Director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring Director is eligible for re-election. In addition, any Director who as at the date of the relevant annual general meeting has been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting, and who in either case is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each Director (other than an alternate director) may appoint another Director or (subject to the approval of a majority of the Directors) any other person to be an alternate Director of the Company, and may at any time remove an alternate Director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

No person is capable of being appointed a Director if at the time of the appointment he has attained the age of 70.

#### 7.2.8 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) 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 Directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of either four times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles but excluding certain amounts as defined therein or £20,000,000.

#### 7.2.9 *Distribution of assets on liquidation*

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the contributories.

#### 7.2.10 *Uncertificated Shares*

The Directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

### 8. THE SHARE OPTION PLAN AND EMI SCHEME

8.1 The Directors have been granted, conditional on Admission, the following options to subscribe for Ordinary Shares at the Placing Price under the EMI Scheme and under the Share Option Plan:

<i>Name</i>	<i>No. of Ordinary Shares under option pursuant to the EMI Scheme on Admission</i>	<i>No. of Ordinary Shares under option pursuant to the Share Option Plan on Admission</i>
Simon Hume-Kendall	Nil	273,972
Robert Johnson	136,986	570,156
Andrew Fletcher	136,986	216,585
Nigel Blythe-Tinker	Nil	68,493
Clive Sullivan	Nil	68,493
Total	<u>273,972</u>	<u>1,197,699</u>

8.2 Other than as set out in paragraph 8.1 above, conditional on Admission, options over a total of 230,000 Ordinary Shares will also have been granted to 8 employees of the Group under the terms of the EMI Scheme exercisable at the Placing Price per share and options over a total of 40,000 Ordinary Shares will also have been granted to employees of the Group under the Share Option Plan exercisable at the Placing Price per share.

8.3 The EMI Scheme

- (a) The EMI Scheme meets the requirements of the EMI Code contained in Chapter 9 of Part 7 of, and Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003.
- (b) Options are to be currently satisfied by the allotment of Ordinary Shares at the Placing Price.
- (c) Options are not transferable, nor are they pensionable. Options may normally be exercised between the first and the tenth anniversaries of the date of grant by the option holder, and will normally lapse on the expiry of the tenth anniversary after the date of grant. Options may be subject to vesting over a period determined by the Directors at the time of grant.
- (d) Performance conditions may be required to be met at the discretion of the Directors. Options will normally lapse on the expiry of the period of 40 days from the cessation of employment or the options becoming disqualified under the EMI Code except at the absolute discretion of the Directors who may extend the period of 40 days. However, in any event options will become exercisable for a period of 12 months on the death of an option holder.
- (e) Ordinary Shares issued pursuant to the exercise of options will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment. In all other respects the Ordinary Shares so allotted shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares in issue on the date of such allotment.
- (f) The option price may be adjusted in the event of a capitalisation issue or upon consolidation, subdivision or reduction of the Company's share capital, subject to the written certificate of the auditors that such adjustment is fair and reasonable and provided that no increase is made to the aggregate exercise price relating to any option.
- (g) The aggregate number of Ordinary Shares for which options may be granted under the EMI Scheme and together with the options otherwise granted to the Directors and employees at any

time shall be further limited so that it shall not exceed 10 per cent. of the issued ordinary share capital of the Company at the relevant time when aggregated with any further options which are granted under any employee share scheme (including the Share Option Plan) in respect of rights granted during the preceding 10 years.

- (h) The Board has the power to amend the provisions of the EMI Scheme provided that no amendment may materially affect the rights of an option holder in respect of an option granted prior to the amendment being made without the written consent of the option holder and provided that no amendments may be made that would constitute a disqualifying event under the EMI Code.

#### 8.4 The Share Option Plan

The terms of the Share Option Plan are substantially the same as those set out above for the EMI Scheme other than the references to disqualifying events under the EMI Code and to the extent that the Share Option Plan does not have the tax advantages of the EMI Scheme.

### 9. LITIGATION

Neither the Company nor the Subsidiary is or has been engaged in any government, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability nor as far as they are aware are any such proceedings pending or threatened.

### 10. UNITED KINGDOM TAXATION

#### 10.1 *Introduction*

**The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.**

On issue, the Existing Ordinary Shares and the Placing Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Existing Ordinary Shares and the Placing Shares should continue to be treated as unquoted securities.

**The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.**

#### 10.2 *Capital Gains Tax ("CGT")*

##### 10.2.1 *Disposals*

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares is usually treated on a last in, first out basis for the purposes of calculating gains that are chargeable to tax.

##### 10.2.2 *Taper Relief*

On 5 April 1998, "taper relief" was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a "business" or "non-business" asset. The scale of relief is enhanced for those assets that qualify as "business" assets. Business assets include shares in qualifying

unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted.

