

4TV LIMITED
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004



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FOR THE YEAR ENDED 30 SEPTEMBER 2004**

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4TV LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

DIRECTORS:

K Austin
Mrs J A Austin
M J Hurney
O Durkin
R J Kendle
B Wolfe

SECRETARY:

Mrs J A Austin

REGISTERED OFFICE:

Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

REGISTERED NUMBER:

2138358 (England and Wales)

AUDITORS:

Murray Smith
Chartered Accountants
Registered Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire CW8 1AU

4TV LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2004

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2004.

PRINCIPAL ACTIVITIES

The principal activities of the group in the year under review were the provision of technical consultancy services and the development and marketing of interactive software applications.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors during the year under review were:

K Austin
Mrs J A Austin
M J Hurney
O Durkin
R J Kendle
B Wolfe - appointed 3 November 2003

The beneficial interests of the directors holding office on 30 September 2004 in the issued share capital of the company were as follows:

	30 September 2004	1 October 2003 or date of appointment if later
Ordinary shares of £0.001 each		
K Austin	189,697	189,697
Mrs J A Austin	60,453	60,453
M J Hurney	249,062	160,507
R J Kendle	93,971*	52,497*
Deferred shares of £0.999 each		
K Austin	124,813	124,813
Mrs J A Austin	31,203	31,203
M J Hurney	15,510	15,510
'B' Deferred shares of £0.7212615 each		
M J Hurney	87,550	87,550
R J Kendle	34,118*	34,118*
'D' Deferred shares £0.009 each		
K Austin	47,512	47,512
Mrs J A Austin	11,878	11,878
M J Hurney	32,661	32,661
R J Kendle	18,379*	18,379*
Redeemable preference shares of £0.001 each		
M J Hurney	347,336	-
R J Kendle	128,568*	-

* All shares are beneficially held by Mrs C Kendle, wife of R J Kendle.

Continued on page 3

4TV LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2004 (Continued)

DIRECTORS (Continued)

Under the terms of a Subscription Agreement dated 13 September 2002, K Austin and Mrs J A Austin were granted options to subscribe for 27,793 Ordinary shares of £0.001 per share, in aggregate at £3.59803 per share. The option is now exercisable at any time.

Under the terms of a Loan and Subscription Agreement dated 3 November 2003, K Austin and Mrs J A Austin were granted options to subscribe for 113,750 and 36,250 Ordinary shares of £0.001, respectively, at £1.40 per share. These options can be exercised at any time up to 3 November 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

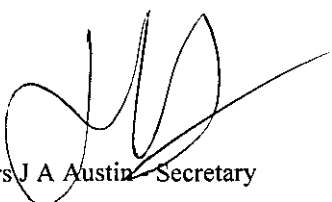
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

AUDITORS

Messrs Murray Smith have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:



Mrs J A Austin Secretary

Date: 8 December 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF 4TV LIMITED

We have audited the consolidated financial statements of 4TV Limited for the year ended 30 September 2004 on pages five to fourteen. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

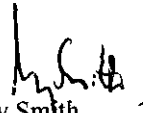
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note one to the financial statements concerning the going concern basis of preparation of the financial statements. Our opinion is not qualified in this respect.

Opinion

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



Murray Smith
Chartered Accountants
Registered Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire CW8 1AU

Date: 16 December 2005

4TV LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

	Notes	2004 £	2003 £
TURNOVER		719,790	480,613
Cost of sales		<u>(166,379)</u>	<u>(84,784)</u>
GROSS PROFIT		553,411	395,829
Administrative expenses		<u>(1,936,402)</u>	<u>(1,414,320)</u>
OPERATING LOSS	2	(1,382,991)	(1,018,491)
Interest receivable and similar income		<u>42</u>	<u>1,479</u>
		(1,382,949)	(1,017,012)
Interest payable and similar charges	3	<u>(100,827)</u>	<u>(18,956)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,483,776)	(1,035,968)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	12	<u>(1,483,776)</u>	<u>(1,035,968)</u>

The notes form part of these financial statements

4TV LIMITED**COMPANY PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

	Notes	2004 £	2003 £
TURNOVER		719,790	480,613
Cost of sales		<u>(166,379)</u>	<u>(84,784)</u>
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		(1,382,949)	(1,017,012)
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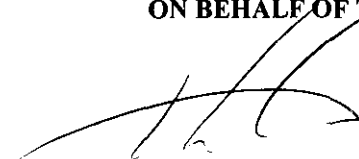
4TV LIMITED

