

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading of the entire issued and to be issued ordinary share capital of the Company to trading on AIM. This document contains no offer to the public within the meaning of the FSMA, the Act or otherwise. Accordingly, this document does not comprise a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the Financial Services Authority.

Application has been made for the entire ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on 5 November 2007.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Directors, whose names and functions appear on page 3 of this document, and the Company accept responsibility, both collectively and individually, for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (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 this document should be read. An investment in the Company includes a significant degree of risk and potential investors should consider carefully the risk factors set out in Part II of this document.

Boomerang Plus plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended)
with registered number 02936337)*

Placing of 2,219,256 Ordinary Shares of 1p each at 158p per share and

Admission to trading on AIM

Nominated Adviser and Broker

Evolution Securities Limited

<i>Authorised</i>		<i>Share capital immediately following Admission</i>	<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
<i>£300,000.00</i>	<i>30,000,000</i>	<i>Ordinary Shares of 1p each</i>	<i>£89,012.31</i>	<i>8,901,231</i>

The New Ordinary Shares to be issued pursuant to the Placing will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares after Admission.

The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered, sold, taken up, delivered or transferred in or into the United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan or to or for the account or benefit of any national, resident or citizen of Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan or any person located in the United States. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Evolution, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Evolution or for advising any other person in respect of the proposed Placing and Admission. Evolution’s responsibilities as the Company’s nominated adviser and broker under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation, express or implied, is made by Evolution as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Evolution, 100 Wood Street, London EC2V 7AN from the date of this document until the date being one month after the date on which Admission takes place, which is expected to be 5 November 2007.

CONTENTS

	<i>Page</i>
Directors, Secretary and Advisers	3
Definitions	4
Glossary	7
Market Information	8
Forward Looking Statements	8
Placing Statistics	9
Expected Timetable	9
PART I Information on the Group	10
PART II Risk Factors	23
PART III Accountants' Report on the Company	26
PART IV Financial Information	28
PART V Unaudited Pro Forma Statement of Net Assets	54
PART VI Additional Information	56

DIRECTORS, SECRETARY AND ADVISERS

Directors	Roger Brian Moore (<i>Non-executive Chairman</i>) Huw Eurig Davies (<i>Chief Executive Officer</i>) Mark William Fenwick (<i>Finance Director</i>) Gareth Simon Rees (<i>Executive Director</i>) Linda Margaret James (<i>Non-executive Director</i>) All of whose business address is at the Company's registered and head office
Registered and Head Office	218 Penarth Road Cardiff CF11 8NN
Company Secretary	Mark William Fenwick
Nominated Adviser and Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Solicitors to the Company	Osborne Clarke One London Wall London EC2Y 5EB
Solicitors to Evolution	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ
Auditors	Deloitte & Touche LLP Blenheim House Fitzalan Court Newport Road Cardiff CF24 0TS
Reporting Accountants	Deloitte & Touche LLP 3 Rivergate Temple Quay Bristol BS1 6GD
Registrars	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

DEFINITIONS

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

“2006 Act”	the Companies Act 2006
“1985 Act”	the Companies Act 1985 (as amended)
“218 Holdings”	218 Holdings Limited, a wholly owned subsidiary of the Company and a company incorporated in England and Wales under the 1985 Act with registered number 05946785
“Acts”	together, the 1985 Act and the 2006 Act
“Admission”	the admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	together the AIM Rules for Companies and the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
“Alfresco”	Cynhyrchiadau Alfresco Productions Cyfyngedig, an indirect and wholly owned subsidiary of the Company and a company incorporated in England and Wales under the 1985 Act with registered number 02756828
“Apollo”	Teledu Apollo Cyfyngedig, an indirect and wholly owned subsidiary of the Company and a company incorporated in England and Wales under the 1985 Act with registered number 03127815
“Articles”	the articles of association of the Company as at the date of this document
“Board” or “Directors”	the directors of the Company, whose names are set out on page 3 of this document
“Combined Code”	the Combined Code on Corporate Governance published by the Financial Reporting Council from time to time
“Company” or “Boomerang”	Boomerang Plus plc
“Communications Act”	the Communications Act 2003 (as amended)
“City Code”	the City Code on Takeovers and Mergers published by the Takeover Panel
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form which is administered by Euroclear
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended)
“Cynhyrchiadau Boomerang”	Cynhyrchiadau Boomerang Cyfyngedig, a wholly owned subsidiary of the Company and a company incorporated in England and Wales under the 1985 Act with registered number 05421502

“Deferred Bonus Plan”	the Boomerang Deferred Bonus Plan, further details of which are set out in paragraph 8.3 of Part VI of this document
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules made by the Financial Services Authority pursuant to section 73A of FSMA
“EMI Scheme”	the Boomerang 2005 Enterprise Management Incentive Plan, further details of which are set out in paragraph 8.1 of Part VI of this document
“Enlarged Share Capital”	the issued Ordinary Shares upon Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales under the 1985 Act with registered number 02878738
“Evolution”	Evolution Securities Limited, a company incorporated in England and Wales under the 1985 Act with registered number 02316630, nominated adviser and broker to the Company
“Executive Directors”	each of Huw Davies, Mark Fenwick and Gareth Rees
“Existing Ordinary Shares”	the 7,002,497 Ordinary Shares in issue immediately prior to Admission
“Ffilmiau Apollo”	Ffilmiau Apollo Cyfyngedig, a wholly owned subsidiary of the Company and a company incorporated in England and Wales under the 1985 Act with registered number 02788310
“Finance Wales”	Finance Wales Investments Limited, a company incorporated in England and Wales under the 1985 Act with registered number 01833687
“Fflic”	Fflic Cyfyngedig, a wholly owned subsidiary of the Company and a company incorporated in England and Wales under the 1985 Act with registered number 01652586
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and its subsidiary undertakings and “Group Company” shall be interpreted accordingly
“HMRC”	Her Majesty’s Revenue and Customs
“London Stock Exchange”	London Stock Exchange plc
“Mwnci”	Mwnci Cyfyngedig, an indirect wholly owned subsidiary of the Company and a company incorporated in England and Wales under the 1985 Act with registered number 03776018
“New Ordinary Shares”	the 1,898,734 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Non-executive Directors”	each of Linda James and Roger Moore
“Official List”	the Official List of the UKLA
“Ordinary Shares”	ordinary shares of one penny each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares by Evolution as agent for, and on behalf of, the Company and the Selling Shareholders pursuant to the terms of the Placing Agreement and the Selling Shareholders Agreement, respectively

“Placing Agreement”	the conditional agreement dated 30 October 2007 and made between the (1) Company; (2) the Directors; and (3) Evolution relating to the Placing, further details of which are set out in paragraph 10.1(a) of Part VI of this document
“Placing Price”	158 pence per Placing Share
“Placing Shares”	the New Ordinary Shares and the Sale Shares
“Preferred Ordinary Shares”	preferred ordinary shares of one penny each in the capital of the Company
“Prospectus Rules”	the prospectus rules made by the Financial Services Authority pursuant to section 73A of the FSMA
“Sale Shares”	the 320,522 Existing Ordinary Shares being sold on behalf of the Selling Shareholders pursuant to the Placing
“Selling Shareholders”	those persons whose names and addresses are set out in paragraph 15 of Part VI of this document
“Selling Shareholders Agreement”	the conditional agreement dated 30 October 2007 and made between the (1) Company; (2) the Selling Shareholders; and (3) Evolution relating to the Placing, further details of which are set out in paragraph 10.1(b) of Part VI of this document
“Shareholder”	a holder of Ordinary Shares
“Share Option Schemes”	together, the EMI Scheme, the Unapproved Scheme and the Deferred Bonus Plan
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA” or “United Kingdom Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“Unapproved Scheme”	the Boomerang 2006 Unapproved Share Option Plan, further details of which are set out in paragraph 8.2 of Part VI of this document
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”, “USA” or “United States”	the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction
“VAT”	UK value added tax or any equivalent in any jurisdiction

GLOSSARY

The following glossary of terms applies throughout this document, unless the context otherwise requires:

Indie	independent television production company
Regions	those geographically defined areas of England outside of the M25 motorway boundary, as described in the Ofcom research report “The Communications Market: Nations and Regions” published in April 2006
Nations	Wales, Scotland and Northern Ireland, as described in the Ofcom research report “The Communications Market: Nations and Regions” published in April 2006
Network	a distribution network for television content whereby a central operation provides programming for a number of television stations
Ofcom	the Office of Communications, being the regulator for the UK broadcasting and telecommunications industries
qualifying programming	programming hours excluding repeat transmissions and news programming

MARKET INFORMATION

The market data, statistics, information and other statements in this document regarding the markets in which the Group operates, or the Group's position therein, are based on the Group's records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information, and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the Group's markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements. Factors that might cause such a difference, include, but are not limited to the risk factors set out in Part II of this document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part II of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.

PLACING STATISTICS

Placing Price	158p
Number of Existing Ordinary Shares	7,002,497
Number of New Ordinary Shares being issued by the Company pursuant to the Placing	1,898,734
Number of Sale Shares being sold pursuant to the Placing	320,522
Number of Ordinary Shares in issue following Admission	8,901,231
Percentage of Enlarged Share Capital being placed pursuant to the Placing	24.9%
Market capitalisation of the Company at the Placing Price following Admission	£14.0 million
Total proceeds of the Placing of New Ordinary Shares	£3.0 million
Estimated expenses of the Placing of New Ordinary Shares	£0.7 million
Estimated net proceeds of the Placing receivable by the Company	£2.3 million
ISIN number	GB00B23VYZ68

EXPECTED TIMETABLE

	<i>2007</i>
Publication of this document	30 October
Admission and dealings commence in the Ordinary Shares on AIM	5 November
CREST accounts credited by	5 November
Despatch of definitive share certificates, where applicable, by	12 November

PART I

INFORMATION ON THE GROUP

Introduction

Boomerang is a vertically integrated and profitable independent television production group, that covers many aspects of programme production across a wide variety of genres. Boomerang currently produces over 500 hours of television and radio content per annum for broadcasters including S4C, Channel 4, BBC Wales, ITV Wales, Sky and Discovery. The Group has an established reputation in music, sport, drama, entertainment, children's and lifestyle programming for television. Boomerang was founded in 1994 and, over the past two years, the Group has made a number of strategic acquisitions which have allowed it to diversify its programme genre offering. The Group is headquartered in Cardiff, Wales, and employed 96 full time employees at 30 September 2007.

A number of the Group's programmes have received industry recognition. In 2005, its programme "Freesports on 4" was awarded the Royal Television Society Award for "Best Sports Show or Series" and, in 2007, "Con Passionate" was awarded a Rose d'Or award for "Best Soap or Light Drama" at the 47th Rose d'Or Festival for entertainment television programming, in Lucerne, Switzerland. The Group has good revenue visibility as a high proportion of its budgeted revenue is contracted with broadcasters, including S4C, BBC Wales, ITV Wales and Channel 4.

Boomerang is currently ranked, by revenue, in the top five UK independent television production companies in the Nations and Regions, according to the Broadcast Survey (Nations and Regions) 2007. To date, Boomerang has been funded primarily by internally generated cash and, in November 2005, a £1 million venture capital investment. The Group is now seeking to raise additional equity capital through the Placing to enable it to take advantage of the significant opportunities which, the Directors believe, exist in the markets within which the Group operates.

History of the Group

Boomerang was co-founded in 1994 by its current Chief Executive Officer, Huw Davies, Gruffydd Davies and Dafydd Richards, with the intention of delivering entertainment programmes for the youth market. The Group produced the first series of its long standing late night youth music show, "Bandit", for S4C in 1998. Boomerang continues to be involved in filming international sports events, having won its first commission from Sky Sports in early 1999. The Company grew organically until 2005, when, following the fundamental change in television sector legislation driven by the Communications Act, it embarked upon an acquisitive growth strategy, with a view to becoming a key player in the Welsh market for independent television production across a greater number of genres.

As part of its complementary organic growth strategy, the Group has incurred capital expenditure of over £1 million since 2002, in particular in relation to new post-production and studio facilities, as well as concurrently strengthening both its creative and corporate management teams. In February 2005, Boomerang acquired Fflic, followed by Alfresco in July of the same year. In November 2005, Finance Wales invested £1 million in Boomerang, which assisted the Group in funding further strategic acquisitions.

Since the launch of the S4C Development Fund in 2005, the Group has strengthened its relationship with S4C, providing Boomerang with long term opportunities. Boomerang's creativity was further recognised through the award of network development contracts by Channel 4 in 2005 and the BBC in 2006.

In October 2006, the Group acquired 55 per cent. of 218 Holdings, the parent company of Mwnci, an editing services company based in Wales, in order to supplement its in-house services. In April 2007, the Group completed the second stage of this acquisition by acquiring the remaining 45 per cent. of 218 Holdings. This acquisition has increased the Group's post-production facilities to 24 edit suites. The Directors believe that the Group's in-house facilities have been instrumental in enhancing Group profitability.

In May 2007, the Group acquired Apollo, a producer of children's, drama and documentary programming for S4C, which enabled the Group to further strengthen its offering in these genres.

The Group's Business

Overview

The following table summarises the operations of the Group's principal trading companies:

<i>Group company</i>	<i>Description of activities</i>	<i>Number of employees as at 30 September 2007</i>	<i>Facilities owned/leased</i>
Boomerang	Production of multi-genre programmes predominantly for S4C	64	12 edit suites, 2 studios and 2 dub suites
Fflic	Production of predominantly lifestyle and children's genres	15	1 edit suite
Alfresco	Production of entertainment and music programmes for S4C, BBC Wales and ITV Wales	0	Shared with Boomerang
Mwnici	Provides post production editing facilities for the Group companies, broadcasters and third party production companies	10	11 edit suites (1 of which is located within BBC Wales' premises)
Apollo	Production of drama and children's content for S4C and some factual documentaries	7	Post production is mainly outsourced to Boomerang and Mwnici

Operations

The Group's revenues are principally derived from programme production.

The Group produces over 500 hours per annum of television and radio content for S4C, Channel 4, BBC Wales, ITV Wales, Sky and Discovery. The Group has extensive experience of programming in many genres ranging from documentaries and lifestyle to children's content, entertainment and drama. In 2006, the Group produced over 300 hours of content for S4C, a public service broadcaster of Welsh language programmes, which represented approximately 25 per cent. of S4C's independently commissioned hours for that year.

- *Music and Sport*

The Group has an established reputation for producing music and extreme sports programmes. Programming in this genre is predominantly directed at the youth market, specifically the 16 to 32 age group. Programme production for the youth market is a key part of the Group's historic strategy, having focused on youth programming since Boomerang's inception in 1994.

Boomerang produces programming covering extreme sports events across the globe. It obtains brand sponsorship to cover the production costs, licenses the content to Channel 4 and Sky, and has exploited the content in countries across the world, whilst retaining the programme rights. The programme "360 Surfing" is now in its eleventh series and "Freesports on 4" has been re-commissioned for its sixth season. "Freesports on 4" won the 2004 Award for the "Best Sports Show or Series" from the Royal Television Society and was awarded "Best Youth Show" at the Welsh BAFTA awards for 2004.

As well as the BAFTA Wales award winning, late-night youth music show "Bandit", the Group has also produced the Rose d'Or nominated 'rockumentary' "Gorkys in Valencia" and the Huw Stephens fronted music series "Sioe Fideo".

- *Drama*

As part of the Group's successful tender for participation in the S4C Development Fund, Boomerang hired key, experienced individuals to form a drama department, leading to the commissioning of S4C's Sunday night drama "Teulu" (Welsh, meaning "family") which commenced production in February 2007, and the one off film "Ryan & Ronnie" which is due to commence production in Spring 2008. In addition, Boomerang is in production of a major slate of 12 one-off dramas for S4C, which commenced production in May 2007. To supplement the Group's organic growth, the acquisition of Apollo has added the 10 part drama "Con Passionate" and one-off film "Martha, Jac a Sianco".

Recent series produced by the Group include three series of the Edwardian period production "Treflan" and a Dublin based supernatural thriller "Chosen". The Group is also currently in a period of script development with the BBC.

- *Comedy and Entertainment*

The Group has a breadth of experience in providing comedy, musical, factual and light entertainment programmes. Expertise in this area of programme production is principally provided by Alfresco, which is in production with "Codi Canu 2", "The Leslie Wynne Show" and "The Eleri Sion Show", for S4C.

During 2008 and 2009, the Group is looking to build on its existing relationship with Channel 4, through which it has won a number of single productions, to win its first series in the genre of either comedy or entertainment. The Group's production "Mayhem Makers", a comedy series, is currently being piloted for E4.

The Group has also produced programmes for BBC Wales such as the talent-spotting series "Just Up Your Street" and the music show "When Jason Met Ivor", featuring singers Ivor Emmanuel and Jason Howard. The Group's production "Bare Naked Lunacy" starring Russell Brand was also piloted for Channel 4. Boomerang has developed a rural entertainment programming department centred upon the successful tender and delivery of coverage of The Royal Welsh Show.

- *Children's programmes*

Through the acquisitions of Fflic and Apollo, the Group has become a major supplier of children's programmes to S4C, from pre-school to teen series. In addition, Boomerang has won a two year, £4 million contract for the "Planned Plant" children's continuity links. Strategically and culturally, children's programming is important to S4C. The broadcaster is currently in a consultation period regarding the proposed launch of a children's channel in 2008, which the Directors believe could provide further growth opportunities in this genre.

The Group's programmes include "Triongi!", a pre-schools' series which engages toddlers in early learning, "Retro", a children's reality series and "Hip Neu Sgip", a teenage makeover series.

- *Lifestyle*

The Group is a major producer of lifestyle programming for S4C. Fflic produces property series such as "04 Wal", which looks at contemporary and period architecture and design both in Wales and abroad, "Tŷ Cymraeig", which investigates historical and vernacular house building, and the series "Cwprdd Dillad", which looks at an individual's life through their wardrobe.

Alfresco has also produced series for ITV Wales and BBC Wales, including "Stories from the Street" that looks at communal and community buildings and the architectural series "Discovering Welsh Houses".

- *Documentary*

Boomerang has produced a number of documentaries across a variety of genres including the arts, history and popular culture.

The Group's programmes include the observational documentary "Plastic Surgery School" for Discovery, "Reflections in a Gondola", a profile of the distinguished artist Sir Kyffin Williams RA for BBC Wales, "1926", a historical reappraisal of the 1926 General Strike for ITV Wales, and "Romancing the Stones", a study of international monuments to love.

Other sources of revenue for the Group are derived from the following operations:

Post-production services

Boomerang also provides a range of post-production services through both Boomerang and Mwnci, that include programme and soundtrack editing and dubbing. The Group uses its post-production facilities not only for its own productions but also to service other Indies that do not have access to the high quality equipment and technical expertise that the Group can provide.