During the period for which the shares are held the classification may change so that for part of the holding period, shares in the Company will be deemed to be non-business assets with the associated reduced scales of taper relief applicable. If this is the case, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

### 10.2.3 *CGT Gift Relief*

If shares in an AIM company, which is a trading company, or the parent company of a trading group, are transferred to a third party, other than at arm's length, any deemed capital gain can be "held over", i.e. the CGT liability is postponed until a subsequent arm's length disposal by the transferee, who effectively inherits the transferor's base cost. The relief must be claimed by both the transferor and the transferee within five years and ten months of the end of the relevant tax year in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years. If CGT gift relief is claimed, the effect of the claim is that the ownership for taper relief purposes starts again, with no taper relief in respect of the previous period of ownership being applicable.

Gift relief is not available on gifts to a trust where the donor can still receive any benefit from the trust.

### 10.2.4 *Inheritance Tax ("IHT")*

Shares in qualifying AIM trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes takes place.

## 10.3 *Income Tax*

### 10.3.1 *Taxation of Dividends*

10.3.1.1 The Company will not be obliged to make any withholding on account of UK tax on payment of any dividends. UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

10.3.1.2 A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

10.3.1.3 A UK pension fund, as defined in Section 231A Income Corporation Taxes Act 1988, is restricted from claiming a repayment of the tax credit.

10.3.1.4 Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double

taxation agreements between the UK and other countries, some overseas shareholders are able to claim relief for all or part of the tax credits carried by the dividends they received from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

#### 10.3.2 *Loss Relief*

If a loss arises on the disposal of shares in an unquoted trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year or both years, the Shareholder may choose which year takes priority. Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years.

#### 10.4 *Stamp Duty and stamp duty reserve tax*

Transfers or sales of Ordinary Shares will be subject to *ad valorem* stamp duty (payable by the purchaser and generally at the rate of 0.5p per £1.00 or part thereof rounded up to the nearest £5 and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at that rate). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

**The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.**

### 11. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry and after taking into account the net proceeds of the Placing to be received by the Company, the working capital available to the Group will, on Admission, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

### 12. GENERAL

- 12.1 The total expenses of or incidental to Admission and the Placing which are payable by the Company are estimated to amount to approximately £630,000 (excluding value added tax).
- 12.2 The gross proceeds expected to be raised by the Placing are £7 million of which the Company will receive £2 million. The estimated net proceeds accruing to the Company after deduction of commissions and expenses (excluding VAT) are £1.37 million.
- 12.3 Except as stated in this document, there are no significant investments in progress by the Company.
- 12.4 Except as stated in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.
- 12.5 Except as stated in this document, the Directors are not aware of any patents or other intellectual property rights, licences or commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 12.6 MRI Moores Rowland LLP, who are registered as auditors by the Institute of Chartered Accountants in England and Wales have given and not withdrawn their consent to the issue of this document with the inclusion in it of their reports and references to their name in the form and context in which they respectively appear.

- 12.7 Paul Sayers, whose business address is St Paul's House, Warwick Lane, London EC4M 7BP, has given and has not withdrawn his consent to the issue of this document with the inclusion in it of references to his name in the form and context in which they appear. Paul Sayers has no material interest in the Group.
- 12.8 Daniel Stewart has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 12.9 Except as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 January 2006, the date to which the last consolidated financial information was made up.
- 12.10 F. Winter & Co, who are registered as auditors by the Institute of Chartered Accountants in England and Wales, were auditors of the Company and the Subsidiary for the financial years ended 31 July 2000 to 31 July 2005. They have given unqualified reports on the individual financial statements of the Company and the Subsidiary for the financial years to which they relate. F. Winter & Co's address is Ramillies House, 2 Ramillies Street, London, W1F 7LN.
- 12.11 The Group had not previously presented information on a consolidated basis and this information has therefore been compiled from the audited individual financial statements of the Company and the Subsidiary, adjusted as necessary, for the three years ended 31 July 2005 and from the accounting records of the Company and the Subsidiary for the six months ended 31 January 2006.
- 12.12 The Placing Price of 73 pence per Placing Share and each Vendor Placing Share represents a premium of 72.75 pence for each new Ordinary Share to the nominal value of each new Ordinary Share.
- 12.13 Save as disclosed in this document, no person directly or indirectly (other than the Company's professional advisers referred to in this document and trade suppliers) has in the last 12 months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission, any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into contractual arrangements to receive the same from the Company at the date of Admission.
- 12.14 There is no Director or member of a Director's family who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 12.15 The accounting reference date of the Company is 31 July.
- 12.16 So far as the Directors are aware there are no known trends, uncertainties, demands or events that are reasonably expected to have a material effect on the Group's prospects for at least the current financial year.
- 12.17 The following dividends have been paid since the Company's incorporation:
- 12.17.1 a dividend for the year ended 31 July 2001 of £2,274,000;
  - 12.17.2 a dividend for the year ended 31 July 2002 of £2,270,210;
  - 12.17.3 a dividend for the year ended 31 July 2003 of £2,103,450;
  - 12.17.4 a dividend for the year ended 31 July 2004 of £1,892,100;
  - 12.17.5 a dividend for the year ended 31 July 2005 of £2,195,550; and
  - 12.17.6 on 10 February 2006 the Company declared a dividend of £3,500 per ordinary share of £1 each in relation to the six months ended 31 January 2006, representing an aggregate dividend of £1,291,500.
- 12.18 Other than as disclosed above, no dividends have been paid since the Company's incorporation.