**CONSOLIDATED BALANCE SHEET AS AT
30 SEPTEMBER 2004**

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	5	<u>102,384</u>	<u>100,975</u>
CURRENT ASSETS			
Debtors	7	402,563	49,208
Cash at bank and in hand		<u>190</u>	<u>317</u>
		402,753	49,525
CREDITORS			
Amounts falling due within one year	8	<u>(818,479)</u>	<u>(1,922,912)</u>
NET CURRENT LIABILITIES		<u>(415,726)</u>	<u>(1,873,387)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(313,342)	(1,772,412)
CREDITORS			
Amounts falling due after more than one year	9	<u>(873,387)</u>	<u>(78,076)</u>
		<u>(1,186,729)</u>	<u>(1,850,488)</u>
CAPITAL AND RESERVES			
Called up share capital	11	541,567	538,324
Share premium account	12	5,197,869	3,053,577
Profit and loss account	12	<u>(6,926,165)</u>	<u>(5,442,389)</u>
SHAREHOLDERS' FUNDS		<u>(1,186,729)</u>	<u>(1,850,488)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:


K Austin - Director


Mrs J A Austin - Director

Approved by the Board on 8 December 2005

The notes form part of these financial statements

4TV LIMITED

**COMPANY BALANCE SHEET AS AT
30 SEPTEMBER 2004**


	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	5	102,384	100,975
Investments	6	<u>2</u>	<u>2</u>
		<u>102,386</u>	<u>100,977</u>
CURRENT ASSETS			
Debtors	7	796,268	442,913
Cash at bank and in hand		<u>190</u>	<u>317</u>
		796,458	443,230
CREDITORS			
Amounts falling due within one year	8	<u>(1,212,183)</u>	<u>(2,316,616)</u>
NET CURRENT LIABILITIES		<u>(415,725)</u>	<u>(1,873,386)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(313,339)	(1,772,409)
CREDITORS			
Amounts falling due after more than one year	9	<u>(873,387)</u>	<u>(78,076)</u>
		<u>(1,186,726)</u>	<u>(1,850,485)</u>
CAPITAL AND RESERVES			
Called up share capital	11	541,567	538,324
Share premium account	12	5,197,869	3,053,577
Profit and loss account	12	<u>(6,926,162)</u>	<u>(5,442,386)</u>
SHAREHOLDERS' FUNDS		<u>(1,186,726)</u>	<u>(1,850,485)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:



K Austin - Director



Mrs J A Austin - Director

Approved by the Board on 8 December 2005

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements have also been prepared on the going concern basis. In support of this, as referred to in note 14, the company raised £300,000 by way of additional Loan Notes and sold various technology licences for £1,240,000. Following this the directors consider that the company has sufficient capital to enable it to continue in business but, they recognise the inherent uncertainty if further capital is required. The financial statements do not include any adjustments that would result if further finances are required which cannot be secured.

Basis of consolidation

The consolidated financial statements include the company and all its significant subsidiary undertakings, after eliminating intra-group balances and transactions.

Turnover

Turnover represents net invoiced work done and goods sold, excluding Value Added Tax.

Depreciation

Depreciation is provided for at the following annual rates in order to write off the cost of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and equipment	25% straight line
Motor vehicles	25% reducing balance
Computer equipment	25% straight line

A proportion only of the annual figure is charged during the period of acquisition, the proportion being calculated on the number of months of ownership.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase commitments

Tangible fixed assets acquired under hire purchase contracts are capitalised and depreciated over their estimated useful lives. The corresponding obligations are treated in the balance sheet as liabilities. Finance charges are allocated to accounting periods on a straight line basis over the terms of the contracts.

Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis.

Financial instruments

Debt instruments are stated at the amount of net proceeds adjusted to amortise the finance cost of debt evenly over the term of the debt.

Pension costs

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The company also makes contributions to employees' personal pension schemes. The pension cost for the year represents total contributions payable by the company to the various schemes.

Investments

Investments are valued at the lower of cost and market value.

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

1. ACCOUNTING POLICIES (Continued)

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

2. OPERATING LOSS

The operating loss is stated after charging:

	2004	2003
	£	£
Depreciation - owned assets	22,132	14,461
Depreciation - assets held under hire purchase contracts	10,463	4,414
Auditors remuneration	3,200	3,000
Pension costs	<u>40,286</u>	<u>26,804</u>
Directors' emoluments and other benefits, etc	<u>195,197</u>	<u>198,582</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

Bank overdraft interest	21,259	7,658
Bank loan interest	5,809	8,760
Hire purchase interest	2,169	2,538
7% Loan Note interest	15,080	-
7% Loan Note redemption premium	<u>56,510</u>	<u>-</u>
	<u>100,827</u>	<u>18,956</u>

4. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 September 2004 nor for the year ended 30 September 2003.