Radio

The Group is a supplier of independently produced programmes to both BBC Radio Wales and Radio Cymru, and also supplies content to BBC Radio 4 and Radio 2.

Boomerang provides features, history, factual and lifestyle programming to BBC Radio Wales, music, comedy and quiz material to BBC Radio Cymru, and factual and arts features to BBC Radio 4 and Radio 2.

New Media

Boomerang also continues to explore and develop new media including:

- the internet (providing websites and video on demand);
- interactive media; and
- live web streaming.

Boomerang has developed websites which broadcast video on demand for two of its key productions, “Freesports on 4” and “Bandit”. The Group has also won contracts to produce interactive content for The Royal Welsh Show and the Urdd Eisteddfod.

Boom Talent

Boom Talent was established in March 2007 as a management company representing actors and presenters in film, television, theatre, radio, corporate and voiceover work. The agency currently has 14 actors and presenters under contract.

Key Strengths

The Directors believe that the Group has the following key strengths:

- ***Revenue visibility and quality of earnings***
 - the acquisitions of Fflic, Alfresco and Apollo have enabled the Group to establish a strong multi-genre production and management team;
 - the Group has a strong relationship with S4C, providing visible future contracted revenues; and
 - the Group’s relationships with national broadcasters, including Channel 4 and the BBC, which, the Directors believe provide a platform for Network expansion.

- ***Diversification of programme risk***

Whilst the Group has organically developed a strong reputation for extreme sports and musical programming, the acquisitions made by the Group have enabled it to offer a wide spectrum of genres including children’s, lifestyle, comedy, drama and documentary. This variety of programming diversifies the Group’s programme offering, and therefore mitigates programming risk.

- ***Established customer base***

Boomerang has established relationships in Wales with S4C, BBC Wales and ITV Wales as a result of the Group’s reputation for producing quality content. These relationships have been significantly expanded through the acquisitions the Group has made. The award of S4C development funding enhanced the Group’s relationship with S4C further.

The proven track record of the Group within this market gives Boomerang the foundations upon which the Directors intend to build the business further outside Wales, whilst having a strengthened and proven management to maintain the growth and success of the Group's business in Wales.

- ***Strong management team***

Boomerang has a creative and commercially proven management team which has a strong track record of producing successful programming. The Group's management team also has strong links into the UK television production industry, through Huw Davies' appointments which include membership of the UK Council for the Producers Alliance for Cinema and Television (PACT) and previous Chair of the Welsh producers' alliance, Teledwyr Annibynnol Cymru.

The Group's Strategy

Programming growth

The Group's strategy is to achieve strong organic growth by leveraging the Group's existing customer base, coupled with strategic acquisitions with a view to becoming a major supplier to UK Networks looking to satisfy their Nations and Regions quotas.

The Group's organic strategy is currently targeted across the entire range of its content offering and existing customer base. The Directors believe that there are a number of acquisition opportunities presented by the fragmented UK Indie market, and that the Group is well placed to exploit the consolidation of regional Indies across the UK. Companies will be targeted which are active in the Group's key genres.

In addition to its organic growth strategy, the Group is also seeking to increase commissions from other television Networks outside Wales. The Group aims to achieve this both through selective corporate acquisitions, principally in the entertainment and factual entertainment genres, and the recruitment of key employees.

Extreme sports

Boomerang is a leading extreme sports content producer in the UK, producing the Royal Television Society award winning "Freesports on 4" for Channel 4, the "360 Surfing" series which is shown on Sky and distributed around the World and "Freeride" for ITV Wales. The Group's current strategy is to consolidate its position in extreme sports and look to other types of programming (in particular, music) where the brand sponsored model can be replicated.

Channel 4

Boomerang is involved in Channel 4's "Creative Cities" development programme, which provides regular access to commissioners and development funding from Channel 4. Concentrating on factual entertainment and entertainment, the Group intends to build on the first three non-sports genre commissions it has received from Channel 4, to target a commission to produce a series by the end of 2008.

BBC drama

From over 110 applicants, Boomerang was one of only 11 applicants who were successful in the first stage of the BBC's 2005 regional Indies development fund and, as a consequence, the Group enjoys an improved level of access to the BBC's commissioners. Boomerang's tender was in respect of drama; accordingly, the Directors intend to target the development of Network drama for the BBC from Wales. The Group currently has one script in development and intends to produce its first BBC Network drama commission by late 2008. The Directors believe that there is an opportunity to build on the success of the BBC's "Doctor Who" series which was produced in Cardiff and to create a centre of excellence for drama in that city.

Non Programming Growth

As other technology platforms become increasingly important, the Group is beginning to exploit collaborations with mobile and internet protocol television technology companies and its own interactive and web based services. Historically, the Group has sought to retain rights to the content it produces, and the Directors intend to exploit these rights going forward.

In addition, it is intended that commercial opportunities, such as downloads, will be introduced by the Group. Building on these developments, the Group intends to launch a portfolio of web portals which can utilise its experience and brands in music and entertainment in order to provide cross-selling opportunities with programming development.

The first of these is “Freesports on 4” which with the agreement of Channel 4, Boomerang has set up an interactive web-site providing retail opportunities which have the potential to expand the brand profitably.

Market Opportunity

The independent television production market

Independent television production companies are defined in the 1991 Independent Television Commission Broadcasting Order as production companies which do not have more than a 25 per cent. ownership relationship with any one UK broadcaster.

The television market has traditionally favoured broadcasters. Before the Communications Act, Indies were in a weaker position to negotiate with broadcasters, who would often demand an ownership position in valuable ancillary and secondary rights in return for financing commissions, thereby securing the broadcaster’s participation in as many future revenue streams as possible. Independent television producers did not, therefore, own all of the rights to the product they had created.

The Communications Act gave Indies the right, for the first time to retain the intellectual property rights in the programmes they produced for UK public service broadcasters (with certain exceptions). This structural change in the sector provided a new opportunity for production companies to exploit secondary revenue streams separately from primary broadcasting revenues.

The size of the market for Indies has increased dramatically since the changes in sector legislation issued by Ofcom, and the Directors believe that the market is still growing. The BBC has now offered a further 25 per cent. of its qualifying programming hours to free and fair competition, between the broadcaster’s in-house production facilities and independent production companies, in a new scheme known as the “Window of Creative Competition”, and has launched its regional Indie development fund. Channel 4 has launched its “Creative Cities” fund to bring leading Indies located in the Nations and Regions closer to the broadcaster.

The market demand for output from regional Indies has been increased by Ofcom quotas requiring between 10 per cent. and 50 per cent. of qualifying programming hours, depending on the broadcaster, to be sourced from outside of the M25 motorway boundary. Furthermore, Ofcom appears increasingly committed to ensuring that a geographical spread of production is maintained to ensure that the quotas are not centralised into regional hubs.

The independent television production market in Wales

Public service broadcasters commissioned £100 million of programmes from the production sector in Wales in 2006, of which £69 million was spent by the Welsh broadcaster S4C. This provides the Welsh Indie sector with a large and stable local customer.

In the past, the Welsh television production sector has been fragmented into small companies that have had varying success in securing Network productions. To enable Indies to put into place sustainable frameworks allowing for talent development and long term planning, S4C announced in 2005 the open tender for a £1 million development fund that was subsequently awarded to five companies. Boomerang is the major beneficiary of this fund having been awarded the largest share (£350,000) on the basis of its multi-genre development tender submission.

S4C

S4C is a Welsh language public service broadcaster providing high-quality programmes across a range of platforms including digital and broadband. S4C was launched on 1 November 1982, the day before the launch of Channel 4, and is funded by fixed income from the Treasury, and since 1993, has been supplemented by revenues derived from television based advertising.

The Group supplied approximately 25 per cent. of S4C's independently commissioned programming hours, excluding repeat transmissions, in 2006. The Group has an established relationship with S4C and has been producing programmes for it since 1994. The Directors believe that this, combined with the Group's reputation for high quality programming and the development funding from S4C, makes the Group well placed to win further commissions from S4C.

Commissions from S4C accounted for approximately 79 per cent. of the Group's revenues in the financial year ended 31 May 2007. However, the Directors believe that planned organic growth and future acquisitions will supplement revenues received from S4C in future financial periods.

Competition

General

The Group competes with both the broadcasters' in-house production teams and a number of other Welsh and UK Indies. The independent television production is a market populated by hundreds of businesses ranging from sole trader operations to large market players, and competition is strong. The Directors believe that the current movement in the industry is towards larger players and consolidation by acquisition amongst smaller Indies.

In-house production

The Communications Act provided that all UK public service broadcasters must commission a minimum of 25 per cent. of qualifying programming (by hours) from the Indie sector. Since the announcement of its new terms of trade in 2004, the BBC has gone further, and now reserves an additional 25 per cent. of its qualifying programming hours, over and above the 25 per cent. minimum quota, for free and fair competition between its in-house production facilities and the Indie sector, as part of the "Window of Creative Competition" scheme.

Welsh Indies

Boomerang competes directly with fellow S4C Development Fund winners Tinopolis, Greenbay Media, Presentable and Cwmni Da, alongside the general independent sector in Wales to win programming commissions from S4C. Greenbay, Tinopolis and Presentable were awarded their development contracts by S4C for single genre whereas Boomerang and Cwmni Da were awarded multi-genre development contracts.

Directors, Senior Management and Employees

Brief biographies of the Directors and the senior managers of the Group are set out below. Paragraph 5 of Part VI of this document contains further details of current and past directorships and certain other important information regarding the Directors.

Directors

Roger Moore, aged 34 – Non-executive Chairman

Roger Moore has served on the Board since 2004, providing general commercial advice and support to the executive management and assisting in determining the strategic direction of the Group's business. Alongside this appointment, Roger was appointed as Chief Executive Officer of Amethyst Motor Company Limited in 2005, to turn around the loss making motor retailer group. Previously, Roger was the Europe Vice President of Finance at Wesley Clover Corporation from 2002 to 2005, during which time Roger was part of an executive team which managed a private fund with a variety of mature technology and real estate investments and a venture capital fund specialising in technology start up companies. He assisted portfolio companies from early stage development through to eventual exits in the form of a flotation or a trade sale. Roger also spent seven years with Deloitte & Touche LLP working within various functions of the firm, including assurance and advisory, forensic accounting, corporate recovery and corporate finance. Roger moved to industry first in 2000 as Chief Financial Officer at Ubiquity Software Corporation Limited, where he played a key role in securing £28 million of investment from a variety of financial institutions.

Huw Davies, aged 42 – Chief Executive Officer

Huw Davies co-founded Boomerang in 1994. Prior to founding Boomerang, Huw worked in marketing and public relations, gaining experience in both the public and private sectors. Huw spent two years from 1988 in the public relations department of S4C where he was promoted to the position of deputy-head of

Public Relations. He then went on to work at the Welsh Development Agency as Marketing Initiatives Manager, before leaving to work as sales and marketing manager for Best Display Group Limited. His first experience of TV production came with a six month contract with HTV Wales in 1993. This was followed by co-founding Boomerang, which he has led since its incorporation in 1994. In 1996, Huw was elected on to the council of TAC, the industry's trade organisation in Wales, and was elected Chair of the organisation in 2002, a position he held until 2006 having served for two terms of office. In 2005, Huw was elected to represent the Welsh PACT membership as their National representative on the PACT Council, a position he still holds. Huw graduated from the University of Cardiff in 1987.

Mark Fenwick FCA, aged 42 – Finance Director

Mark joined the Group and the Board in October 2004. Prior to joining the Group, Mark was employed with Deloitte & Touche LLP for 18 years. Mark held the position of senior manager in the assurance and advisory department, and as well as managing a diversified portfolio of audit clients, including a number of listed companies, Mark was also involved in acquisition due diligence, business plans and advising on flotations. Mark was the Principal Technical Adviser in the Cardiff office of Deloitte & Touche LLP, responsible for the quality control of the office's output.

Since joining Boomerang, Mark has been responsible for completing and integrating four acquisitions, completing the venture capital funding from Finance Wales, and preparing the Group for Admission. Mark also has day to day responsibility for the production management and post production operations of the Group, as well as assisting Huw Davies in the strategic direction of the Group.

Mark graduated from Manchester University with a degree in Mathematics and is a qualified chartered accountant.

Gareth Rees, aged 38 – Executive Director

Gareth joined the Group in 1997 and the Board in 2002. He produces Boomerang's network output in the factual entertainment and entertainment genres. Gareth created and produced the Group's extreme sports output including "Freesports on 4" which won the "Best Sports Show or Series" award at the 2004 Royal Television Society awards and a BAFTA Wales award. Through his involvement in extreme sports he is also responsible for producing and managing the international sales and distribution of the Group's global surfing series "360 Surfing".

Prior to joining the Group, Gareth was a Rolls Royce Senior Research Assistant at the University of Wales. Gareth gained his PhD at the University of Wales in 1995.

Linda James, aged 49 – Non-executive Director

Linda joined the Board in October 2007. Linda is an entrepreneur and award winning independent producer and executive producer of over 20 drama series, six television movies and eight feature films. Co-founder of Red Rooster Film and Television Entertainment (which she sold to Chrysalis Plc in 1994) and Alibi Communications, she now jointly owns and runs Sly Fox films with director and producer Stephen Bayly. Linda is on the board of Coolabi plc, the AIM quoted company that owns, develops, produces and manages the creativity of children's and family genre intellectual property assets and their global exploitation through licensing and merchandising and distribution. Linda is also on the board of the UK Film Council's regional film agency, Screen South, the South East Media Network for the South East Economic Development Agency and is on the Investment Committee of the Wales Creative IP Fund. She is also a trustee of the National Film and Television School and chairs the Children's Film and Television Foundation.

Senior management

The Directors are supported by the following key senior managers:

Nia Thomas, aged 35 – Head of Production

Nia joined the Group in 2000. Nia is the Group's Head of Production and is responsible for overseeing operational aspects of the Group. Nia graduated from the University of Birmingham with a BA in History.

Ronw Protheroe, aged 52 – Managing Director of Alfresco

Ronw joined the Group in 2005 and is responsible for entertainment, comedy and music programmes. Ronw has been the managing director of Alfresco since its inception in 1991. Prior to joining Alfresco, Ronw was the former head of entertainment for ITV 1 in Wales. Ronw graduated from University College Wales, Aberystwyth.

Richard Moss, aged 38 – Managing Director of Mwnci

Richard co-founded Mwnci in 1999 and played a key role in helping the company expand from a single suite to one of the major facilities houses in Wales providing offline and online editing, composing, finishing and grading services in standard and high definition for clients both throughout Wales and the UK.

Gwenda Griffith, aged 65 – Managing Director of Fflic

Gwenda founded Fflic in 1982. As the main creative producer and financial manager of Fflic, Gwenda was responsible for creating one of the most successful Indies in Wales with a reputation for excellence in children's and lifestyle genres. Gwenda has received several BAFTA Wales awards, RTS nominations and received the Spirit of the Festival Award at the Celtic Film Festival in 2002. Gwenda was awarded the Western Mail's Welsh Woman of the Year, Women in Media Award in 2002.

Paul Jones, aged 51 – Managing Director of Apollo

Paul began his career at the BBC, before moving to HTV to manage the children and young people's department. He left HTV in 1993 to set up Apollo, which became a key supplier of children's and light entertainment content to S4C. Paul also produces and directs the internationally recognised drama series "Con Passionate", for which he won a Rose d'Or earlier this year.

Gruffydd Davies, aged 39 – Creative Director of Boomerang

Gruffydd is a founding director of Boomerang whose recent directing credits include the youth series "Bandit" and comedy show "Lollipop". Prior to founding Boomerang, Gruffydd worked on a freelance basis in the TV industry, as a researcher for independent television production companies. He has been responsible for setting the creative style of Boomerang and specialises in directing pop videos and youth magazine shows, and is currently producing and directing Boomerang's flagship music show "Bandit". Gruffydd directed the Rose d'Or nominated 'rockumentary', "Gorkys in Valencia". He is a graduate of University College Bangor.

Summary Financial Information

The following summary of financial information relating to the Group's activities for the two years ended 31 May 2006 and 31 May 2007 has been extracted without adjustment from the financial information on the Group set out in Part IV of this document. **In order to make a proper assessment of the financial performance of the Group's business, prospective investors should read this document as a whole and not rely solely on the key or summarised information in this section.**

	<i>12 months ended 31 May 2007 £'000</i>	<i>12 months ended 31 May 2006 £'000</i>
Turnover	10,459	8,743
Gross profit	2,116	1,836
Operating profit	724	988
Profit on ordinary activities before taxation	680	966

The increase in turnover from the year ended 31 May 2006 to the year ended 31 May 2007 is attributable to both acquisitions and organic growth. In the year ended 31 May 2007, the Group acquired the entire share capital of 218 Holdings in two stages, increasing turnover for the period. There was no impact on turnover from the acquisition of Apollo as this transaction did not occur until the end of the Group's financial year.

Gross profit margin has remained consistent as the Group continues to benefit from its vertically integrated business model, keeping as many aspects of production as possible in-house.

Operating profit in the year ended 31 May 2007 was impacted by the Group's continued investment in infrastructure, programme development and management, which has been driven by the rising production activity over the past 12 months, and the further increase in productions already visible to the Group for the financial year ending 31 May 2008. Increased amortisation charges due to the Group's acquisitions have further impacted upon profit, along with the impairment of the Group's investment in an associate company, Toucan Television Limited.

Current Trading, Operational Trends and Prospects

Since 31 May 2007, the Group has continued to trade in line with the Directors' expectations and the Directors are confident of achieving significant further growth in revenues and profitability in the current financial year. The Directors estimate that approximately 88 per cent. of projected sales are already either contracted or confirmed with broadcasters for the financial year ending 31 May 2008.

The Directors expect to see a reduction in gross margin for the year ending 31 May 2008, caused by an increased number of drama programmes that the Group has been commissioned to produce. These commissions will involve the outsourcing of more aspects of the production than would be usual when the Group produces content in other genres. The Group also anticipates increased expenditure on programme development, in order to assist the Group in winning new commissions from broadcasters outside Wales.

Key relationships with broadcasters such as S4C, Channel 4 and BBC Wales, based on the reputation of the Group for quality, continue to strengthen demand for the Group's productions. The Group has seen an improvement in sales from the same period last year and the Directors are confident that programming ideas currently in development with the major UK broadcasters will be commissioned.

The Group is actively seeking acquisition targets that will diversify revenues. In addition, the Directors intend to continue exploiting the increase in the size of its market.

Reasons for the Placing and Use of Proceeds

The net proceeds of the Placing receivable by the Company are approximately £2.3 million. These net proceeds will be applied principally as follows:

- to redeem approximately £250,000 of outstanding loan notes held by Finance Wales;
- to redeem £42,500 outstanding in respect of a pension fund loan;
- to finance acquisition opportunities; and
- to fund the general working capital requirements of the Group.