- 12.19 No person has made a public takeover bid for the Company's issued share capital since its incorporation or in the current financial period and the Company is not aware of the existence of any takeover bid pursuant to the rules of the Code published by the Panel.
- 12.20 Upon Admission, David Sullivan will be interested in 63.92 per cent. of the issued share capital of the Company. The Board comprises two non-executive Directors, Nigel Blythe-Tinker and Simon Hume-Kendall. Save as aforesaid, as far as the Directors are aware, the Company is not directly or indirectly controlled by any one person and as far as the Directors are aware there are no arrangements relating to the Group, the operation of which may at a subsequent date result in a change of control of the Company.
- 12.21 During the period of 1 August 1999 to 31 July 2005, the Group entered into the following related party transactions:
- 12.21.1 The Company is a party to the Content Service Agreement (as referred to in paragraph 6 of this Part VI above). Sport Newspapers Limited is a company in which Clive Sullivan and David Sullivan are directors and David Sullivan is a shareholder.
- 12.21.2 The Company also contracts with a company called, Limetime Services Limited for the provision of administrative services. Limetime Services Limited is a company in which Clive Sullivan is a shareholder. This company provides the services of Christine King to supply payroll and treasury services for a monthly charge of £1,000.
- 12.21.3 The Company also contracts with Roldvale Limited in relation to the provision by Roldvale of SMS content. David Sullivan is a director of Roldvale. During the year ended 31 July 2005 the Group paid advertising charges of £32,505 (2004: £283,432; 2003: £758,939) to Roldvale Limited. In the year ended 31 July 2003 the Group paid office and secretarial expenses of £24,750 to Roldvale Limited.
- 12.22 As far as the Directors are aware there are no arrangements relating to the Group, the operation of which may at a subsequent date result in a change of control of the Company.
- 12.23 Save as set out in this document as far as the Directors are aware there are no environmental issues that may affect the issuer's utilisation of its tangible fixed assets.
- 12.24 In 2005 the Subsidiary invested £20,000 in Strictly Broadband Limited ("SB") pursuant to which it was issued 20 ordinary shares in SB. Robert Johnson was previously a director of SB but is no longer a director of SB and personally owns 10 ordinary shares in SB. SB is a new start up company that will provide adult movies on the internet via a "Video on Demand" mechanism. The Subsidiary has also recently acquired a further 12 further ordinary shares in SB for a price of £12,000 taking its shareholding to approximately 16 per cent.
- 12.25 Save as disclosed in this document the Company has no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the board has made a firm commitment.
- 12.26 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 12.27 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 22 May 2006, application monies will be returned to the Placees at their risk without interest.
- 12.28 The Directors have applied for the Existing Ordinary Shares and the Placing Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the Existing Ordinary Shares, the Placing Shares and the Vendor Placing Shares will be enabled for settlement in CREST following

Admission. Placees who are system members may elect to have their Placing Shares and Vendor Placing Shares allocated to them in uncertificated form through CREST.

- 12.29 It is expected that definitive share certificates for the Placing Shares and the Vendor Placing Shares will be despatched by hand or first class post by 22 May 2006. In respect of Placing Shares and the Vendor Placing Shares in uncertificated form it is expected that CREST stock accounts will be credited on 8 May 2006.
- 12.30 The Company's registrars are responsible for keeping and maintaining the Company's register of members.
- 12.31 Where, in this document, information has been sourced from a third party, it has been accurately reproduced and as far as the Company and the Directors are aware and are able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **13. AVAILABILITY OF THIS DOCUMENT**

Copies of this document will be available from the date of this document free of charge to the public on any week day (Saturdays, Sundays and public holidays excepted) at the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London EC2R 8DD until at least one month from Admission.

3 May 2006