Factors affecting the tax charge

The tax assessed for the year is higher than the small companies rate of corporation tax in the UK and the difference is explained below:

	2004	2003
	£	£
Loss on ordinary activities before tax	<u>(1,483,776)</u>	<u>(1,035,968)</u>
Loss on ordinary activities multiplied by the small companies rate of corporation tax in the UK of 19%	(281,917)	(196,834)
Effects of:		
Expenses not deductible for tax purposes	5,087	2,412
Excess depreciation/(capital allowances)	903	(6,147)
Losses carried forward	<u>275,927</u>	<u>200,569</u>
Current tax charge	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

Tax losses of £6,340,377 have been carried forward to future periods. These losses have not been recognised as a deferred tax asset as there is insufficient evidence that the asset will be recoverable against future trading profits.

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

5. TANGIBLE FIXED ASSETS

Group and company

	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
COST				
At 1 October 2003	43,570	41,850	103,311	188,731
Additions	15,030	-	24,902	39,932
Disposals	(2,090)	-	(13,471)	(15,561)
At 30 September 2004	<u>56,510</u>	<u>41,850</u>	<u>114,742</u>	<u>213,102</u>
DEPRECIATION				
At 1 October 2003	31,413	-	56,343	87,756
Charge for the year	4,239	10,463	17,893	32,595
Eliminated on disposals	(1,841)	-	(7,792)	(9,633)
At 30 September 2004	<u>33,811</u>	<u>10,463</u>	<u>66,444</u>	<u>110,718</u>
NET BOOK VALUE				
At 30 September 2004	<u>22,699</u>	<u>31,387</u>	<u>48,298</u>	<u>102,384</u>
At 30 September 2003	<u>12,157</u>	<u>41,850</u>	<u>46,968</u>	<u>100,975</u>

The net book value of tangible fixed assets includes £31,387 (2003 - £41,850) in respect of assets held under hire purchase contracts.

6. FIXED ASSET INVESTMENTS

Company

	Shares in subsidiary undertakings £
COST	
At 1 October 2003 and 30 September 2004	<u>2</u>
NET BOOK VALUE	
At 30 September 2004	<u>2</u>
At 30 September 2003	<u>2</u>

The company is the beneficial owner of all the issued ordinary share capital of Danmere Technologies Limited, a dormant company registered in England and Wales.

The company is also the beneficial owner of all the issued share capital of Danmere USA Inc, a dormant company registered in the USA.

Investments are all unlisted.

4TV LIMITED
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004**
7. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	331,579	38,320	725,284	432,025
Other debtors	39,632	-	39,632	-
Prepayments	<u>31,352</u>	<u>10,888</u>	<u>31,352</u>	<u>10,888</u>
	<u>402,563</u>	<u>49,208</u>	<u>796,268</u>	<u>442,913</u>

In preparing the company's financial statements full provision has been made against amounts totalling £338,314 (2003 - £338,314) (net) from its subsidiary undertaking, Danmere Technologies Limited.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loan and overdraft (secured)	376,026	471,642	376,026	471,642
Other loans (secured)	-	896,438	-	896,438
Net obligations under hire purchase contracts (secured)	5,028	5,072	5,028	5,072
Trade creditors	239,975	300,638	239,975	300,638
Social security and other taxes	129,710	190,087	129,710	190,087
Other creditors	-	-	70,693	70,693
Accruals	<u>67,740</u>	<u>59,035</u>	<u>390,751</u>	<u>382,046</u>
	<u>818,479</u>	<u>1,922,912</u>	<u>1,212,183</u>	<u>2,316,616</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
7% Loan Notes 2006 (secured)	846,590	-	846,590	-
Bank loan (secured)	-	46,297	-	46,297
Net obligations under hire purchase contracts (secured)	<u>26,797</u>	<u>31,779</u>	<u>26,797</u>	<u>31,779</u>
	<u>873,387</u>	<u>78,076</u>	<u>873,387</u>	<u>78,076</u>

The loan notes are repayable in full on 17 June 2006 together with accrued interest and a redemption premium of 50%.

10. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year:

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Expiring:				
Within one year	7,087	-	7,087	-
Between one and five years	75,000	7,087	75,000	7,087
In more than five years	<u>-</u>	<u>30,752</u>	<u>-</u>	<u>30,752</u>
	<u>82,087</u>	<u>37,839</u>	<u>82,087</u>	<u>37,839</u>

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

11. CALLED UP SHARE CAPITAL

Authorised: Number	Class	Nominal value	2004 £	2003 £
2,671,888 (2003 – 1,424,459)	Ordinary	£0.001	2,672	1,424
358,048	Deferred	£0.999	357,690	357,690
242,636	'B' Deferred	£0.7212615	175,004	175,004
415,564	'D' Deferred	£0.009	3,740	3,740
2,646,438 (2003 – 500,000)	Redeemable Preference	£0.001	2,646	500
			<u>541,752</u>	<u>538,358</u>

Allotted, issued and fully paid: Number	Class	Nominal value		
2,487,146 (2003 – 1,389,717)	Ordinary	£0.001	2,487	1,390
358,048	Deferred	£0.999	357,690	357,690
242,636	'B' Deferred	£0.7212615	175,004	175,004
415,564	'D' Deferred	£0.009	3,740	3,740
2,646,438 (2003 – 500,000)	Redeemable Preference	£0.001	2,646	500
			<u>541,567</u>	<u>538,324</u>

1,097,429 Ordinary shares of £0.001 each and 2,146,438 Redeemable Preference shares of £0.001 each were allotted and fully paid during the year at par and £1 per share, respectively.

12. RESERVES

Group

	Profit and loss account £	Share premium account £	Total £
At 1 October 2003	(5,442,389)	3,053,577	(2,388,812)
Loss for the year	(1,483,776)	-	(1,483,776)
On shares issued during the year	-	2,144,292	2,144,292
At 30 September 2004	<u>(6,926,165)</u>	<u>5,197,869</u>	<u>(1,728,296)</u>

Company

At 1 October 2003	(5,442,386)	3,053,577	(2,388,809)
Loss for the year	(1,483,776)	-	(1,483,776)
On shares issued during the year	-	2,144,292	2,144,292
At 30 September 2004	<u>(6,926,162)</u>	<u>5,197,869</u>	<u>(1,728,293)</u>

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

13. RELATED PARTY DISCLOSURES

No single individual or entity controls the company.

During the year the company received services, on normal commercial terms from related parties as follows:

	Value £	Amount owing at 30 September 2004 £
N3 Trading Limited (a company of which M J Hurney is a director)	(10,607)	(9,526)
Durkin Media Limited (a company of which O Durkin is a director)	(38,300)	(9,753)
B Wolfe (a director)	(29,303)	(4,040)
Bell Holdings Limited (a major shareholder)	<u>(10,121)</u>	<u>-</u>

Bank guarantees in the sum of £200,000 each have been given by Bell Holdings Limited and 3i Group plc.

Secured loans made by M J Hurney, a director, and Mrs C Kendle, the wife of a director, R J Kendle, amounting to £347,336 and £128,568, respectively, were capitalised during the year and all securities pursuant to previous Loan Agreements were released and discharged. In exchange the company allotted and issued 347,336 and 128,568 Redeemable Preference shares of £0.001, respectively, at £1 per share. M J Hurney and Mrs C Kendle also applied for and were allotted 88,555 and 41,474 Ordinary shares of £0.01, respectively, at par, together with £30,000 and £29,281 Secured 7% Loan Notes 2006, respectively, at nominal value.

14. POST BALANCE SHEET EVENTS

The following events took place after the year end:

1. In November 2004 the company created an additional £1,225,000 Secured 7% Loan Notes 2006, ranking pari passu with those referred to in note 9, and issued £300,000. In consideration for the subscription the company allotted and issued 191,999 Ordinary shares of £0.001 each, at par.
2. In January 2005 the company issued a further £100,000 Secured 7% Loan Notes 2006. The holders of these Notes had an option to redeem them, at par, at any time within 45 days after the issue date and this was exercised in full.
3. In March, June, October and November 2005 the company entered into Agreements for the sale of various technology licences and the total amount received was £1,240,000.
4. In October 2005 the company entered into an Agreement for the sale of a part of the business and fixed assets for £600,037 to Inview Interactive Limited, a company in which K Austin and Mrs J A Austin are directors. In consideration the company received 600,000 Redeemable Preference shares of £1 each and 37,000 Ordinary shares of £0.001 each, in Inview Interactive Limited.