The Directors believe that Admission will:

- raise the profile of the Group;
- position the Group to attract, recruit and retain key employees who can be further incentivised through the Share Option Schemes;
- provide the Group with more flexibility for further growth; and
- enable the Company to issue new Ordinary Shares as consideration in connection with acquisition opportunities.

In addition, the Placing will provide a partial realisation for the Selling Shareholders who will be raising approximately £0.5 million (before expenses) from the sale of the Sale Shares in the Placing.

Details of the Placing and Admission

Pursuant to the Placing Agreement and the Selling Shareholders Agreement, Evolution has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the New Ordinary Shares to be issued by the Company and purchasers for the Sale Shares to be sold by the Selling Shareholders under the Placing, respectively. The placing of the New Ordinary Shares has been fully underwritten. The Placing Shares represent approximately 24.9 per cent. of the Enlarged Share Capital.

The Placing will raise approximately £3.0 million (before expenses) for the Company. The Selling Shareholders have agreed to meet any liability to stamp duty or stamp duty reserve tax arising on the sale of the Sale Shares in accordance with the terms of the Selling Shareholders' Agreement.

The New Ordinary Shares will be issued credited as fully paid and will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared paid or made after Admission.

The Placing Agreement and the Selling Shareholders Agreement are conditional, *inter alia*, upon Admission having become effective by not later than 8.00 a.m. on 5 November 2007 or such later time and date, being not later than 8.00 a.m. on 15 November 2007, as the Company and Evolution shall agree.

Further details of the Placing Agreement and the Selling Shareholders Agreement are set out in paragraph 10 of Part VI of this document.

Lock-In Arrangements

Certain Shareholders (together the "**Covenantors**") holding, in aggregate, 75.1 per cent. of the Enlarged Share Capital, have undertaken to the Company and Evolution (subject to certain limited exceptions including transfers to family members or to trustees for their benefit and disposals by way of acceptance of a recommended takeover offer of the entire issued share capital of the Company) not to dispose of the Ordinary Shares held by each of them (and their connected persons (within the meaning of section 346 of the Act)) (the "**Restricted Shares**") following Admission or any other securities issued in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) at any time prior to the first anniversary of Admission (the "**Lock-in Period**") without the prior written consent of Evolution.

Furthermore, each of the Covenantors (save for Finance Wales) has also undertaken to the Company and Evolution not to dispose of the Restricted Shares following the expiry of the Lock-in Period otherwise than through Evolution, for such time as it shall remain broker to the Company.

Further details of these arrangements are set out in paragraph 10 of Part VI of this document.

Corporate Governance

The Directors recognise the value and importance of high standards of corporate governance and intend, having regard to the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code. The Company also proposes to follow the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM.

With effect from Admission, the Board has established an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**") and a nomination committee (the "**Nomination Committee**") with formally delegated responsibilities.

The Audit Committee will be chaired by Roger Moore. Its other member will be Linda James. The Audit Committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet at least twice a year and will have unrestricted access to the Company's auditors.

The Remuneration Committee will be chaired by Linda James. Its other member will be Roger Moore. The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the non-executive directors of the Company will be set by the Board.

The Nomination Committee will be chaired by Roger Moore. Its other member will be Linda James. The Nomination Committee will be responsible for ensuring that the Board has a formal and transparent appointment procedure and will have primary responsibility for reviewing the balance and effectiveness of the Board and identifying the skills needed on the Board and those individuals who might best provide them.

The Directors intend to comply, and procure compliance with, Rule 21 of the AIM Rules for Companies relating to dealings by directors and other applicable employees in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

Dividend Policy

The declaration and payment by the Group of any future dividends on the Ordinary Shares and the amount will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. In due course, the Directors intend to adopt a progressive dividend policy having regard to the working capital requirements of the Group.

Share Option Schemes

The Directors believe that the success of the Group depends to a significant degree on the future performance of the management team. The Directors also recognise the importance of ensuring that all employees of the Group are well motivated and identify closely with the success of the Group. Accordingly, the Company has established the Share Option Schemes.

The Company has historically granted options to acquire Ordinary Shares under the EMI Scheme and the Unapproved Scheme. As at the date of this document, there were outstanding options in respect of 417,894 Ordinary Shares under the Share Option Schemes.

The Company has also established the Deferred Bonus Plan.

Further details of the Share Option Schemes are set out in paragraph 8 of Part VI of this document.

Taxation

Information regarding taxation in relation to the Placing and Admission is set out in paragraph 9 of Part VI of this document. If you are in any doubt to your tax position you should consult your own independent financial adviser immediately.

Admission, Settlement and Dealings

Application has been made to the London Stock Exchange for all of the Ordinary Shares, issued and to be issued pursuant to the Placing, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on 5 November 2007.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a “system member” (as defined in the CREST Regulations) in relation to CREST.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Further Information

Your attention is drawn to Part II of this document which contains certain risk factors relating to any investment in the Company and to Parts III to VI of this document which contain further additional information on the Group.

PART II

RISK FACTORS

In addition to all of the other information set out in this document, potential investors should carefully consider the risk factors set out below which the Directors consider to be the most significant to the business of the Group.

If any of the circumstances identified in the risk factors were to materialise, the Group's business, financial condition and operating results could be materially affected. In such cases the price of the Company's shares could decline, and investors may lose all or part of their investment. An investment in the Company may not be suitable for all recipients of this document. Potential investors are therefore strongly recommended to consult an independent financial adviser authorised under the FSMA and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

Competition

The television production market is highly competitive and, as such, the Group has experienced, and expects to continue to experience, competition from a number of Indies. The Group's competitors may produce programmes or develop new products, services or enhancements that better meet the needs of the Group's customers. Furthermore, new competitors, or alliances among competitors, could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Many of the Group's competitors and potential competitors have significantly greater financial, technical and marketing resources than the Group and have a larger catalogue of programmes, longer operating histories or greater name recognition in particular outside Wales. The Group's smaller size could therefore be considered negatively by prospective customers. In addition, the Group's competitors may be able to respond more quickly than the Group to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products and to the development of new products.

Dependence on Key Customers

The Group has established a number of key relationships with television broadcasters and networks, in particular S4C. There can be no guarantee that the Group will be able to maintain these relationships, enter into relationships with new broadcasters or networks or that existing customers will not enter into relationships with the Group's competitors. The loss of any of these relationships, in particular with S4C, could have a material adverse effect on the Group's ability to develop and successfully market its products and services.

Growth Management

The Directors anticipate that further significant expansion of the Group's operations will be required to address the anticipated growth in the consolidating television production market. This expansion could include future acquisitions or strategic investments in a number of companies, including through joint ventures. Such transactions may result in a dilutive issue of equity securities, use of cash resources or incurrence of debt. The Group's future success will depend in part on its ability to manage this anticipated expansion. Such expansion is expected to place significant demands on management, support functions, accounting and financial control, sales and marketing and other resources and would involve a number of risks, including:

- the difficulty of assimilating operations and personnel of acquired companies into the Group's operations;
- the potential disruption of ongoing business and distraction of management;

- the potential operating losses and expenses of the businesses acquired or in which the Group invests;
- the impairment of relationships with customers of the companies the Group acquired or in the Group's customers as a result of the integration of acquired operations;
- the impairment of relationships with employees of the acquired companies or the Group's employees as a result of integration of new management personnel;
- the difficulty of integrating the acquired company's accounting, management information, human resources and other administrative systems;
- in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences; and
- the impact of known potential liabilities or unknown liabilities associated with the companies the Group acquires or in which it invests.

If the Group is unable to manage its expansion effectively, its business, financial condition and results of operations could suffer.

Dependence upon Key Intellectual Property

The Group's success depends in part on its ability to protect its rights in its intellectual property. The Group relies upon various intellectual property protections, including copyright, trademarks, trade secrets and contractual provisions to preserve its intellectual property rights. Despite these precautions, it may be possible for third parties to obtain and use the Group's intellectual property without its authorisation.

Policing unauthorised use of intellectual property is difficult and some foreign laws do not protect proprietary rights to the same extent as the laws of the United Kingdom. To protect the Group's intellectual property, the Group may become involved in litigation, which could result in substantial expenses, divert the attention of its management, cause significant delays, materially disrupt the conduct of the Group's business or adversely affect its revenue, financial condition or results of operations.

Claims by Third Parties

Whilst the Directors believe that the Group's programme catalogue and other intellectual property do not infringe upon the proprietary rights of third parties, there can be no assurance that the Group will not receive communications from third parties asserting that the Group's products and other intellectual property infringe, or may infringe, their proprietary rights. Any such claims, with or without merit, could be time consuming, result in costly litigation and diversion of technical and management personnel, cause production delays or require the Group to enter into royalty or licensing agreements or re-brand products. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Group or at all. In the event of a successful claim of intellectual property infringement against the Group and failure or inability of the Group to licence the infringed intellectual property, the Group's business, operating results or financial condition could be materially adversely affected.

Key Personnel

The Group depends on the services of its key creative and management personnel. The loss of the services of any of these persons could have a material adverse effect on the Group's business, financial condition and results of operations. The Group's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified creative and management personnel. Competition for such personnel can be intense, and the Group cannot give assurances that it will be able to attract or retain highly qualified creative and management personnel in the future. The Group's inability to attract and retain the necessary creative management personnel may adversely affect its future growth and profitability. It may be necessary for the Group to increase the level of remuneration paid to existing or new employees to a degree that its operating expenses could be materially increased.

Financial Resources

In the opinion of the Directors, having made due and careful enquiry, taking into account the bank and other facilities available to the Company and the net proceeds of the Placing, the working capital available to the Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission. The Group's future capital requirements will, however, depend on many factors, including its ability to maintain and expand its customer base and potential acquisitions. In the future, the Group may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of Ordinary Shares and any debt financing, if available may require restrictions to be placed on the Group's future financing and operating activities. The Group may be unable to obtain additional financing on acceptable terms if market and economic conditions, the financial condition or operating performance of the Group or investor sentiment are unfavourable. The Group's inability to raise further funds may hinder its ability to grow in the future.

Law and Regulation

The Group's past and present activities are subject to a broad range of laws and regulations in the jurisdictions in which it operates relating to, *inter alia*, broadcasting standards. The institution and enforcement of such laws and regulations could have the effect of increasing the expenditure relating to, in lowering the income or rate of return from, as well as adversely affecting the value of, the Group's assets and its business. New laws and regulations may be introduced, which may be retrospective, and affect the regulatory environment in which the Group operates. The profitability of the Group will be, in part, dependant upon the continuation of a favourable regulatory climate with respect to its activities. The failure to obtain, or to continue to comply with, all necessary approvals, licenses or permits, including renewals thereof or modifications thereto, may have a material adverse effect on the Group's business, financial condition or operating results.

Risks Relating to the Ordinary Shares

Investment in AIM Securities

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

Potentially Volatile Share Price and Liquidity

The share price of quoted emerging companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise for their Ordinary Shares may be influenced by a significant number of factors, some specific to the Group and its operations and some which affect quoted companies generally. These factors could include the performance of the Group, large purchases or sales of Ordinary Shares, legislative changes and general, economic, political or regulatory conditions.

Share Price Effect of Sales of Ordinary Shares

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by certain Shareholders following the expiry of the relevant lock-in periods, details of which are set out in Parts I and VI of this document, or the expectation or belief that sales of such shares may occur.

PART III

ACCOUNTANTS' REPORT ON THE COMPANY

The Board of Directors
on behalf of Boomerang Plus plc
218 Penarth Road
Cardiff
CF11 8NN

Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

30 October 2007

Dear Sirs,

Boomerang Plus plc

We report on the financial information set out in Part IV of the AIM admission document dated 30 October 2007 of Boomerang Plus plc (the "Company" and, together with its subsidiaries, the "Group") (the "Admission Document"). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex I, item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies published by the London Stock Exchange (the "AIM Rules for Companies") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

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

Save for any responsibility arising under paragraph (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I, item 23.1 of the Prospectus Directive Regulation as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

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. 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 judgments 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.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and Practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Annex I, item 1.2 of the Prospectus Directive Regulation as applied by Schedule Two to the AIM Rules for Companies.

Yours faithfully

Deloitte & Touche LLP

Chartered Accountants

Deloitte & Touche LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu (“DTT”), a Swiss Verein whose member firms are separate and independent legal entities. Neither DTT, nor any of its member firms has any liability for each other’s acts or omissions. Services are provided by member firms or their subsidiaries and not by DTT.

PART IV
FINANCIAL INFORMATION

Consolidated Income Statement

For the three years ended 31 May 2007

	<i>Notes</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Continuing operations				
Revenue	2	3,650	8,743	10,459
Cost of sales		<u>(2,772)</u>	<u>(6,907)</u>	<u>(8,343)</u>
Gross profit		878	1,836	2,116
Administrative expenses		(564)	(933)	(1,382)
Other operating income		85	87	72
Share of results of joint ventures		—	(2)	20
Provision for impairment of investment in associate	4, 13	<u>—</u>	<u>—</u>	<u>(102)</u>
OPERATING PROFIT	4	399	988	724
Investment income	6	7	28	38
Finance costs	7	<u>(11)</u>	<u>(50)</u>	<u>(82)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				
Tax on profit on ordinary activities	8	<u>(186)</u>	<u>(274)</u>	<u>(301)</u>
Profit for the year from continuing operations		209	692	379
Discontinued operations				
Profit for the year from discontinued operations	9	<u>94</u>	<u>—</u>	<u>—</u>
PROFIT FOR THE FINANCIAL YEAR		<u>303</u>	<u>692</u>	<u>379</u>
Attributable to:				
Equity holders of the parent		299	692	345
Minority interests		<u>4</u>	<u>—</u>	<u>34</u>
		<u>303</u>	<u>692</u>	<u>379</u>
Basic earnings per share	27	<u>5.74p</u>	<u>11.54p</u>	<u>5.65p</u>
Diluted earnings per share	27	<u>5.70p</u>	<u>11.11p</u>	<u>5.31p</u>

There has been no recognised income or expenditure for the three years ended 31 May 2007 other than as stated in the income statement and, accordingly, no separate statement of recognised income and expense is presented.

Consolidated Statement of Changes in Equity

Three years ended 31 May 2007

	<i>Retained earnings £'000</i>	<i>Share capital £'000</i>	<i>Merger Reserve £'000</i>	<i>Share premium account £'000</i>	<i>Total £'000</i>	<i>Minority interest £'000</i>	<i>Total equity £'000</i>
31 May 2005							
Balance at 1 June 2004	470	51	—	—	521	3	524
Profit for the financial year	299	—	—	—	299	4	303
Dividends	(20)	—	—	—	(20)	—	(20)
New shares issued	—	4	—	346	350	—	350
Issue expenses	—	—	—	(3)	(3)	—	(3)
Disposal of subsidiary	—	—	—	—	—	(7)	(7)
Balance at 31 May 2005	<u>749</u>	<u>55</u>	<u>—</u>	<u>343</u>	<u>1,147</u>	<u>—</u>	<u>1,147</u>
31 May 2006							
Profit for the financial year	692	—	—	—	692	—	692
New shares issued	—	11	744	670	1,425	—	1,425
Issue expenses	—	—	—	(44)	(44)	—	(44)
Balance at 31 May 2006	<u>1,441</u>	<u>66</u>	<u>744</u>	<u>969</u>	<u>3,220</u>	<u>—</u>	<u>3,220</u>
31 May 2007							
Profit for the financial year	345	—	—	—	345	34	379
New shares issued	—	2	473	—	475	—	475
Equity-settled share-based payments	15	—	—	—	15	—	15
Acquisition of minority interest	—	—	—	—	—	(34)	(34)
Balance at 31 May 2007	<u>1,801</u>	<u>68</u>	<u>1,217</u>	<u>969</u>	<u>4,055</u>	<u>—</u>	<u>4,055</u>

The Group has taken advantage of section 131 of the Companies Act 1985 and so the excess over the nominal value of shares issued other than for cash has been allocated to the merger reserve.

Consolidated Balance Sheets

As at 31 May 2005, 31 May 2006 and 31 May 2007

	<i>Notes</i>	<i>2005</i> £'000	<i>2006</i> £'000	<i>2007</i> £'000
NON-CURRENT ASSETS				
Goodwill	11	577	1,216	2,060
Other intangible assets	11	25	681	1,225
Property, plant and equipment	12	785	826	1,339
Investments	13	—	100	83
		<u>1,387</u>	<u>2,823</u>	<u>4,707</u>
CURRENT ASSETS				
Inventories	14	—	—	5
Trade and other receivables	15	583	1,485	1,817
Cash and cash equivalents	15	1,465	2,412	3,935
		<u>2,048</u>	<u>3,897</u>	<u>5,757</u>
TOTAL ASSETS		<u><u>3,435</u></u>	<u><u>6,720</u></u>	<u><u>10,464</u></u>
CURRENT LIABILITIES				
Trade and other payables	16	941	1,926	3,934
Interest bearing loans and borrowings	17	98	138	421
Deferred consideration	19	493	409	928
Tax liabilities		152	350	423
		<u>1,684</u>	<u>2,823</u>	<u>5,706</u>
NON-CURRENT LIABILITIES				
Other payables	16	26	29	44
Interest bearing loans and borrowings	17	270	462	272
Deferred tax liabilities	18	108	99	81
Deferred consideration	19	200	87	306
		<u>604</u>	<u>677</u>	<u>703</u>
TOTAL LIABILITIES		<u><u>2,288</u></u>	<u><u>3,500</u></u>	<u><u>6,409</u></u>
NET ASSETS		<u><u>1,147</u></u>	<u><u>3,220</u></u>	<u><u>4,055</u></u>
EQUITY				
Share capital	20	55	66	68
Share premium account		343	969	969
Merger reserve		—	744	1,217
Retained earnings		749	1,441	1,801
Attributable to equity holders of the parent		<u><u>1,147</u></u>	<u><u>3,220</u></u>	<u><u>4,055</u></u>

Consolidated Cash Flow Statements

Three years ended 31 May 2007

	<i>Notes</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
NET CASH FROM OPERATING ACTIVITIES	26	396	1,049	2,379
INVESTING ACTIVITIES				
Interest received		7	28	38
Purchase of property, plant and equipment		(114)	(251)	(109)
Disposal of subsidiary		(10)	25	109
Acquisition of subsidiaries – net cash (outflow)/inflow arising on acquisition	22	431	(145)	(106)
Acquisition of subsidiaries – deferred consideration payments	19	—	(581)	(530)
Acquisition of associates – deferred consideration payments	19	—	(66)	(34)
Acquisition of intangible fixed assets		—	—	(15)
Purchase of programmes catalogues		—	—	(11)
Proceeds on disposal of property, plant and equipment		15	—	2
NET CASH USED IN INVESTING ACTIVITIES		329	(990)	(656)
FINANCING ACTIVITIES				
Repayments of obligations under finance leases		(55)	(90)	(193)
Repayment of borrowings		(40)	(10)	(16)
New loans raised		—	257	—
Proceeds on issue of ordinary share capital		347	—	—
Proceeds on issue of preferred share capital		—	706	—
Ordinary dividends paid		(20)	—	—
Preferred dividends paid		—	—	(28)
Grants received		11	25	37
NET CASH USED IN FINANCING ACTIVITIES		243	888	(200)
NET INCREASE IN CASH AND CASH EQUIVALENTS		968	947	1,523
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		497	1,465	2,412
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,465	2,412	3,935

Notes to the Financial Information

Three years ended 31 May 2007

1. General Information

Cynhyrchiadau Boomerang Cyfyngedig is a company incorporated in the United Kingdom under the Companies Act 1985. The principal activity of the Group is that of independent television production.

Basis of preparation

The financial information for the three years ended 31 May 2007 has been prepared in accordance with the AIM Rules for Companies and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) except as described below.

IFRSs as adopted by the EU do not provide for the specific accounting treatments set out below, and accordingly in preparing the consolidated financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investing Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRSs as adopted by the EU. In other respects IFRSs as adopted by the EU have been applied.

- No comparatives are presented for the information for the three years ended 31 May 2007; and
- No disclosures concerning the transition from UK Generally Accepted Accounting Practice to IFRSs are presented.

For the purposes of this financial information, the date of transition to IFRSs was 1 June 2004. The Group has applied IFRS 1 for first-time adoption in compiling its consolidated financial information for the year ended 31 May 2005.

This financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. At 25 October 2007, the following Standards and Interpretations which have not been applied in this consolidated financial information were in issue but not yet effective:

IFRS 7	Financial Instruments: Disclosures and the reiterated amendment to IAS 1 on capital disclosures
IFRS 8	Segment reporting and the ongoing need for country by country reporting
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environment Rehabilitation Funds
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of embedded derivatives
IFRIC 10	Interim reporting and impairments
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements, other than increasing disclosures, in the period of initial adoption.

2. Accounting Policies

Basis of accounting

The financial information has been prepared on the historical cost basis. The principal accounting policies adopted are outlined below.

Basis of consolidation

The consolidated financial information incorporates the financial information of Cynhyrchiadau Boomerang Cyfyngedig (“the Company”) and entities controlled by the Company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits for its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group’s interest in the net fair values of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised in the income statement immediately.

The interest of minority shareholders in the acquiree is initially measured at the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro-rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on business combinations before the date of transition to IFRS has been retained at the value that would arise applying the principles of UK GAAP.

Revenue and revenue recognition

Revenue (which excludes VAT) represents amounts receivable for work carried out in the production and post-production of television and radio programmes and is recognised over the period of the related activity. Gross profit on production activity is recognised over the period of the production and in accordance with the underlying contract. Cost overspends on productions are recognised as they arise and cost savings are recognised on completion of the productions in line with the underlying contractual

agreement. Where productions are in progress and where sales invoiced exceed the cost of work done, the excess is shown as deferred income. Where the value of work done exceed the invoiced amount, the excess is shown as accrued income. When it is probable that total production costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

No segmental analysis is presented as the Group's trade falls within a single segment.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are recognised as assets in the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

Grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income in the year to which they relate.

Operating profit

Operating profit is stated after crediting/charging share of results of joint ventures and charging provisions for impairment in investment in associate, but before investment income and finance costs.

Retirement benefit costs

The Group operates a defined contribution retirement benefit scheme. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and any recognised impairment loss. They are depreciated to their residual value using the the straight-line method over their expected useful lives as follows:

Leasehold property improvements	–	Over the period of the lease
Plant and machinery	–	20% straight-line
Fixtures and fittings	–	20% straight-line
Motor vehicles	–	25% straight-line
Computer equipment	–	25% straight-line

Assets held under finance leases are depreciated over their useful lives as set out above.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the income statement.

Development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's production development is recognised only if the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

The cost of developing programmes not meeting the IAS 38 criteria are written off to the income statement.

Investments in programme catalogues are capitalised at cost less provision for impairment. The cost is amortised over 3 years, the expected period of distribution income.

Separable intangibles

When an acquisition is made, a review is undertaken to identify separately identifiable non-monetary assets that meet the definition under IAS 38 "Intangible assets". In respect of acquisitions made in the period since transition to IFRS, customer relationships and non-compete agreements were recognised as being separately identifiable. The fair value was determined on a basis that reflects the amounts the acquirer would have paid for the assets in arms length transactions between knowledgeable willing parties.

Contractual customer relationships are amortised over their useful economic life Non contractual customer relationships have an indefinite life and are subject to an annual impairment review.

Non compete agreements are amortised over the life of the agreement, which is an average of 2 years.

Other intangibles

Other intangibles represent the cost of acquiring rights to commission income from talent management contracts. The assets are amortised over 3 years, the period the Group will benefit from the contracts.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material costs. Net realisable value represents the estimated selling price less all estimated costs of completion.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computer at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held at call with banks.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at at amortised cost using the effective interest rate method.

Compound financial instruments – preferred shares

Non-derivative financial instruments are evaluated to determine whether the financial instrument contains both a liability and an equity component. Such components are classified separately as financial liabilities and equity instruments. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is equal to the fair value that is ascribed to the instrument as a whole.

Hybrid financial instruments

Financial instruments are evaluated to determine whether they are hybrid (combined) instruments. A hybrid instrument is a non-derivative host financial instrument contract that also contains an embedded derivative, with the effect that some of the cash flows of the hybrid instrument vary in a way

similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified financial variable.

Where a host contract contains one or more embedded derivatives, the entire hybrid (combined) contract is initially measured at fair value. Regarding subsequent measurement, the Group is able to elect to fair value the entire hybrid contract through profit and loss, or if no election is made, the embedded derivative must be accounted for in line with the requirements of IAS 39 “Financial instruments: recognition and measurement”, paragraph 10.

Equity instruments

Equity instruments issued by the company are recorded as proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors’ best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled, share-based payments to certain employees. Equity-settled, share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the fair value of the share that will eventually vest.

Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group’s accounting policies

In the process of applying the Group’s accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial information.

Revenue recognition

Revenue recognised requires management to consider the costs incurred to the balance sheet date and estimate of the cost to completion of the production. When it is probable that total production costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IAS 11 “Construction contracts”. Following detailed quantification of the Group’s estimate costs to completion the directors are satisfied that recognition of revenue as reported is appropriate, in conjunction with recognition of appropriate provision for expected loss making contracts.

Identification and measurement of separate intangible assets acquired in a business combination

IFRS 3 “Business Combinations” requires the acquirer to recognise separately an intangible asset of the acquiree at the acquisition date if it meets the definition of an intangible asset in IAS 38 “Intangible assets” and its fair value can be measured reliably.

IAS 38 defines an intangible asset as ‘an identifiable non-monetary asset without physical substance’.

An asset meets the identifiability criterion in the definition only if it:

- a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

- b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

IFRS 3 requires the acquirer to determine the fair value of intangibles by reference to an active market as defined in IAS 38; or if no active market exists, on a basis that reflects the amounts the acquirer would have paid for the assets in arm's length transactions between knowledgeable willing parties, based on the best information available.

The separate intangible assets acquired as part of business combinations effected after the transition to IFRS are detailed in notes 11 and 22. The values of the separate intangible assets were estimated on the following basis:

Non compete agreements: using a "discounted cash flow" basis; by estimating the potential cash flows that could be lost if the agreements had not been in place. This requires the entity to estimate the future cash flows and a suitable discount rate in order to calculate present value;

Customer relationships: using an "excess earnings income approach"; by estimating the cash flows expected to be generated from the relationships net of a reasonable return on other assets also contributing to that stream of cash flows, discounted at an appropriate rate of return. This requires the entity to estimate the future cash flows and a suitable discount rate in order to calculate present value.

Impairment of goodwill

The Group tests annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions and estimates for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management (which take into account past experience and industry growth forecasts) for the next three years and extrapolates cash flows for the following three years assuming no growth from that date. The carrying amount of goodwill as at 31 May 2007 is £2,060,000 with no impairment adjustment required for 2007.

4. Operating Profit

	2005 £'000	2006 £'000	2007 £'000
Operating profit has been arrived at after charging/ (crediting):			
Amortisation of grants	(11)	(71)	(43)
Amortisation of intangible fixed assets	—	—	60
Operating lease rentals	121	91	121
Impairment of investment in associate	—	—	102
Depreciation of property, plant and equipment			
– owned assets	73	147	280
– leased assets	13	77	88
Profit on sale of property, plant and equipment	—	—	(2)
Staff costs (see Note 5)	872	1,798	2,906
Auditors' remuneration – audit services	6	14	30
Auditors' remuneration – non-audit services	2	12	20
	<u> </u>	<u> </u>	<u> </u>

A more detailed analysis of auditors' remuneration is provided below:

	2005 £'000	2006 £'000	2007 £'000
Audit services:			
– statutory audit	6	14	30
Total audit fees	<u>6</u>	<u>14</u>	<u>30</u>
Tax services:			
– advisory services	2	2	—
– compliance services	—	4	5
Consultancy	—	6	15
Total non-audit fees	<u>2</u>	<u>12</u>	<u>20</u>

5. Information Regarding Directors and Employees

	2005 £'000	2006 £'000	2007 £'000
Directors' emoluments			
Emoluments	308	428	486
Contributions to money purchase pension schemes	21	25	50
	<u>329</u>	<u>453</u>	<u>536</u>
Highest paid director			
Emoluments	84	77	83
Contributions to money purchase pension schemes	5	5	5
	<u>89</u>	<u>82</u>	<u>88</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Number of directors in pension scheme	<u>4</u>	<u>5</u>	<u>6</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Average number of persons employed (including directors)			
Directors	8	8	8
Production	25	41	69
Administration	3	3	5
	<u>36</u>	<u>52</u>	<u>82</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Staff costs during the year (including directors)			
Wages and salaries	768	1,601	2,563
Social security costs	81	172	273
Equity-settled share-based payments	—	—	15
Pensions costs	23	25	55
	<u>872</u>	<u>1,798</u>	<u>2,906</u>

Share-based payment charges in 2006 are not material and have been charged in the 2007 year (see note 21).

6. Investment Income

	2005 £'000	2006 £'000	2007 £'000
Interest on bank deposits	<u>7</u>	<u>28</u>	<u>38</u>

7. Finance Costs

	2005 £'000	2006 £'000	2007 £'000
Interest on other loans	—	22	37
Interest on obligations under finance leases and hire purchase	5	28	35
Other interest and similar charges	6	—	2
Preferred share finance cost – unwinding of discount	—	—	8
	<u>11</u>	<u>50</u>	<u>82</u>

8. Tax on Profit on Ordinary Activities

	2005 £'000	2006 £'000	2007 £'000
Current taxation			
United Kingdom corporation tax:			
Current tax on income for the year at 30%	111	285	343
Adjustment in respect of prior years	—	(2)	—
Total current tax	<u>111</u>	<u>283</u>	<u>343</u>
Deferred tax			
Origination and reversal of timing differences	35	(13)	(42)
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	40	4	—
	<u>75</u>	<u>(9)</u>	<u>(42)</u>
	<u>186</u>	<u>274</u>	<u>301</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2005 £'000	2006 £'000	2007 £'000
Profit on ordinary activities before tax	<u>395</u>	<u>966</u>	<u>680</u>
Tax on profit on ordinary activities before tax at 30%	118	290	204
Factors affecting charge for the year			
Expenses not deductible for tax purposes	2	9	20
Non deductible amortisation and impairment charges	—	—	47
Differences between capital allowances and depreciation	(34)	13	13
Tax losses	—	1	3
Other	—	—	5
Marginal relief	25	(28)	18
Chargeable gains	—	—	33
Prior year adjustments	—	(2)	—
Current tax charge for the year	<u>111</u>	<u>283</u>	<u>343</u>

The reduction in the corporation tax rate to 28 per cent. is not anticipated to materially affect the future tax charge.

9. Discontinued Operations

On 16 February 2005 the Group effectively disposed of its controlling interest in DGH Properties Limited when it issued an option to dispose of its entire shareholding to the minority shareholder in DGH Properties Limited.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	2005 £'000	2006 £'000	2007 £'000
Administration costs	45	—	—
Finance costs	(24)	—	—
Taxation	(43)	—	—
Profit on disposal of subsidiary	116	—	—
	<u>94</u>	<u>—</u>	<u>—</u>

10. Dividends

	2005 £'000	2006 £'000	2007 £'000
Dividend paid	<u>20</u>	<u>—</u>	<u>—</u>

11. Goodwill and Other Intangible Fixed Assets

	<i>Goodwill</i> £'000	<i>Customer relationships</i> £'000	<i>Non compete agreements</i> £'000	<i>Programme catalogue</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
Cost						
At 1 June 2004	—	—	—	25	—	25
Additions	<u>577</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>577</u>
At 1 June 2005	577	—	—	25	—	602
Additions	<u>639</u>	<u>649</u>	<u>7</u>	<u>—</u>	<u>—</u>	<u>1,295</u>
At 1 June 2006	1,216	649	7	25	—	1,897
Additions	<u>844</u>	<u>548</u>	<u>30</u>	<u>11</u>	<u>15</u>	<u>1,448</u>
At 31 May 2007	<u>2,060</u>	<u>1,197</u>	<u>37</u>	<u>36</u>	<u>15</u>	<u>3,345</u>
Amortisation						
At 1 June 2004	—	—	—	—	—	—
Charge for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 1 June 2005	—	—	—	—	—	—
Charge for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 1 June 2006	—	—	—	—	—	—
Charge for the year	<u>—</u>	<u>43</u>	<u>13</u>	<u>4</u>	<u>—</u>	<u>60</u>
At 31 May 2007	<u>—</u>	<u>43</u>	<u>13</u>	<u>4</u>	<u>—</u>	<u>60</u>
Carrying amount						
At 31 May 2005	<u>577</u>	<u>—</u>	<u>—</u>	<u>25</u>	<u>—</u>	<u>602</u>
At 31 May 2006	<u>1,216</u>	<u>649</u>	<u>7</u>	<u>25</u>	<u>—</u>	<u>1,897</u>
At 31 May 2007	<u>2,060</u>	<u>1,154</u>	<u>24</u>	<u>32</u>	<u>15</u>	<u>3,285</u>

Goodwill, customer relationships and non compete agreements arise on consolidation. See note 22 for further details on additions in the year.

Included in customer relationships are non-contractual relationships of £1,150,000 (2006 – £639,000) which have an indefinite life and are subject to an annual impairment review.

Goodwill and non-contractual relationships acquired in a business combination are allocated at acquisition to the cash generating units (“CGU’s”) that are expected to benefit from the business combination. Before recognition of any impairment losses, the carrying amount of goodwill and non-contractual relationships had been allocated as follows:

Goodwill

	2005 £'000	2006 £'000	2007 £'000
Fflic Cyfyngedig	577	577	577
Cynhyrchiadau Alfresco Productions Cyfyngedig	—	639	639
Mwnici Cyfyngedig	—	—	296
Ffilmiau Apollo Cyfyngedig	—	—	548
	<u>577</u>	<u>1,216</u>	<u>2,060</u>

Non-contractual customer relationships

	2005 £'000	2006 £'000	2007 £'000
Cynhyrchiadau Alfresco Productions Cyfyngedig	—	639	639
Mwnici Cyfyngedig	—	—	115
Ffilmiau Apollo Cyfyngedig	—	—	396
	<u>—</u>	<u>639</u>	<u>1,150</u>

The Group tests goodwill and non-contractual customer relationships annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following seven years based on an estimated growth rate of 10 per cent. for the whole period. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows of each of the CGUs as defined above was a range from 18 per cent. to 25 per cent.

Customer relationships and non compete agreements were recognised as part of business combinations in accordance with the guidance in IFRS 3: Business combinations (see note 3). Contractual customer relationships are amortised over the life of the existing contract which is one year. Non-contractual customer relationships have an indefinite life and are subject to an annual impairment review. Non compete agreements are amortised over the life of the agreement, which is an average of two years.

Other intangible fixed assets relate to rights to commission income from talent management contracts. Other intangible fixed assets are amortised over 3 years, the period the Group will benefit from the contracts.

12. Property, Plant and Equipment

	<i>Leasehold property improvements £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost						
At 1 June 2004	666	322	162	80	59	1,289
Additions	20	305	9	64	14	412
Disposal of subsidiary	(582)	—	(1)	—	—	(583)
Acquisition of subsidiary	22	—	33	—	—	55
Disposals	—	(8)	—	(23)	—	(31)
At 1 June 2005	126	619	203	121	73	1,142
Additions	53	121	31	15	31	251
Acquisition of subsidiary	—	—	5	—	10	15
Disposals	—	(29)	(5)	—	(56)	(90)
At 1 June 2006	179	711	234	136	58	1,318
Additions	24	207	33	13	32	309
Acquisition of subsidiary	53	241	177	8	94	573
Disposals	—	(2)	—	(13)	—	(15)
At 31 May 2007	256	1,157	444	144	184	2,185
Depreciation						
At 1 June 2004	27	141	62	34	57	321
Charge for the year	16	28	23	17	2	86
Disposal of subsidiary	(36)	—	—	—	—	(36)
Disposals	—	(3)	—	(11)	—	(14)
At 1 June 2005	7	166	85	40	59	357
Charge for the year	9	132	36	34	13	224
Release on disposal	—	(29)	(4)	—	(56)	(89)
At 1 June 2006	16	269	117	74	16	492
Charge for the year	25	192	72	30	49	368
Release on disposal	—	(1)	—	(13)	—	(14)
At 31 May 2007	41	460	189	91	65	846
Carrying amount						
At 31 May 2005	119	453	118	81	14	785
At 31 May 2006	163	442	117	62	42	826
At 31 May 2007	215	697	255	53	119	1,339

Included within the carrying amount of £1,339,000 (2006: £826,000, 2005: £785,000) is the following relating to assets held under hire purchase and finance lease agreements:

	<i>Leasehold property improvements £'000</i>	<i>Plant and machinery £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
At 31 May 2005	—	270	73	343
At 31 May 2006	—	216	49	265
At 31 May 2007	38	447	35	520

13. Investments

	<i>Investment in joint ventures £'000</i>	<i>Investment in associates £'000</i>	<i>Investments £'000</i>	<i>Total £'000</i>
Cost				
At 1 June 2004 and 1 June 2005	—	—	—	—
Additions	—	102	—	102
Share of loss	(2)	—	—	(2)
At 1 June 2006	(2)	102	—	100
Acquisition of subsidiary	—	—	70	70
Share of profit	15	—	—	15
At 31 May 2007	13	102	70	185
Impairment and amortisation				
At 1 June 2006	—	—	—	—
Charge	—	(102)	—	(102)
At 31 May 2007	—	(102)	—	(102)
Carrying amount				
At 31 May 2005	—	—	—	—
At 31 May 2006	(2)	102	—	100
At 31 May 2007	13	—	70	83

The impairment in the year ended 31 May 2007 is in relation to the Group's investment in an associate company, Toucan Television Limited.

14. Inventories

	<i>2005 £'000</i>	<i>2006 £'000</i>	<i>2007 £'000</i>
Production supplies	—	—	5

15. Other Financial Assets

Trade and other receivables

	<i>2005 £'000</i>	<i>2006 £'000</i>	<i>2007 £'000</i>
Trade receivables	249	834	1,082
Other receivables	156	414	104
Prepayments and accrued income	178	237	631
	583	1,485	1,817

The average credit period taken on sale was 32 days (2006: 30 days, 2005: 21 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £5,000 (2006: £2,000, 2005: £6,000). The allowance has been based on past default experience.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Cash and cash equivalents

These comprise cash in hand and deposits held at call with banks. The carrying amount of these assets approximates to their fair value.

Included in bank balances are amounts held in the name of group companies which are held on behalf of television broadcasters. The cash is restricted to fund existing contracted productions. Amounts totalling £3,075,236 (2006: £1,147,479, 2005: £796,299) were held in these accounts at the year-end.

Credit risk

The Group's principal financial assets are bank balances and cash, and trade and other receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and its assessment of the current economic environment. There is a concentration of receivables credit risk with the Group's principal customer, S4C.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by the international credit rating agencies. There is no significant concentration of credit risk.

16. Other Financial Liabilities

Trade and other payables

	<i>2005</i> £'000	<i>2006</i> £'000	<i>2007</i> £'000
Current liabilities			
Trade accounts payable	220	303	234
Other taxation and social security	188	353	712
Other creditors	—	72	105
Accruals and deferred income	533	1,198	2,883
	<u>941</u>	<u>1,926</u>	<u>3,934</u>
Non-current liabilities			
Other creditors	<u>26</u>	<u>29</u>	<u>44</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 21 days (2006: 27 days, 2005: 53 days). The directors consider that the carrying amount of trade and other payables approximates their fair value.

17. Interest Bearing Loans and Borrowings

	<i>2005</i> £'000	<i>2006</i> £'000	<i>2007</i> £'000
Current liabilities			
Unsecured loan stock	—	—	125
Pension loan	9	9	9
Hire purchase and finance lease agreements	89	97	232
Other loan	—	7	—
Preferred shares	—	25	55
	<u>98</u>	<u>138</u>	<u>421</u>
Non-current liabilities			
Unsecured loan stock	—	250	125
Pension loan	55	45	36
Hire purchase and finance lease agreements	215	117	111
Preferred shares	—	50	—
	<u>270</u>	<u>462</u>	<u>272</u>

The unsecured loan stock bears interest at 11 per cent. per annum and is payable in two equal instalments, on 11 November 2007 and 2008. The holder of the unsecured loan stock can request repayment at par on an exit event. An exit event is defined as a public listing or a sale of the Company.

	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Unsecured loan stock			
Within one year		—	125
Between one and two years	—	125	125
Between two and five years	—	125	—
	<u>—</u>	<u>250</u>	<u>250</u>

The pension loan is from the directors' self-administered pension fund, is unsecured, bears interest at 3 per cent. above base rate and is repayable at £750 per month.

	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Pension loan			
Within one year	9	9	9
Between one and two years	9	9	9
Between two and five years	27	27	27
After five years	19	9	—
	<u>64</u>	<u>54</u>	<u>45</u>

The hire purchase and finance lease obligations are payable as follows:

	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Hire purchase contracts and finance lease			
Within one year	89	97	232
Between one and two years	97	113	87
Between two and five years	118	4	24
	<u>304</u>	<u>214</u>	<u>343</u>

Obligations under finance lease and hire purchase contracts are secured on the related assets.

The preferred shares are repayable as follows:

	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Preferred shares			
Within one year	—	25	55
Between one and two years	—	50	—
	<u>—</u>	<u>75</u>	<u>55</u>

Further details are covered in note 20.

The carrying amount of the borrowings approximates to their fair value.

18. Deferred Tax

	2005 £'000	2006 £'000	2007 £'000
Balance at 1 June	—	108	99
Acquisition of subsidiary	—	—	24
(Credit)/charge to income statement	75	(9)	(42)
Chargeable gain	33	—	—
Balance at 31 May	<u>108</u>	<u>99</u>	<u>81</u>

The amounts of deferred taxation provided in the financial information are as follows:

	2005 £'000	2006 £'000	2007 £'000
Accelerated capital allowances	75	66	82
Short-term timing differences	33	33	(1)
	<u>108</u>	<u>99</u>	<u>81</u>

19. Deferred Consideration

	2005 £'000	2006 £'000	2007 £'000
Current liabilities			
Deferred consideration	<u>493</u>	<u>409</u>	<u>928</u>
Non-current liabilities			
Deferred consideration	<u>200</u>	<u>87</u>	<u>306</u>
	£'000	£'000	£'000
Deferred consideration			
Within one year	493	409	928
Between one and two years	200	87	147
Between two and five years	—	—	159
	<u>693</u>	<u>496</u>	<u>1,234</u>
	£'000	£'000	£'000
Movement in deferred consideration			
At 1 June	—	693	496
Acquisitions	693	450	1,302
Payment	—	(647)	(564)
At 31 May	<u>693</u>	<u>496</u>	<u>1,234</u>

20. Called Up Share Capital

	2005 £'000	2006 £'000	2007 £'000
Authorised			
10,000,000 ordinary shares of 1p each	100	100	100
1,000,000 preferred ordinary shares of 1p each	10	10	10
	<u>110</u>	<u>110</u>	<u>110</u>
Called up, allotted and fully paid			
6,352,532 (2006: 6,093,190, 2005: 5,483,871) ordinary shares of 1p each	55	61	63
479,868 5% preferred ordinary shares of 1p each	—	5	5
	<u>55</u>	<u>66</u>	<u>68</u>

Ordinary share capital

On 27 July 2005, 609,319 1p ordinary shares were issued in a share for share exchange of £750,000 in respect of the acquisition of Cynhyrchiadau Al Fresco Productions Cyfyngedig.

On 30 April 2007, 131,377 1p ordinary shares were issued in a share-for-share exchange of £275,000 in respect of the acquisition of 218 Holdings Limited.

On 31 May 2007, 127,965 1p ordinary shares were issued in a share-for-share exchange of £200,000 in respect of the acquisition of Ffilmiau Apollo Cyfyngedig and Teledu Apollo Cyfyngedig.

Preferred ordinary shares

On 11 November 2005, 479,868 1p preferred ordinary shares were issued for cash consideration of £750,000 including an amount of £75,000 included in financial liabilities.

The preferred ordinary shares do not have voting rights.

The preferred ordinary shares have priority on a sale or on a return of assets for an amount equal to the issue price of the preferred ordinary shares and all unpaid arrears on accruals of the preferred dividend and any further dividend on the preferred ordinary shares held by the shareholder down to and including the date the return on capital is made. The preferred ordinary shareholders rank *pari passu* with the ordinary shareholders after the ordinary shareholders have been paid dividend declared but unpaid.

The holders of the preferred ordinary shares may at any time convert all the preferred ordinary shares into the same number of fully paid ordinary shares by notice given to the Company signed by the holders of not less than 51 per cent. of the preferred ordinary shares then in issue. The preferred ordinary shares are also converted to ordinary shares on an exit event (defined as a sale or listing). The preferred ordinary shares are converted to the same number of fully paid ordinary shares.

The members holding preferred ordinary shares are payable a preferential net cash dividend which is equal to a per centum of net profits. The per centum payable in the current and prior year is 5 per cent. The per centum increases annually to 11 per cent. in 2012. The members holding preferred ordinary shares are also entitled to dividend declared to the ordinary shareholders.

Management have determined that the preferred ordinary shares are compound financial instruments as they contain both a liability component (contract obligation to pay cash dividends) and an equity component (residual interest in the net assets of the company). As the dividend to be paid is dependent on the level of net profits of the company, the liability component can be seen as a hybrid instrument, as it contains an embedded payment derivative.

At the date of issue, the fair value of the liability component was estimated using the prevailing market interest rate for similar preference shares, which included the embedded payment derivative, but excluded the equity component. The difference between the proceeds of issue and the fair value assigned to the liability component was included in equity. The liability component has been included in interest bearing loans and borrowings.

As the liability component is seen as a hybrid instrument (non derivative host contract containing an embedded derivative), management have elected to subsequently measure the entire hybrid (combined) contract at fair value, with changes in fair value being reported in earnings, in the finance cost line. Fair values are determined by calculating the expected cash flows under the terms of each specific contract, discounted back to their present value. The expected cash flows are determined by modelling cash flows using appropriate financial market pricing models. Discounting is achieved through constructing discount curves derived from the market price of the most appropriate observable products.

21. Share Based Payments

The fair values of services received in return for share options granted to employees are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black Scholes model (with the contractual life of the option and expectations of early exercise incorporated into the model).

The terms and conditions of the share options granted were as follows:

<i>Ip shares under option</i>	<i>Grant date</i>	<i>Exercise price</i>	<i>Vesting conditions</i>
EMI share options			
113,500	30 June 2005	25p	On IPO or sale
154,317	29 September 2006	36p	On IPO or sale and at least two years
Unapproved share options			
33,000	29 September 2006	25p	On IPO or sale
12,797	29 September 2006	156p	On IPO or sale and at least one year

The principal assumptions used in assessing the fair value of share options were as follows:

	2006	2007
Expected volatility	25%	25%
Option life	4 years	2 - 4 years
Risk-free interest rate	4.5%	4.5%
Expected dividend yield	0%	0%

Share options lapse on the 10th anniversary of the date of grant. 14,296 options lapsed during the year following cessation of employment.

The Group recognised £15,495 (2006: £nil, 2005: £nil) related to equity settled share based payment transactions during 2007.

22. Acquisition of Subsidiaries

On 16 February 2005, the Group acquired 100 per cent. of the issued share capital of Fflic Cyfyngedig ("Fflic") for consideration of £1,220,600. Fflic Cyfyngedig's activities are independent television production.

On 27 July 2005, the Group acquired 100 per cent. of the issued share capital of Cyberchip Limited for consideration of £1,270,000. Cyberchip Limited is the parent company of Cynhyrchiadau Alfresco Productions Cyfyngedig ("Alfresco") involved in independent television production.

On 6 October 2006, the Group acquired 55 per cent. of 218 Holdings Limited and its 100 per cent. subsidiary of Mwnci Cyfyngedig ("Mwnci") and the remaining 45 per cent. on 30 April 2007 for total consideration of £850,000. 218 Holdings Limited is an intermediate parent company and Mwnci Cyfyngedig is involved in post production editing.

On 31 May 2007, the Group acquired 100 per cent. of the issued share capital of Filmiau Apollo Cyfyngedig for £1,550,000. Filmiau Apollo Cyfyngedig is the parent company of Teledu Apollo Cyfyngedig ("Apollo") involved in independent television production.

All transactions have been accounted for by the purchase method of accounting. Outlined below are the provisional fair values of assets acquired during the year ended 31 May 2007. Fair values of assets acquired during the years ended 31 May 2006 and 31 May 2005 are final. There were no fair value adjustments.

	<i>Fair value Fflic 2005 £'000</i>	<i>Fair value Alfresco 2006 £'000</i>	<i>Mwnici 55% £'000</i>	<i>Mwnici 45% £'000</i>	<i>Apollo £'000</i>	<i>Fair value 2007 £'000</i>
Net assets acquired:						
Tangible fixed assets	55	13	506	—	67	573
Investments	—	—	—	—	70	70
Stocks	—	1	1	—	—	1
Debtors	287	45	191	—	628	819
Cash at bank and in hand	958	25	21	—	496	517
Creditors	(667)	(109)	(210)	—	(680)	(890)
Hire purchase	—	—	(122)	—	—	(122)
Deferred tax	10	—	(24)	—	—	(24)
Minority interest	—	—	(163)	197	—	34
	<u>643</u>	<u>(25)</u>	<u>200</u>	<u>197</u>	<u>581</u>	<u>978</u>
Goodwill	577	639	55	240	549	844
Customer relationships	—	649	25	115	408	548
Non compete agreements	—	7	12	6	12	30
Total consideration	<u>1,220</u>	<u>1,270</u>	<u>292</u>	<u>558</u>	<u>1,550</u>	<u>2,400</u>
Satisfied by:						
Cash	500	150	120	—	450	570
Shares allotted	—	750	—	275	200	475
Deferred consideration	693	350	156	275	871	1,302
Costs	27	20	16	8	29	53
	<u>1,220</u>	<u>1,270</u>	<u>292</u>	<u>558</u>	<u>1,550</u>	<u>2,400</u>
Net cash outflow/ (inflow) arising on acquisition						
Cash consideration	500	150	120	—	450	570
Costs	27	20	16	8	29	53
Cash acquired	(958)	(25)	(21)	—	(496)	(517)
	<u>(431)</u>	<u>145</u>	<u>115</u>	<u>8</u>	<u>(17)</u>	<u>106</u>

The goodwill arising on the acquisitions relates to creative talent and opportunities which do not meet the criteria for recognition as separate intangible fixed assets.

See note 3 and 11 for further detail on separable intangible assets recognised.

Mwnici has contributed £707,185 (2006 Alfresco – £2,405,961, 2005 Fflic – £685,091) to revenue and £164,590 (2006 – £186,053, 2005 – £91,293) to profit before tax for the period from the date of acquisition to the balance sheet date. Apollo was acquired on 31 May 2007 and therefore has not contributed to the 2007 consolidated income statement.

If the acquisition of the above had been completed on the first day of the respective financial year, Group revenues for the period and Group profit attributable to equity holders of the parent would have increased as follows:

	<i>Group revenues £'000</i>	<i>Group profit £'000</i>
2005		
Fflic	1,543	203
	<u> </u>	<u> </u>
2006		
Alfresco	434	30
	<u> </u>	<u> </u>
2007		
Apollo	2,500	293
Mwnci	430	184
	<u> </u>	<u> </u>
Total	2,930	477
	<u> </u>	<u> </u>

The allocation of Group revenues and Group profit for Alfresco and Apollo has been made on a *pro rata* basis as the information required to allocate revenue and profit was not maintained by management.

23. Disposal of Subsidiary

As referred to in note 9, on 16 February 2005 the Group effectively disposed of its controlling interest in DGH Properties Limited when it issued an option to dispose of its entire shareholding to the minority shareholder in DGH Properties Limited.

The net assets of DGH Properties Limited at the date of disposal were as follows:

	<i>2005 £'000</i>
Tangible fixed assets	548
Debtors	(137)
Cash at bank and in hand	10
Creditors	(83)
Bank loan	(313)
Minority interest	(7)
	<u> </u>
	18
Gain on disposal	116
	<u> </u>
Total consideration	134
	<u> </u>
Satisfied by:	
Deferred sale proceeds	134
	<u> </u>
Net cash outflow arising on acquisition	
Cash consideration	—
Cash disposed	(10)
	<u> </u>
	(10)
	<u> </u>

The contribution of the disposals for the results for 2005 are disclosed in note 9.

24. Financial Commitments

Annual commitments under non-cancellable operating leases as at 31 May were as follows:

	2005 £'000	2006 £'000	2007 £'000
Leases which expire:			
Within one year			
Land and buildings	23	23	161
Between two and five years			
Land and buildings	<u>50</u>	<u>4</u>	<u>428</u>

25. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The Company occupies premises owned by DGH Properties Limited, a subsidiary of Cynhyrchiadau Boomerang Cyfyngedig for the period to 31 March 2007. Rent of £62,000 (2006: £60,000, 2005: £58,500) was paid to DGH Properties Limited during the year. Included in trade receivables is £nil (2006: £146,866, 2005: £137,096) due from DGH Properties Limited.

Included in trade receivables is £9,375 (2006: £5,816, 2005: £nil) due from Hanner: Hanner Cyfyngedig, a 50 per cent. joint venture of Cynhyrchiadau Boomerang Cyfyngedig.

Huw Eurig Davies, a director of Cynhyrchiadau Boomerang Cyfyngedig, was a director of Barcud Derwen Cyfyngedig until his resignation on 24 July 2006. The Barcud Derwen Cyfyngedig group supplied services of £25,601 (2006: £nil, 2005: £115,268) and fixed assets of £nil (2006: £30,485, 2005: £270,000) during the year.

The remuneration of the Directors who are key management personnel of the Group is set out in note 5.

Sales of goods to related parties were made at the Group's usual list prices, no discounts being given. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Cynhyrchiadau Boomerang Cyfyngedig has a loan of £45,000 (2006: £54,000, 2005: £64,000) from a pension fund whose trustees and beneficiaries are H E Davies, D T F Richards and G R Davies, directors of the company. Interest of £3,952 (2006: £4,423, 2005: £6,445) has been charged for 2007.

26. Notes to the Consolidated Cash Flow Statements

	2005 £'000	2006 £'000	2007 £'000
Profit from operations	399	988	724
Adjustment for:			
Impairment of non current asset investment	—	—	102
Amortisation of intangible fixed assets	—	—	60
Depreciation of property, plant and equipment	86	224	368
Profit on property, plant and equipment disposals	—	—	(2)
Government grants	(7)	(15)	(16)
Discontinued operations	22	—	—
Results of Joint Venture	—	2	(14)
Equity-settled share-based payments	—	—	15
Operating cash flows before movement in working capital	500	1,199	1,237
Decrease/(increase) in receivables	(16)	(883)	378
Increase in payables	(82)	935	1,251
Increase in inventory	—	—	(4)
Cash generated by operations	402	1,251	2,862
Income tax paid	5	(152)	(409)
Interest paid	(11)	(50)	(74)
Net cash inflow from operating activities	<u>396</u>	<u>1,049</u>	<u>2,379</u>

27. Earnings Per Share

	2005	2006	2007
Profit for the year (£'000)	299	692	345
Weighted average number of ordinary shares	5,209,377	5,998,036	6,104,348
Dilutive potential shares under option	39,063	232,878	392,160
Dilutive weighted average number of shares	5,248,440	6,230,914	6,496,508
Earnings per ordinary share – basic	5.74p	11.54p	5.65p
Earnings per ordinary share – dilutive	<u>5.70p</u>	<u>11.11p</u>	<u>5.31p</u>

PART V

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Set out below, for illustrative purposes only, to show the effects of the Placing and Admission is a pro forma statement of the net assets of the Group immediately after Admission as if that had occurred on 31 May 2007, the date of the balance sheet of Boomerang published in the annual financial statements of the Company. This unaudited pro forma statement of net assets, because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position of Boomerang. It has been prepared on the basis of:

- (i) figures shown in the annual accounts of Boomerang as at 31 May 2007; and
- (ii) adjustments made in respect of the Placing and Admission.

	<i>Balance Sheet of the Company as at 31 May 2007 (note 1) £'000</i>	<i>Adjustments</i>		<i>Proforma balance sheet as at 31 May 2007 £'000</i>
	<i>Issue of Share capital (note 2) £'000</i>	<i>Repayment of borrowings (note 3) £'000</i>		<i>£'000</i>
Non-current assets				
Goodwill	2,060	—	—	2,060
Other intangible assets	1,225	—	—	1,225
Property plant and equipment	1,339	—	—	1,339
Investments	83	—	—	83
	4,707			4,707
Current assets				
Inventories	5		—	5
Trade and other receivables	1,817		—	1,817
Cash and cash equivalents	3,935	2,300	(292)	5,943
	5,757	2,300	(292)	7,765
Total assets	10,464	2,300	(292)	12,472
Current liabilities				
Trade and other payables	3,934	—	—	3,934
Interest bearing loans and borrowings	421	—	(134)	287
Deferred consideration	928	—	—	928
Tax liabilities	423	—	—	423
	5,706	—	(134)	5,572
Non-current liabilities				
Interest bearing loans and borrowings	272	—	(158)	114
Other payables	44	—	—	44
Deferred tax liabilities	81	—	—	81
Deferred consideration	306	—	—	306
	703	—	(158)	545
Total liabilities	6,409	—	(292)	6,117
Net assets	4,055	2,300	—	6,355

Notes

1. All amounts for Boomerang are taken from the balance sheet shown in Part IV
2. The adjustment to cash in respect of the Placing and Admission is as follows:

	<i>£'000</i>
Share capital received	3,000
Less estimated transaction costs	<u>(700)</u>
	<u>2,300</u>

3. The repayment of borrowings is as follows:

	<i>Current liabilities</i> <i>£'000</i>	<i>Non-current</i> <i>liabilities</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Unsecured loan stock	125	125	250
Pension Fund loan	<u>9</u>	<u>33</u>	<u>42</u>
	<u>134</u>	<u>158</u>	<u>292</u>

This adjustment reflects the Reasons for the Placing and Use of Proceeds section of Part I of this document.

PART VI

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company was incorporated and registered as a private limited company in England and Wales under the 1985 Act on 7 June 1994, with the name Cynhyrchiadau Boomerang Cyfyngedig and with the registered number 02936337. The Company was re-registered as a public limited company and its name changed to Boomerang Plus plc on 30 October 2007.
- 1.2 The Company is a public limited company and accordingly the liability of its members is limited. The Company and its activities and operations are principally regulated by the Acts and the regulations made thereunder.
- 1.3 The registered office of the Company is 218 Penarth Road, Cardiff CF11 8NN and the telephone number of the registered office is 02920 550550.

2. Share capital and loan capital

- 2.1 As at 31 May 2004, the authorised and issued share capital of the Company, of which all of the issued shares were fully paid up, was as follows:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
100,000	£100,000	Ordinary Shares	51,000	£51,000

- 2.2 The following alterations to the Company's share capital have taken place since 1 June 2004:
- (a) pursuant to a written resolution dated 16 February 2005, the shareholders of the Company resolved to sub-divide each authorised ordinary share of £1 each into 100 Ordinary Shares;
- (b) on 16 February 2005, 383,871 Ordinary Shares were subscribed for by Huw Jenkins at a subscription price of £0.91176 per Ordinary Share;
- (c) on 27 July 2005, 609,319 Ordinary Shares were issued in part consideration for the acquisition by the Company of Cyberchip Limited (subsequently renamed Cynhyrchiadau Boomerang);
- (d) on 11 November 2005, 479,868 Preferred Ordinary Shares were issued to Finance Wales at a subscription price of £1.56 per Preferred Ordinary Share;
- (e) on 30 April 2007, 131,377 Ordinary Shares were issued in part consideration for the acquisition by the Company of 218 Holdings Limited;
- (f) on 31 May 2007:
- (i) 76,779 Ordinary Shares were issued in part consideration for the acquisition by the Company of certain shares in Ffilmiau Apollo Cyf;
- (ii) 51,186 Ordinary Shares were issued in part consideration for the acquisition by the Company of certain shares in Apollo;
- (g) on 27 August 2007, 137,097 Ordinary Shares were issued to Huw Jenkins in satisfaction of an option award made pursuant to a letter dated 16 February 2005 at an exercise price of £0.91 per Ordinary Share; and
- (h) on 29 October 2007, 33,000 Ordinary Shares were issued to Roger Moore pursuant to the exercise of an option at an exercise price of £0.25 per Ordinary Share.

- 2.3 As at 31 May 2007, being the latest date to which audited accounts for the Company have been prepared, the authorised and issued share capital of the Company, of which all of the issued shares were fully paid up, was as follows:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
10,000,000	£100,000	Ordinary Shares	6,352,532	£63,525.32
1,000,000	£10,000	Preferred Ordinary Shares	479,868	£4,798.68

- 2.4 As at the date of publication of this document, the authorised and issued share capital of the Company, of which all of the issued shares were fully paid up, was as follows:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
10,000,000	£100,000	Ordinary Shares	6,522,629	£65,226.29
1,000,000	£10,000	Preferred Ordinary Shares	479,868	£4,798.68

- 2.5 The entire issued Preferred Ordinary Share capital of the Company shall automatically be reclassified as an equivalent number of Ordinary Shares conditional only upon Admission in relation to which an accrued preferred dividend payment of £71,800 will be made in accordance with the Company's previous articles of association. The Ordinary Shares arising on conversion shall rank *pari passu* in all respects with the existing Ordinary Share capital and shall entitle the holders to all dividends and other distributions declared, made or paid by reference to a record date on or after the conversion date.

- 2.6 The authorised and issued share capital of the Company, of which all of the issued shares will be fully paid up on or before Admission, as it is expected to be immediately following Admission is as follows:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
30,000,000	£300,000.00	Ordinary Shares	8,901,231	£89,012.31

- 2.7 Details of the total number of options (all granted for nil consideration) under the Share Option Schemes outstanding as at 29 October 2007 (being the latest practicable date prior to the publication of this document) are as follows:

Unapproved Scheme

<i>Date of grant</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise price (p)</i>	<i>Exercise period</i>
29 September 2006	12,797	156	29 September 2008 to 29 September 2016 (inclusive)
Total	12,797		

EMI Scheme

<i>Date of grant</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise price (p)</i>	<i>Exercise period</i>
30 June 2005	113,500	25	Admission to 30 June 2015 (inclusive)
29 September 2006	28,725	36	Admission to 29 September 2016 (inclusive)
29 September 2006	125,592	36	29 September 2008 to 29 September 2016 (inclusive)
15 October 2007	137,280	124	15 October 2007 to 14 October 2009 (inclusive)
Total	405,097		

- 2.8 Of the balance of the authorised but unissued share capital of the Company immediately following Admission, amounting to Ordinary Shares:
- (a) 1,308,017 Ordinary Shares will be reserved for issue under the Share Option Schemes; and
 - (b) 19,790,752 Ordinary Shares will remain unissued and unreserved.

- 2.9 Pursuant to an ordinary resolution of the Company dated 29 October 2007, the Directors are generally and unconditionally authorised pursuant to section 80 of the 1985 Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount equivalent to the authorised and unissued share capital of the Company, such authority to be limited to the allotment of:

- (a) 1,898,734 Ordinary Shares pursuant to the Placing;
- (b) relevant securities other than pursuant to sub-paragraph (a) above, having an aggregate nominal value equal to one third of the aggregate nominal Ordinary Share capital as in issue immediately following Admission,

such authority to expire upon the the conclusion of the next Annual General Meeting of the Company except that the Directors can during the period make offers or arrangements which could or might require the allotment of relevant securities after the expiry of such period.

- 2.10 Pursuant to a special resolution of the Company dated 29 October 2007, the Directors are empowered pursuant to section 95(1) of the 1985 Act to allot equity securities (as defined in section 94(2) of the 1985 Act) of the Company for cash pursuant to the authority of the Directors under section 80 of the 1985 Act conferred by paragraph 2.9 above for the duration of such authority, and/or where such an allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the 1985 Act, as if the provisions of section 89(1) of the 1985 Act did not apply to such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities which fall within sub-paragraph (a) of paragraph 2.9 above;
- (b) the allotment of equity securities in connection with an issue or offer of equity securities to the holders of ordinary shares in the capital of the Company and any other persons entitled to participate in such offer or issue on a fixed record date in proportion (as nearly as practicable) to their respective holdings or deemed holdings of such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in any territory); and
- (c) the allotment (other than pursuant to the power referred to in sub-paragraphs (a) and (b) (inclusive) above) of equity securities up to an aggregate nominal value equal to five per cent. of the aggregate nominal Ordinary Share capital as in issue immediately following Admission,

and the Company may, prior to the expiry of such power, make any offer or agreement which requires or might require equity securities to be allotted after the expiry of such period.

- 2.11 The provisions of section 89(1) of the 1985 Act (to the extent not disapplied pursuant to section 95 of the 1985 Act) confer on the Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the 1985 Act) which are, or are to be, paid up in cash and apply to the authorised but unissued equity share capital of the Company. These provisions have been disapplied to the extent referred to in paragraph 2.10 above.

- 2.12 The Company has issued unsecured loan notes to Finance Wales with a principal value of £250,000 (the “Notes”). The Notes bear interest at a rate of 11 per cent. per annum.

The Notes are to be repaid in two equal instalments, on the second and third anniversary of their issue (being 11 November 2007 and 11 November 2008). However, following or upon the occurrence of an “Exit Event” (as defined in the conditions to the Notes, which would include Admission), Finance Wales is entitled to require the Company, by not less than five business days’ written notice, to repay all of the Notes together with a premium equal to the amount of interest

which would have accrued on the Notes up to and including the third anniversary of their issue (being 11 November 2008) had such repayment not occurred. Upon the occurrence of an “Event of Default” (as defined in the conditions to the Notes), Finance Wales may convert the Notes into Preferred Ordinary Shares.

The Company intends to redeem the outstanding Notes at par out of the net proceeds of the Placing receivable by the Company, together with interest equal to £16,900.

2.13 Save as set out in this Part VI:

- (a) no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
- (c) there are no outstanding convertible securities issued by the Company; and
- (d) no share capital or loan capital of the Company or any of its subsidiaries (other than intra-group issues by wholly-owned subsidiaries) is in issue and no such issue is proposed.

2.14 None of the Ordinary Shares has been sold or made available to the public in conjunction with the application for Admission.

2.15 Save as disclosed in this document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.

2.16 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 12 November 2007. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00B23VYZ68.

2.17 The Placing Price of 158 pence per Ordinary Share represents a premium of 157 pence over the nominal value of 1 pence per Ordinary Share and is payable in full on Admission under the terms of the Placing.

3. Subsidiary undertakings and joint venture arrangements

The Company is the holding company of the Group.

The Company currently has the following significant subsidiaries and interests in the following joint venture companies, all of which are incorporated in England and Wales:

<i>Name</i>	<i>Registration number</i>	<i>Status</i>	<i>Percentage of voting share capital held (direct or indirect)</i>	<i>Principal activity</i>
Fflic Cyfyngedig	01652586	Active	100	Production of programmes of a predominantly lifestyle and children genre for S4C
Cynhyrchiadau Boomerang Cyfyngedig	05421502	Active	100	Holding Company
Cynhyrchiadau Al Fresco Productions Cyfyngedig	02756828	Active	100	Production of programmes of an entertainment and music genre for S4C, BBC Wales and ITV Wales
218 Holdings Limited	05946785	Active	100	Holding company
Mwnai Cyfyngedig	03776018	Active	100	Provision of post-production editing facilities for the Group, broadcasters and third party production companies
Ffilmiau Apollo Cyfyngedig	02788310	Active	100	Holding company
Teledu Apollo Cyfyngedig	03127815	Active	100	Production of programmes of predominantly of children's and drama genre for S4C
Boomerang Television Limited	05052653	Dormant	100	—
Boomerang Multi Media Limited	03937477	Dormant	100	—
Boom Films Limited	06326543	Active	100	Not currently trading
Boom Freesports Limited	06219435	Active	88.24	Not currently trading but envisaged that it will be involved in the delivery of an online website associated with the "Freesports on 4" series for Channel 4

<i>Name</i>	<i>Registration number</i>	<i>Status</i>	<i>Percentage of voting share capital held (direct or indirect)</i>	<i>Principal activity</i>
Boom Talent Limited ¹	06110030	Active	51	Talent management
Hanner:Hanner ¹ Cyfyngedig	05430044	Active	50	Provision of coverage of the Urdd Eisteddfod
Adnoddau Zoom Cyfyngedig	06293785	Active	50	Not currently trading but envisaged that it will be involved in the supply of camera services
Calon/Boomerang JV Limited	06204439	Active	50	Provision of distribution services
Toucan Television Limited ¹	05069157	Active	30	Not currently trading

Note

1. *Summaries of the joint venture or investment agreements entered into by the Group in respect of Boom Talent Limited, Hanner: Hanner Cyfyngedig and Toucan Television Limited are summarised in paragraph 10.3 below.*

4. Summary of the Memorandum and Articles of Association of the Company

4.1 Memorandum of Association

The Memorandum of Association of the Company provides that the principal objects of the Company are, *inter alia*, to carry on business as a general commercial company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association.

4.2 Articles of Association

The Articles, which were adopted conditional on Admission by a special resolution of the Company passed on 29 October 2007, contain, *inter alia*, provisions to the following effect:

(a) *Rights attaching to Ordinary Shares*

(i) *Voting rights*

Subject to the provisions of the Acts and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share of which he is the holder. A member of the Company shall not be entitled, in respect of any share held by him, to vote (either personally or by proxy) at any general meeting of the Company unless all amounts payable by him in respect of that share in the Company have been paid or credited as having been paid.

(ii) *Dividends*

Subject to the provisions of the Acts and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be

justified by the profits available for distribution and the financial position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of ordinary shares the right to elect to receive ordinary shares credited as fully paid instead of cash in respect of all or part of any dividend. Any dividend unclaimed after a period of 12 years from the date on which the dividend became due for payment shall be forfeited and shall revert to the Company.

(iii) Return of capital

On a winding-up of the Company, the surplus of assets available for distribution shall be divided among the members in proportion to the amounts paid up on their respective shares at the commencement of the winding-up or, with the sanction of a special resolution of the Company, be divided amongst the members in specie in such manner as shall be determined by the liquidator.

(b) *Transfer of shares*

Save in the case of shares which have become participating securities for the purposes of the CREST Regulations, title to which may be transferred by means of a relevant system such as CREST without a written instrument, all transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of share;
- (iv) it is in favour of a single transferee or not more than four joint transferees;
- (v) it is duly stamped (if required); and
- (vi) it is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,

provided that the Board may not exercise such discretion in such a way as to prevent dealing from taking place on an open and proper basis.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of an uncertificated share which is in favour of more than four persons jointly or in any other circumstances permitted by the CREST Regulations (subject to any relevant requirements of the London Stock Exchange).

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

(c) *Disclosure of interests in shares*

The provisions of rule 5 of the Disclosure and Transparency Rules govern the circumstances in which a person may be required to disclose his interests in the share capital of the Company. *Inter alia*, this requires a person who is interested in 3 per cent. or more of the voting rights in respect of the Company's issued ordinary share capital to notify his interest

to the Company (and above that level, any change in such interest equal to 1 per cent. or more). In addition, the Takeover Code contains further provisions pursuant to which a person may be required to disclose his interests in the share capital of the Company.

Pursuant to the Articles, if a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the 2006 Act and has failed in relation to any shares (the “**default shares**”) to give the Company the information thereby required within the prescribed period from the date of the notice, the following sanctions shall apply:

- (i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- (ii) where the default shares represent at least 0.25 per cent. in nominal value of their class:
 - (A) any dividend or other money payable in respect of the shares shall be withheld by the Company which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and
 - (B) no transfer, other than an approved transfer as defined in the Articles pursuant to a takeover offer of the Company or a *bona fide* sale to an unconnected third party, of any shares held by the member shall be registered unless:
 - the member is not himself in default as regards supplying the information required; and
 - the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The above sanctions shall also apply to any shares in the Company issued in respect of the default shares (whether on capitalisation, a rights issue or otherwise).

(d) *Changes in share capital*

The Company may alter its share capital as follows:

- (i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;
- (ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
- (iii) subject to the provisions of the Acts and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

(e) *Variation of rights*

Subject to the provisions of the Acts and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of

the class where the rights attaching to the shares of such class are proposed to be varied or derogated shall be at least two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.

(f) *General meetings*

Pursuant to the 2006 Act, an annual general meeting is required to be held annually in the six month period following its accounting reference date (subject to transitional provisions which currently provide for a seven month period). The Board may convene general meetings whenever it thinks fit. General meetings may also be convened on the requisition of members pursuant to the 2006 Act.

Pursuant to the 2006 Act, 21 clear days' notice of every annual general meeting and 14 clear days' notice of every other general meeting is required to be given. The accidental omission to give notice to, or the non-receipt of such notice by, any person entitled to receive notice of the meeting will not invalidate any resolution passed or proceeding at any such meeting.

No business may be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business. Two persons entitled to attend and vote on the business to be transacted, each being a member present in person or a proxy for a member, constitutes a quorum.

With the consent of any meeting at which a quorum is present the chairman may adjourn the meeting. Notice of adjournment or of the business to be transacted at the adjourned meeting is not required unless the meeting is adjourned for 14 days or more. No business may be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

(g) *Directors' interests in contracts*

Subject to the provisions of the Acts and of the Articles and provided that he has disclosed to the Board the nature and extent of any interest of his, a director of the Company, notwithstanding his office:

- (i) may be party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;
- (ii) may hold any other office or place of profit under the Company and may act in a professional capacity for the Company;
- (iii) may be a member of, a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested; and
- (iv) shall not, by reason of his office, be liable to account to the Company for any benefit which he derives from any such office, employment, transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be avoided on the ground of any such interest or benefit,

provided that no director of the Company may act as auditor to any member of the group.

Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or any committee of the Board in respect of any contract, arrangement, transaction or any proposal whatsoever in which he has any material interest or duty which conflicts with the interests of the Company. A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;

- (ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (iv) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing 1 per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (v) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors; or
- (vii) indemnities in favour of Directors which are consistent with, or no more extensive than, the provisions of the Articles.

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

Where proposals are under consideration concerning the appointments (including fixing or varying the terms of the appointment) of two or more Directors, such proposals may be divided and a separate resolution considered in relation to each Director. In each case, each such Director (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that resolution concerning his own appointment.

(h) *Directors*

The aggregate fees which the Directors shall be entitled to receive for their services in the office of director shall not exceed £200,000 per annum, or such other sum as may from time to time be determined by an ordinary resolution of the Company. Such sum (unless otherwise directed by the resolution of the Company by which it is approved) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

All of the Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. If by arrangement with the Board any Director performs any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may determine.

(i) *Pensions and benefits*

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for any person who is or who has at any time been a director of the Company (and for any member of his family including a spouse or former spouse, a civil partner or former civil partner or any person who is or was dependent on him). For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums.

(j) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertakings, property, assets (present or future) and uncalled capital and, subject to the provisions of the Acts, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (exclusive of intra-group borrowings and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £25 million or an amount equal to 2.5 times the aggregate of:

- (i) the amount paid up (or credited as paid up) on the issued share capital of the Company; and
- (ii) the amount outstanding to the credit of the capital and revenue reserves of the Company and its subsidiaries (including any share premium account, capital redemption reserve fund and credit or debit balance on any other reserve) after adding thereto or deducting therefrom any credit or debit balance on the profit and loss account,

all as shown in the then latest published audited consolidated balance sheet of the Company and its subsidiaries but after adjustments as set out in the Articles.

5. Directors and employees

5.1 The Directors and each of their respective functions are set out in Part I of this document.

5.2 The business address of the Directors is 218 Penarth Road, Cardiff CF11 8NN.

5.3 Details of the length of service of each of the Directors to date in their current office are set out below:

<i>Name</i>	<i>Age</i>	<i>Commencement date in office</i>
Roger Brian Moore	34	1 March 2004
Huw Eurig Davies	42	7 June 1994
Mark William Fenwick	42	22 October 2004
Gareth Simon Rees	38	8 December 2001
Linda James	49	From Admission

5.4 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership of which each of the Directors is or was in the last five years a member in addition to their directorships of the Company and its subsidiary undertakings, are set out below:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Roger Brian Moore	M&B Properties Limited	29 Kimberley Road Management Company Limited
	Amethyst Motor Company Limited	Edict Training Limited Celtic House Investment Partners Limited
Huw Eurig Davies	Producers' Alliance for Cinema and Television Limited Calon/Boomerang JV Limited	Teledwyr Annibynnol Cymru Cyf DGH Properties Limited Barcud Derwen Cyf Kerrang! Radio Wales Limited

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Mark William Fenwick	Calon/Boomerang JV Limited Adnoddau Zoom Cyf	None
Gareth Simon Rees	Toucan Television Limited	None
Linda James	The Children's Film and Television Foundation Limited Coolabi plc Sly Fox Films Limited CFF Enterprises Limited South East Media Network Limited Screen South	NFTS Foundation Independent Production Training Fund Alibi Pictures Limited Alibi Productions Limited Alibi Productions (Dead) Limited Alibi Productions (Safe House) Limited Alibi Productions (Sir Gadabout) Limited Alibi Productions (Sir Gads 2) Limited

5.5 At the date of this document, none of the Directors named in this document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (c) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.6 Details of the number of the Group's employees for each of the three financial years ended 31 May 2007 are as follows:

<i>Financial year ended</i>	<i>Average number of employees</i>
31 May 2005	36
31 May 2006	52
31 May 2007	82

5.7 As at 31 May 2007, the employees of the Group were employed as follows:

Production	67
Post production	19
Management and administration	7
Total	93

6. Directors' and other interests

- 6.1 The voting rights held (within the meaning of rule 5 of the Disclosure and Transparency Rules), directly or indirectly, by the Directors in the issued share capital of the Company as at the date of this document and as they are expected to be prior to and immediately following Admission are/will be as follows:

<i>Director</i>	<i>Number of Ordinary Shares (as at the date of this document)</i>	<i>Percentage of issued Ordinary Shares (as at the date of this document)</i>	<i>Number of Ordinary Shares (as at the date of Admission)</i>	<i>Percentage of issued Ordinary Shares (as at the date of Admission)</i>
Roger Brian Moore	33,000	0.47	13,111	0.15
Huw Eurig Davies	2,334,484	33.34	2,334,484	26.23
Mark William Fenwick	357,000	5.10	357,000	4.01
Gareth Simon Rees	918,000	13.11	918,000	10.31
Linda James	Nil	Nil	Nil	Nil

- 6.2 Details of the total number of options granted to certain Directors under the Share Option Schemes outstanding as at 29 October 2007 (being the latest practicable date prior to the publication of this document) are as follows:

EMI Scheme

<i>Name</i>	<i>Date of grant</i>	<i>Exercise price per Ordinary Share (p)</i>	<i>Number of Ordinary Shares under Option</i>	<i>Exercise period</i>
Mark William Fenwick	29 September 2006	36	13,725	Admission to 29 September 2016 (inclusive)
	15 October 2007	124	72,831	15 October 2007 to 14 October 2009 (inclusive)

- 6.3 Save as disclosed above, none of the Directors nor any member of his immediate family or any person connected with him (within the meaning of section 252 of the 2006 Act) holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.
- 6.4 In addition to the interests of the Directors set out in paragraphs 6.1 to 6.3 above, as at 29 October 2007 (being the latest practicable date prior to the publication of this document), insofar as is known to the Company, the following persons were, or will at Admission be, holding voting rights (within the meaning of rule 5 of the Disclosure and Transparency Rules) in 3 per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>Number of Ordinary Shares (as at the date of this document)</i>	<i>Percentage of issued Ordinary Shares (as at the date of this document)</i>	<i>Number of Ordinary Shares (as at the date of Admission)</i>	<i>Percentage of issued Ordinary Shares (as at the date of Admission)</i>
Dafydd Thomas Felix Richards	408,000	5.83	408,000	4.58
Gruffydd Rhys Davies	918,000	13.11	918,000	10.31
Finance Wales*	479,868	6.85	479,868	5.39
Huw Thomas Jenkins	685,484	9.79	384,851	4.32
William Ronw Protheroe	304,660	4.35	304,660	3.42
Elizabeth Helen Protheroe	304,659	4.35	304,659	3.42

* These figures assume full conversion of the Preferred Ordinary Shares into Ordinary Shares on a 1 for 1 basis

- 6.5 Save as disclosed above, there are no persons, so far as the Company is aware, who are or will be immediately following Admission holding voting rights (within the meaning of rule 5 of the Disclosure and Transparency Rules) in 3 per cent. or more of the Company's issued share capital,

nor, so far as the Company is aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- 6.6 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.
- 6.7 On Admission the Company's share capital will consist of one class of ordinary shares with equal voting rights (subject to the Articles). No major Shareholder of the Company has any different voting rights from the other Shareholders.
- 6.8 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or the Group during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.
- 6.9 There are no outstanding loans or guarantees provided by the Company or the Group or to or for the benefit of any of the Directors.
- 6.10 Save as disclosed in this document, there have been no related party transactions of the kind set out in the Standards adopted according to the Regulation (EC) No 1606/2002 that the Company has entered into since 31 May 2007.
- 6.11 No Director nor any member of his immediate family nor any person connected with him (within the meaning of section 252 of the 2006 Act) has a Related Financial Product (as defined in the AIM Rules) referenced to Ordinary Shares.

7. Directors' remuneration and service agreements

- 7.1 The Executive Directors are employed pursuant to the terms of service agreements with the Company dated between 2005 and 2007. The agreements are terminable by either party on not less than six months' written notice. The individual salaries and benefits of each Executive Director which will apply with effect from Admission are set out in the table below. Each of the Executive Directors are subject to certain non-competition and non-solicitation covenants for a period of 12 months following termination of employment. The agreements are governed by English and Welsh law.

	<i>Huw Eurig Davies</i>	<i>Mark William Fenwick</i>	<i>Gareth Simon Rees</i>
Basic salary	£100,000	£90,000	£60,000
Benefits	Permanent Health Insurance, mobile telephone, company car or car allowance.	Permanent Health Insurance, mobile telephone, company car or car allowance.	Permanent Health Insurance, mobile telephone, company car or car allowance.
Holiday entitlement	30 days	30 days	30 days
Pension – company contributions	£10,000	£9,000	£6,000

- 7.2 Pursuant to the terms of a letter of engagement with the Company dated 29 October 2007, Roger Moore has agreed to serve as a Non-executive Director for an annual fee of £20,000. This appointment is for a fixed term of one year but will terminate automatically if Mr Moore is removed from office by a resolution of the Shareholders or is not re-elected to office.
- 7.3 Pursuant to the terms of a letter of engagement with the Company dated 29 October 2007, Linda James has agreed to serve as a Non-executive Director for an annual fee of £20,000. This appointment is for a fixed term of one year but will terminate automatically if Ms James is removed from office by a resolution of the Shareholders or is not re-elected to office.
- 7.4 Save as disclosed in this document, there are no service agreements or agreements for the provision of services existing or proposed between the Directors and the Company or the Group.

- 7.5 In the financial year ended 31 May 2007 (being the last completed financial year of the Company) the aggregate remuneration paid, including pension contributions and benefits in kind granted to the Directors, was £244,000.
- 7.6 On the basis of the arrangements in force at the date of this document it is estimated that the aggregate remuneration payable including pension contributions and benefits in kind granted to the Directors for the year ending 31 May 2008 (being the current financial year of the Company) will be £346,000.
- 7.7 Save as disclosed in this document, there are no arrangements providing for the payment of benefits on the termination of the Directors' service contracts and/or engagement letters.

8. The Share Option Schemes

The Company has adopted the EMI Scheme, the Unapproved Scheme and the Deferred Bonus Plan, the key terms of which are summarised below.

The share option pool available under the EMI Scheme and any other employees' share scheme adopted by the Company is 10 per cent. of the issued ordinary share capital of the Company from time to time. It is proposed that this limit be amended so that, for the purposes of the limit, options or other rights to acquire shares which were granted prior to Admission, or have lapsed or have been released, are to be ignored. However, shares which have been issued after Admission or may be issued to the trustees of an employee benefit trust to satisfy rights granted under any employees' share plans adopted by the Company are to count towards this limit.

8.1 Summary of the EMI Scheme

(a) Grant of options

Under the rules of the EMI Scheme, the Board and the trustees of any employee benefit trust have the discretion to grant EMI options to eligible employees.

The terms of the options are set out in individual option agreements and the rules of the EMI Scheme dated 30 June 2005. Options may be granted with an exercise price which is set at less than market value, and performance conditions may be attached to the options.

(b) Exercise and lapse of options

Options are exercisable in normal circumstances on or after the earlier of an "Exit Event" and any date(s) specified in the option agreement. An "Exit Event" is defined as the earliest to occur of a "Share Sale", a "Listing" and a "Trade Sale", as each term is defined in the rules of the EMI Scheme.

Options are also exercisable at the grantor's discretion within 40 days of a disqualifying event (broadly, an event under the EMI legislation which changes the tax status of an EMI option).

Options lapse 40 days after a Share Sale or disqualifying event.

The rules of the EMI Scheme contain leaver provisions, whereby options may be exercised in full (subject to meeting performance conditions) during the period of 40 days following the date of cessation of office or employment for certain good leaver reasons (including redundancy and retirement on or after the date specified in the contract of employment or early retirement). The grantor also has the discretion to determine that an individual is a good leaver for these purposes.

If the option holder is not a good leaver, options lapse on ceasing to hold employment or on being given notice to terminate employment.

On the occurrence of a takeover, options may be exercised within the period of 40 days commencing on the earlier of the change of control and such earlier date as the Board may determine.

The rules also permit options to be exchanged in the event of a takeover, Share Sale or an internal reorganisation of the Company, subject to satisfying the legislative requirements.

(c) *Tax indemnity*

The rules contain a form of tax indemnity to protect the Group in the event that any income tax and national insurance liabilities arise on exercise of the EMI options (for example, if the exercise price is set at less than the market value of a share at the date of grant or in the event of a disqualifying event).

The rules provide that it may be a condition of exercise that the option holders agree or elect to meet the employer's national insurance contributions, and the template option agreement and letter of grant provide that the option holder agrees to assume such liability.

(d) *Power of amendment*

The Board has the power to amend the rules of the EMI Scheme, although any alterations which would adversely affect the subsisting rights of option holders would require their written consent.

8.2 *Summary of the Unapproved Scheme*

The rules of the Unapproved Scheme are in substantially the same form as the EMI Scheme summarised above, save that the EMI Scheme limits the grant of options to eligible employees as required by the relevant tax legislation (specifically officers and employees who work for the company or a qualifying subsidiary for more than 25 hours per week or 75 per cent. of their working time and do not hold more than 30 per cent. of the ordinary share capital) whereas all officers (including non-executive directors) are eligible to participate in the Unapproved Scheme, in addition to employees.

8.3 *The Deferred Bonus Plan*

The Deferred Bonus Plan was adopted by the Company on 29 October 2007 to allow the Executive Directors and senior managers to receive a proportion of annual performance bonuses in the form of a deferred right to acquire ordinary shares in the Company ("**deferred shares**").

It is proposed that the Deferred Bonus Plan will be administered by the Remuneration Committee. It is proposed that the Remuneration Committee will make recommendations as to the level and mix of cash and/or deferred shares. At the same time as the award of the rights to deferred shares, the participant may be awarded additional rights to acquire further matching deferred shares ("**matching shares**"). No awards have been made to date under the Deferred Bonus Plan.

(a) *Eligibility*

Any executive director or employee of the Company and its subsidiaries may be invited to participate in the Deferred Bonus Plan, however, it is only intended that the main participants will be senior management and the Executive Directors. Non-executive Directors will not participate in the Deferred Bonus Plan.

(b) *Grant of deferred and matching share option elements*

The award of rights to acquire deferred and matching shares under the Deferred Bonus Plan will be made by the Company or the trustee, acting on the recommendation of or with the consent of the Remuneration Committee. The awards will take the form of a grant of an option under the EMI Scheme or the Unapproved Scheme.

No consideration will be required for the grant of an award and awards are not transferable other than on death.

The award of rights to acquire shares under the Deferred Bonus Plan may only be granted in the six weeks following the date on which the Deferred Bonus Plan is adopted, the announcement by the Company of its results for any period, where there are circumstances considered by the grantor to be exceptional to justify the grant of share awards or following a change in the legislation relating to share option plans.

Deferred and matching share awards do not form part of wages or remuneration for pension or other purposes.

(c) *Individual limits*

The level of annual bonus awarded to each individual will be dependant on corporate and/or personal performance targets set by the Remuneration Committee or the Board (in relation to senior management) having been met.

The mix of cash and deferred shares will be determined by the Remuneration Committee (or the Board where considered appropriate in relation to senior management). It is currently the intention that no more than half of the annual bonus will be delivered in deferred shares.

The maximum combined annual cash and deferred share award to an employee or executive director will be determined by the Remuneration Committee. It is intended that the combined annual cash and deferred award, taken together, shall not be greater than an amount equal to 100 per cent. of the participant's annual salary in respect of a financial year (before the deduction of any taxes and social security contributions).

At the time of award, a participant may also be granted a further right to acquire matching shares. The number of matching shares to be awarded will not exceed a one to one ratio to the number of deferred shares under option.

(d) *Limits on the issue of shares*

The Deferred Bonus Plan is subject to an overall limit on the number of new Ordinary Shares which may be subscribed such that in any 10 year period not more than 10 per cent. of the issued ordinary share capital of the Company from time to time may be issued pursuant to rights acquired under the Deferred Bonus Plan and any other employees' share plans (including the EMI Scheme and the Unapproved Scheme) adopted by the Company. For the purposes of this limit, options or other rights to acquire shares which were granted prior to Admission, or have lapsed or have been released are ignored. However, shares which have been issued after Admission or may be issued to the trustees of an employee benefit trust to satisfy rights granted under any employees' share plans adopted by the Company do count towards these limits.

(e) *Vesting and exercise of awards*

Rights to acquire deferred or matching shares shall be in accordance with the intended operation of the EMI Scheme and Unapproved Scheme rules as set out in the rules of these plans, and as such, will not normally vest (become exercisable) until the third anniversary of the date of grant subject to continued employment with a group company. Such rights will lapse if not exercised before the 10th anniversary of the date of grant.

Rights to acquire matching shares will be subject to the achievement of performance conditions set at the time of grant and designed to link the receipt of matching shares to the sustained improvement in the underlying performance of the Company. These performance conditions will be measured over the three year period from the date of grant.

(f) *Exercise price*

The exercise price payable to acquire deferred and matching shares will be a nominal sum.

(g) *Early vesting provisions*

The vesting of any outstanding rights to acquire deferred or matching shares will be in accordance with the rules of the EMI Scheme and/or Unapproved Scheme and the terms of the underlying option agreement, and will be subject to the Remuneration Committee's discretion as permitted by those rules.

(h) *Change of Control*

In the event of a change of control, reconstruction, merger, demerger, winding-up of the Company, the Remuneration Committee or the Board (where applicable) in its absolute discretion, will determine the extent to which a right may vest having regard to the length of time that it has been held and the extent to which the performance targets have been

satisfied. Alternatively, if appropriate, awards may be released (to the extent that they have not lapsed) in consideration for new awards, which are equivalent to the original awards but over shares in the acquiring company.

The rights to acquire deferred and matching shares will be governed by the relevant option agreements and the rules of the EMI Scheme and Unapproved Plan under which they have been granted, and will be subject to the Remuneration Committee's discretion as permitted under those rules.

For the avoidance of doubt, the Remuneration Committee shall mean the Remuneration Committee of the Company immediately prior to the Change in Control.

(i) *Rights attaching to shares*

Shares allotted or transferred under the Deferred Bonus Plan will rank equally with all other ordinary shares of the Company for the time being in issue (except for any voting, dividend and other rights attaching to such shares by reference to a record date prior to the date such shares are issued).

(j) *Adjustments*

In the event of any capitalisation issue, demerger, any offer or invitation made by way of rights issue, subdivision, consolidation, reduction or other variation of share capital of the Company or any other exceptional event the Remuneration Committee or the Board where applicable may make such adjustments to the number of shares subject to deferred and matching share awards and the price payable (if any) on exercise as it considers appropriate.

(k) *Alterations to the Deferred Bonus Plan*

The Deferred Bonus Plan may at any time be altered by the Committee in any respect. However, any material alterations to the advantage of participants to the rules governing eligibility, limits on participation and the number of new shares available under the Deferred Bonus Plan, principal terms of vesting and exercise and adjustments of deferred or matching share awards must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the Deferred Bonus Plan, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or group companies.

9. Taxation

The following statements are intended only as a general guide current as at 29 October 2007 (being the latest practicable date prior to publication of this document) to United Kingdom tax legislation and to the current practice of the HMRC and may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.

9.1 *Stamp Duty*

Save in relation to depository receipt arrangements or clearance services, where special rules apply:

- (a) no charge to stamp duty or stamp duty reserve tax (“SDRT”) should arise on the issue of new Ordinary Shares pursuant to the Placing or on their registration in the names of applicants;
- (b) a subsequent transfer on sale of Ordinary Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, ordinarily at the rate of 0.5 per cent., of the amount or value of the consideration. An agreement to purchase Ordinary Shares will lead to a charge to SDRT (at the rate of 0.5 per cent. of the amount or value of the consideration) although any liability to SDRT will be cancelled or payment refunded if the instrument of transfer is duly stamped within six years of such agreement (or, where such agreement is conditional, within six years of such agreement becoming unconditional); and

- (c) special rules apply to market intermediaries, dealers and certain other persons. Transfers of shares to charities will not give rise to stamp duty if adjudicated in accordance with the relevant legislation and agreements to transfer shares to charities will not give rise to SDRT.

9.2 *Dividends*

The United Kingdom taxation implications relevant to the receipt of dividends on the new Ordinary Shares are as follows.

There is no United Kingdom withholding tax on dividends. Individual holders of new Ordinary Shares will be taxable on the total of the dividend and the related notional tax credit (“**gross dividend**”), which will be regarded as the top slice of the individual’s income.

The tax notional credit on dividends is one-ninth of the dividend paid (or 10 per cent. of the aggregate of the dividend and tax credit). For individuals, the income tax rates on dividend income are such that lower and basic rate taxpayers will have no further tax liability on a dividend receipt. Higher rate taxpayers pay tax on dividends at 32.5 per cent. so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability.

The same procedure applies for UK resident trustees of discretionary trusts.

Generally, holders of new Ordinary Shares will no longer be entitled to reclaim the tax credit attaching to any dividends paid. Certain transitional rules apply to dividends received by charities on or before 5 April 2004.

Subject to certain exceptions for traders in securities, a holder of new Ordinary Shares which is a company resident for tax purposes in the United Kingdom and which receives a dividend will not generally have to pay corporation tax in respect of it.

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends received by them.

Shareholders resident for tax purposes outside the UK may be subject to foreign taxation on dividends received on their new Ordinary Shares under the tax law of their country of residence or in respect of other transactions relating to the shares. Such shareholders will not be subject to any further UK tax on their dividends where they have no other sources of income from the UK and do not have a UK representative or, in the case of trustees, there are no UK resident beneficiaries of the trust. Entitlement to claim repayment of any part of a tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident, Non-UK resident shareholders should consult their own tax advisers concerning their tax liability on dividends received; what relief, credit or entitlement to refund of any tax credits may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the new Ordinary Shares.

9.3 *Disposal of shares acquired under the Placing*

A Shareholder resident or ordinarily resident for tax purposes in the UK, who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal. Individual shareholders resident for tax purposes in the UK who are not within the charge to corporation tax may be entitled to taper relief. The calculation for taper relief on a subsequent disposal of Ordinary Shares will depend upon the period of ownership of these Ordinary Shares.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose

includes a profession or vocation) in the UK through a branch or agency and such Ordinary Shares are to have been used, held or acquired for the purposes of such trade or branch or agency. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).

9.4 ***Business asset taper and other tax reliefs***

Following the Finance Act 2000, capital gains tax business asset taper relief applies to all holdings of shares in qualifying unquoted trading companies. A holding in the shares of the Company may qualify for business asset taper relief as well as other reliefs such as capital gains tax gift relief and inheritance tax business property relief. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

10. **Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (i) within the period of two years immediately preceding the date of this document and which are, or may be, material or (ii) which contain any provision under which any member of the Group has an obligation or entitlement to the Group as at the date of this document.

10.1 ***Agreements entered into in respect of Admission***

- (a) A placing agreement dated 30 October 2007 and made between (1) the Company (2) the Directors and (3) Evolution pursuant to which Evolution has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure placees to subscribe for the New Ordinary Shares at the Placing Price or, failing which, to subscribe itself, as principal, for the New Ordinary Shares at the Placing Price.

The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 5 November 2007 (or such later date as the Company and Evolution may agree, being not later than 8.00 a.m. on 15 November 2007). The Placing Agreement contains warranties from the Company and the Directors in favour of Evolution in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company and the Executive Directors have agreed to indemnify Evolution in respect of certain liabilities it may incur in respect of the Placing. Evolution has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties.

Under the Placing Agreement and subject to it becoming unconditional and not being terminated in accordance with its terms, the Company has agreed to pay Evolution a corporate finance fee of £150,000 and a commission of 5 per cent. on the value at the Placing Price of the Placing Shares together with any applicable VAT. Evolution has agreed to apply £25,000 of its fee towards subscribing for 15,823 New Ordinary Shares at the Placing Price.

Additionally, the Company has agreed to pay all of Evolution's costs and expenses (including any applicable VAT) of the Placing.

- (b) A Selling Shareholders agreement dated 30 October 2007 and made between (1) the Company (2) the Selling Shareholders and (3) Evolution pursuant to which Evolution has agreed, subject to certain conditions, to act as agent for the Selling Shareholders and to use its reasonable endeavours to procure places to purchase the Sale Shares at the Placing Price. The sale of the Sale Shares has not been underwritten.

The Selling Shareholders Agreement is conditional upon, *inter alia*, the Placing Agreement becoming unconditional in all respects (save for Admission) and Admission occurring on or before 8.00 a.m. on 5 November 2007 (or such later date as the Company and Evolution may agree, being not later than 8.00 a.m. on 15 November 2007). Evolution has the right to terminate the Selling Shareholders Agreement in certain circumstances prior to Admission.

Under the Selling Shareholders Agreement and subject to it becoming unconditional and not being terminated in accordance with its terms, the Selling Shareholders have agreed to pay Evolution a commission of 5 per cent. on the value at the Placing Price of the Sale Shares together with any applicable VAT.

- (c) Individual lock-in and orderly market agreements dated 30 October 2007 and made between (1) the Company (2) certain Shareholders (together the “**Covenantors**”) and (3) Evolution (the “**Lock-in Agreements**”). Under the terms of the Lock-in Agreements, each of the Covenantors has undertaken to the Company and Evolution (subject to certain limited exceptions including transfers to family members or to trustees for their benefit and disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company), not to dispose of the Ordinary Shares (or any interest therein) held by each of them (and their connected persons (within the meaning of section 252 of the 2006 Act) (the “**Restricted Shares**”) following Admission at any time prior to the first anniversary of Admission (the “**Lock in Period**”) without the prior written consent of Evolution.

Furthermore, each of the Covenantors (save for Finance Wales) has also undertaken to the Company and Evolution not to dispose of the Restricted Shares following the expiry of the Lock-in Period otherwise than through Evolution for such time as it shall remain broker to the Company.

- (d) A nominated adviser and broker agreement dated 30 October 2007 and made between (1) the Company and (2) Evolution pursuant to which the Company has appointed Evolution to act as nominated adviser and broker to the Company. The Company has agreed to pay Evolution a fee of £40,000 plus VAT per annum for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings, warranties and indemnities given by the Company to Evolution. The agreement is terminable upon not less than one month’s prior written notice by either the Company or Evolution.

10.2 *Acquisition agreements*

- (a) *Mwnci and 218 Holdings*

A share purchase agreement dated 6 October 2006 and made between (1) 218 Holdings and (2) Richard Moss, Richard Mabey and Gwynfor Llewellyn (together, the “**Mwnci Vendors**”).

The total consideration of £356,130 was satisfied by the payment to the Mwnci Vendors of £276,130 in cash together with the allotment of 45 ordinary shares in the capital of 218 Holdings (valued at £80,000) to Richard Moss.

In addition, 218 Holdings repaid a number of outstanding director’s loans totalling £66,713.01.

Richard Moss’s shareholding in 218 Holdings, acquired as part of the consideration payable for his shares in Mwnci, was acquired by the Company pursuant to a share purchase agreement dated 30 April 2007 between (1) the Company and (2) Richard Moss. The consideration payable by the Company is £275,000 (to be satisfied in cash) together with the allotment to Richard Moss of 131,377 Ordinary Shares. The cash consideration is payable by the Company

in instalments, the first instalment of £150,000 being due on the earlier of 30 October 2007 and the date of Admission, the second instalment of £62,500 being due on 30 January 2008 and the final instalment of £62,500 being due on 30 April 2008.

(b) *Ffilmiau Apollo and Apollo*

A share purchase agreement dated 31 May 2007 and made between (1) the Company and (2) David Jones and Lona Davies (together, the “**Apollo Vendors**”) pursuant to which the Company acquired the entire issued share capital of Ffilmiau Apollo from David Jones and Sian Jones and 40 per cent. of the issued share capital of Apollo from Lona Davies and Eirian Davies (the remaining 60 per cent. being held by Ffilmiau Apollo).

The consideration of £1,581,154 is to be satisfied by the payment to the Apollo Vendors of £1,381,154 in cash (of which £500,000 has already been paid) together with the allotment of a total of 127,965 Ordinary Shares (valued at £200,000) to Lona Davies and David Jones (the “**Consideration Shares**”). £381,154 of the outstanding cash consideration is payable after agreement of the completion accounts and the balance of £500,000 is payable in 36 consecutive monthly payments commencing on 30 June 2007.

The share purchase agreement contains a provision whereby, in the event the Company issues Ordinary Shares (other than pursuant to an employee share option scheme) at a price less than the agreed value of the Consideration Shares during the three years following the completion of the sale, the Company is required to issue to each of Apollo Vendors an additional number of ordinary shares as would result in that Apollo Vendor having paid on average for each of the Consideration Shares and such additional ordinary shares, the agreed value of the Consideration Shares. However, this provision ceases to apply and have effect following the first issue of shares in the Company pursuant to or in connection with a “listing” (defined such as to include Admission). The sale agreement also confers a right on the Apollo Vendors to appoint a director of the Company although such an entitlement ceases upon a listing.

The Company gave a number of warranties in favour of the Apollo Vendors in connection with the issue of the Consideration Shares, claims pursuant to which are subject to a cap of £200,000. The limitation period in relation to the warranties given by the Company expires on 31 May 2009.

10.3 *Joint venture agreements*

(a) *Hanner*

A joint venture agreement dated 10 March 2006 and made between (1) the Company, (2) Hanner:Hanner Cyf (“**Hanner**”) and (3) Cwmni Da Cyf (“Cwmni”) together with a supplemental deed to be entered into between (1) the Company, (2) Cynhyrchiadau Boomerang, (3) Cwmni and (4) Hanner in connection with the transfer to Cynhyrchiadau Boomerang of the Company’s 50 per cent. shareholding in Hanner.

According to the terms of the joint venture agreement, the business of Hanner is the production of television programmes and films and related projects for S4C for the Urdd Eisteddfod. The agreement provides that all intellectual property rights and proprietary rights in the productions of Hanner are to vest in Hanner and that all facilities and staff provided by the parties to joint venture agreement shall be as, and at the rates, agreed between the parties in relation to the agreed budget approved by S4C.

The agreement imposes restrictive covenants on each of Cynhyrchiadau Boomerang (as the Company’s assignee under the supplemental deed) and Cwmni, in the form of non-compete and non-solicitation obligations, in favour of one another and Hanner. The obligations of Cynhyrchiadau Boomerang under the joint venture agreement are to be guaranteed by the Company under the terms of the supplemental deed.

The agreement also contains provisions which allow for board representation by the shareholders. It sets out the matters in relation to Hanner's conduct which require the consent of the shareholders and it provides for the provision of certain information to the shareholders.

In terms of financing, the agreement contains a provision that it is envisaged that Hanner be self financed and that neither party has an obligation to provide finance to it (although, to the extent that either party does, the other party is required to provide the same amount on the same terms).

(b) *Toucan*

A subscription agreement dated 14 March 2006 and made between (1) the Company, (2) Marc Frost, (3) Tony Hallam and (4) Toucan Television Limited ("**Toucan**") in connection with the Company's 30 per cent. shareholding in Toucan.

Certain warranties were given by Marc Frost and Tony Hallam in relation to Toucan in favour of the Company. The limitation period in relation to the warranties expires on 14 March 2008.

The agreement provides that Marc Frost and Tony Hallam are bound by certain restrictive covenants, in the form of non-compete and non-solicitation obligations, in favour of both the Company and Toucan.

The agreement also contains provisions which allow for board representation by the shareholders. It sets out the matters in relation to Toucan's conduct which require the consent of the shareholders and it provides for the provision of certain information to the shareholders.

(c) *Boom Talent*

A shareholders' agreement dated 22 October 2007 and made between (1) the Company, (2) Sioned James and (3) Boom Talent Limited ("**Boom Talent**"), in connection with the Company's 51 per cent. shareholding in Boom Talent.

The agreement contains provisions which allow for board representation by the shareholders. It sets out the matters in relation to Boom Talent's conduct which require the consent of the shareholders and it provides for the provision of certain information to the shareholders.

Each of the Company and Sioned James are bound by restrictive covenants in favour of one another and Boom Talent, in the form of non-compete and non-solicitation obligations.

The agreement provides that, subject to the availability of sufficient reserves, a dividend of £55,000 shall be paid to Sioned James each year, subject to a deduction of an amount which represents the gross salary payable to Sioned James under her service agreement.

10.4 *Investment agreement*

An investment agreement dated 11 November 2005 and made between (1) the Company, (2) Huw Davies and others and (3) Finance Wales (the "**Investment Agreement**"), pursuant to which Finance Wales subscribed for 479,868 Preferred Ordinary Shares in the capital of the Company for a subscription price of £750,000.

The Investment Agreement contains provisions which regulate the parties' obligations in relation to a "sale" or "listing" (defined such as to include Admission). The Investment Agreement provides that, if Finance Wales exits from the Company by way of a listing, then it is not required to appoint any other party to act as its agent and the other shareholders (the "**Non FW Shareholders**") must ensure that it has the opportunity to participate on the same terms as the Non FW Shareholders in any offer for sale or placing connected with such listing. Furthermore, following Admission, Finance Wales must have the freedom to deal in the shares of the Company. The Non FW Shareholders are also required to ensure that Finance Wales receives the special participation or disposal ratchet rights in the proceeds of any sale. If a sale or listing is not achieved within four years 8 July 2009, the Non FW Shareholders are required to use their reasonable endeavours to assist Finance Wales with the divestment of its shareholding in the Company.

In the event of a listing, the written consent of Finance Wales is required (save where the market capitalisation for such listing is equal to or exceeds £16,500,000 within 12 months following the date of the Investment Agreement or, within each successive period of 12 months after the first 12 months following the date of the Investment Agreement, such higher amount as is equivalent to at least 25 per cent. per annum compound increase in such market capitalisation).

In line with agreements of this nature, the Investment Agreement contains a number of restrictions on the Company's decision making powers and requires the Non FW Shareholders and the Company to provide certain information to Finance Wales and to ensure the affairs of the Company are carried out in a certain way.

Under the terms of the Investment Agreement, the Company is required to pay a monitoring fee to Finance Wales at the rate of £10,000 per annum, which is index-linked, and is liable for certain of Finance Wales' costs in connection with the exercise and enforcement of its rights under Investment Agreement and/or the Company's articles of association.

The Investment Agreement expressly provides that it shall cease and determine upon Admission.

11. Working capital

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

12. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document a significant effect on the financial position or profitability of the Company and/or the Group nor, so far as the Company is aware, are any such proceedings pending or threatened.

13. Consents

13.1 Evolution Securities Limited of 100 Wood Street, London EC2V 7AN is authorised and regulated in the United Kingdom by the Financial Services Authority. Evolution has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.

13.2 Deloitte & Touche LLP, Chartered Accountants and registered auditors, of 3 Rivergate, Temple Quay, Bristol BS1 6GD, have given and have not withdrawn their written consent to the issue of this document with the inclusion of their name and their report in Part III of this document and the references to such report and their name, in the form and context in which they appear.

14. General

14.1 Save as described in the paragraph headed "Current Trading, Operational Trends and Prospects" in Part I of this document, there has been no significant change in the financial or trading position of the Company since 31 May 2007, being the end of the period to which the latest audited consolidated accounts of the Company relate.

14.2 The net proceeds of the placing of the New Ordinary Shares are expected to be approximately £2.3 million net of expenses of the Placing which are estimated at £0.7 million, excluding VAT, and are payable by the Company.

- 14.3 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- (a) fees totalling £10,000 or more;
 - (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 14.4 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.5 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 14.6 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 14.7 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.
- 14.8 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.
- 14.9 Save as disclosed in this document, the Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 14.10 The Company will be subject to the provisions of the Takeover Code, including the rules regarding mandatory takeover offers set out in the Takeover Code. Under Rule 9 of the Takeover Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him (as defined in the Takeover Code), carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the Takeover Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights in the company, then, in either case, that person, together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him for shares in the company within the preceding 12 months, for all of the remaining equity share capital of the company.
- 14.11 The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in sections 979 to 991 of the 2006 Act. Under section 979 of the 2006 Act, where an offeror makes a takeover offer and has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. of the shares to which the offer relates and, in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares, that offeror is entitled to compulsorily acquire the shares of any holder who has not acquired the offer on the terms of the offer.
- 14.12 Since the date of incorporation of the Company, there has been no takeover offer (within the meaning of Part 28 of the 2006 Act) for any Ordinary Shares.
- 14.13 The current accounting reference period of the Company will end on 31 May 2008.

14.14 The financial information contained in Part III of this document does not constitute statutory accounts within the meaning of section 240 of the 1985 Act. The auditors of the Company for the period ended 31 May 2005 were Hodge Bakshi, Chartered Accountants, of Churchgate House, 3 Church Road, Whitchurch, Cardiff CF14 2DX and the auditors of the Company for each of the periods ended 31 May 2006 and 31 May 2007 were Deloitte & Touche LLP, Chartered Accountants and registered auditors, of Blenheim House, Fitzalan Court, Newport Road, Cardiff CF24 0TS. A copy of the audited statutory accounts of the Company for each of the periods ended 31 May 2005, 31 May 2006 and 31 May 2007 has been delivered to the Registrar of Companies in England and Wales. The auditors' reports under section 235 of the 1985 Act on those accounts were unqualified and did not contain any statement under section 237 of the 1985 Act.

15. Selling Shareholders

The names and business addresses of the Selling Shareholders, together with the number of Sale Shares held by each of them, are as follows:

<i>Name</i>	<i>Address</i>	<i>No. of Sale Shares</i>
Huw Thomas Jenkins	218 Penarth Road Cardiff CF11 8NN	300,633
Roger Moore	218 Penarth Road Cardiff CF11 8NN	19,889

16. Availability of this document

Copies of this document are available free of charge from the Company's registered office and at the offices of Evolution Securities Limited at 100 Wood Street, London, EC2V 7AN, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and will remain available for at least one month after Admission.

Dated 30 October 2007

